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

FORM 8-K/A

CURRENT REPORT

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

Date of Report (date of earliest event reported): **April 18, 2022**

NightHawk Biosciences, Inc.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of incorporation)

001-35994	**26-2844103**
(Commission File Number)	*(IRS Employer Identification No.)*

627 Davis Drive, Suite 400
Morrisville, North Carolina 27560
(Address of principal executive offices and zip code)

(919) 240-7133
(Registrant's telephone number including area code)

N/A
(Former Name and Former Address)

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

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0002 par value per share	NHWK	NYSE American LLC
Common Stock Purchase Rights		NYSE American 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 checkmark 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. ☐

Item 2.01. Completion of Acquisition or Disposition of Assets

This Current Report on Form 8-K/A amends and supplements Items 9.01(a) and 9.01(b) of the Current Report on Form 8-K filed by NightHawk Biosciences, Inc. (the "Company") (formerly Heat Biologics, Inc.) with the Securities and Exchange Commission on April 20, 2022 (the "Initial Form 8-K") to include audited financial statements for the years ended December 2021 and 2020 for Elusys Therapeutics, Inc. ("Elusys") and unaudited pro forma condensed combined financial information of the Company reflecting ownership of Elusys as of and for the year ended December 31, 2021, which were permitted pursuant to Item 9.01 of Form 8-K to be excluded from the Initial Form 8-K and filed by amendment to the Initial Form 8-K no later than 71 days after the date the Initial Form 8-K was required to be filed.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

Elusys' audited financial statements as of and for the year ended December 31, 2021 and as of and for the years ended December 31, 2020 and 2019 are filed herewith as Exhibits 99.1 and 99.2 and incorporated by reference in this Item 9.01(a).

(b) Unaudited Pro Forma Financial Information

The pro forma condensed combined financial information of the Company required by Item 9.01(b) of Form 8-K is filed herewith as Exhibit 99.3 and incorporated by reference in this Item 9.01(b).

(d) Exhibits.

The following exhibits are filed with this Amendment No. 1 to Current Report on Form 8-K.

Exhibit Number	Description
23.1	Consent of Cherry Bekaert LLP, independent auditor
23.2	Consent of EisnerAmper LLP independent auditor
99.1	Elusys Therapeutics, Inc. audited financial statements as of and for the year ended December 31, 2021
99.2	Elusys Therapeutics, Inc. audited financial statements as of and for the years ended December 31, 2020 and 2019
99.3	NightHawk Biosciences, Inc. Unaudited Pro Forma Condensed Combined Financial Statements as of and for the year ended December 31, 2021
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the inline XBRL document)

SIGNATURES

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

Dated: June 6, 2022

NIGHTHAWK BIOSCIENCES, INC.

By: /s/ Jeffrey Wolf
Name: Jeffrey Wolf
Title: Chairman, President and Chief Executive Officer

EXHIBIT 99.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in each of the Registration Statements on Form S-1 (No. 333- 224039 and No. 333-234105), Form S-3 (No. 333-214868, No. 333-237808, No. 333-251255, No. 333-251256, and No. 333-257051) and Form S-8 (No. 333-193453, No. 333-196763, No. 333-207108, No. 333-213133, No. 333-219238, No. 333-227699, No. 333-233352, No. 333-237137, No. 333-249466, and No. 333-260120), of NightHawk Biosciences, Inc. of our report dated April 28, 2022 relating to the financial statements of Elusys Therapeutics, Inc. as of and for the year ended December 31, 2021, which appears in this Current Report on Form 8-K/A.

/s/Cherry Bekaert LLP

Raleigh, North Carolina
June 6, 2022

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Nighthawk Biosciences, Inc. on Form S-1 (No. 333-224039 and No. 333-234105), Form S-3 (No. 333-214868, No. 333-237808, No. 333-251255, No. 333-251256, and No 333-257051) and Form S-8 (No. 333-193453, No. 333-196763, No. 333-207108, No. 333-213133, No. 333-219238, No. 333-227699, No. 333-233352, No. 333-237137, No. 333-249466, and 333-260120) of our report dated October 4, 2021, on our audit of the financial statements of Elusys Therapeutics, Inc. as of December 31, 2020 and 2019 and for each of the years then ended, which report is included in this Current report on Form 8-K/A.

/s/ EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
June 6, 2022

EXHIBIT 99.1

Cherry Bekaert LLP
CPAs & Advisors

Report Independent Auditor

To the Board of Directors and Shareholders
Elusys Therapeutics, Inc.
Parsippany, New Jersey

Opinion

We have audited the accompanying financial statements of Elusys Therapeutics, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2021, and the related statements of operations, changes in stockholders' equity, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ Cherry Bekaert LLP

Raleigh, North Carolina
April 28, 2022

ELUSYS THERAPEUTICS, INC.

Contents

ELUSYS THERAPEUTICS, INC.
Balance Sheet
December 31, 2021

ASSETS		
Current assets:		
Cash and cash equivalents	$	49,325,227
Contract receivables		947,917
Income tax refund receivables		1,152,954
Miscellaneous receivables		25,052
Prepaid expenses and other current assets		896,710
Inventory - current		8,081,114
Total current assets		60,428,974
Property and equipment, net		75,809
Security deposits and other non-current assets		26,253
Deferred tax assets, non-current		2,005,000
Right of Use Asset		376,348
Total non-current assets		2,483,410
Total assets	$	62,912,384
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$	267,453
Accrued liabilities		3,787,311
Current portion of operating lease obligation		144,370
Total current liabilities		4,199,134
Operating lease obligation, long-term		248,701
Total non-current liabilities		248,701
Total liabilities		4,447,835
Stockholders' equity:		
Series D convertible preferred stock		108,736,271
Series E convertible preferred stock		8,655,897
Common stock		9,468
Additional paid-in capital		224,562
Accumulated deficit		(59,161,649)
Total stockholders' equity		58,464,549
Total liabilities and stockholders' equity	$	62,912,384

The accompanying notes are an integral part of these financial statements

ELUSYS THERAPEUTICS, INC.
Statement of Operations
Year ended December 31, 2021

Revenues:	
Product sales	$ 51,494,290
Government service revenue	1,904,496
Total revenues	53,398,786
Costs and expenses:	
Cost of product sales	(13,714,625)
Research and development	(2,097,812)
Selling, general and administrative	(5,610,741)
Income from operations	31,975,608
Other income:	
Loan forgiveness	821,900
Interest income, net	8,089
Income before income taxes	32,805,597
Current income tax expense	(7,818,878)
Net income	$ 24,986,719

The accompanying notes are an integral part of these financial statements

ELUSYS THERAPEUTICS, INC.
Statement of Changes in Stockholders' Equity
Year ended December 31, 2021

	Convertible Preferred Stock				Common Stock		Additional	Accumulated	Total
	Series D		Series E				Paid-in		Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance at January 1, 2021	65,845,422	$ 108,736,271	5,747,127	$ 8,655,897	9,467,033	$ 9,468	$ 208,937	$ (84,148,368)	$ 33,462,205
Stock compensation expense related to the grant of stock options	—	—	—	—	—	—	15,625	—	15,625
Net income	—	—	—	—	—	—	—	24,986,719	24,986,719
Balance at December 31, 2021	**65,845,422**	**$ 108,736,271**	**5,747,127**	**$ 8,655,897**	**9,467,033**	**$ 9,468**	**$ 224,562**	**$ (59,161,649)**	**$ 58,464,549**

The accompanying notes are an integral part of these financial statements

ELUSYS THERAPEUTICS, INC.
Statement of Cash Flow
Year ended December 31, 2021

Cash flows from operating activities:	
Net income	$ 24,986,719
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	28,558
Deferred tax asset valuation allowance	6,774,000
Right of Use Asset – ROU	134,226
Stock compensation expense	15,625
Loan forgiveness	(821,900)
Changes in operating assets and liabilities:	
Receivables	(1,962,339)
Inventory	11,472,540
Prepaid expenses and other current assets	362,115
Other non-current assets – security deposits	1,704
Accounts payable and accrued liabilities	1,572,051
Deferred revenue	—
Operating lease obligation	(134,857)

Net cash provided by operating activities		42,428,442
Cash flows from financing activities:		
Proceeds from debt		411,000
Net cash provided by financing activities		411,000
Net increase in cash and cash equivalents		42,839,442
Cash and cash equivalents at beginning of year		6,485,785
Cash and cash equivalents at end of year	$	49,325,227
Supplemental disclosure of cash flow information:		
Taxes paid during the year	$	367,130

The accompanying notes are an integral part of these financial statements

Note A - Corporate Information, Status of Operations, and Management Plans

[1] Corporate information:

Elusys Therapeutics, Inc. (the "Company"), incorporated on April 14, 1998, focused on the development of targeted anti-infective therapeutics for the treatment of infectious diseases. The Company's focus is on the commercialization, continued development and product enhancements of its anti-anthrax antibody, ANTHIM®.

[2] Sale of Company, status of operations and management plans:

In December 2021, Elusys Therapeutics, Inc. (Company) entered into an Agreement and Plan of Merger and Reorganization with Heat Biologics, Inc (Parent), Heat Acquisition Sub 1 Inc.(Merger Sub), and Fortis Advisors LLC (in its capacity as the Representative of the Stockholders), whereby subject to certain conditions, Parent would acquire the Company through merger of the Merger Sub with and into the Company. Terms of the agreement require consideration of $5,000,000 to be paid to shareholders along with certain milestone based payments over a period of years. Following the merger, the separate corporate existence of Merger Sub will cease, and the Company shall continue as the surviving corporation and a wholly-owned subsidiary of Parent. The financial statements were not prepared with the impact of this merger as the closing of this transaction occurred April 18, 2022.

On August 7, 2021, the Company executed a letter contract with the U.S. Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response, Strategic National Stockpile ("DHHS/ASPR/SNS") to furnish all labor, materials, supplies, facilities, equipment, transportation and travel necessary to manufacture, manage, sustain, and deliver ANTHIM® (FDA-approved anthrax antitoxin) for treatment of inhalational anthrax due to Bacillus anthrax. The total contract award of approximately $81.0 million is comprised of a base quantity, valued at $50.0 million and an option quantity, valued at $31.0 million. The work is to be performed from the period August 6, 2021, through September 14, 2024. This procurement will increase the inventory of ANTHIM® stored in the Strategic National Stockpile for use as a medical countermeasure against a potential bioterrorist attack.

On January 11, 2022, the Company and the U.S. Department of Health and Human Services entered into a supplemental agreement (definitization of contract through a modification) to the letter contract executed on August 7, 2021, which decreased the potential aggregate price of the letter agreement by $144,000 from $81,008,000 to $80,864,000.

On April 15, 2022, the company issued an invoice in the amount of $23,307,660 to the DHHS/ASPR/SNS for the delivery of 8,354 vials of bulk drug substance to vendor managed inventory in accordance with the letter contract as noted above.

Note B - Summary of Significant Accounting Policies

[1] Use of estimates:

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

Note B - Summary of Significant Accounting Policies (continued)

[2] Revenue recognition and deferred revenue:

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers,* effective January 1, 2019. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price using the most likely method based on historical experience as well as applicable information currently available.

Product Sales
The Company recognizes revenue from product sales when its performance obligations with its customers have been satisfied. In the contracts withU.S. Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response, Biomedical Advance Research and Development Authority ("BARDA") , the Company has identified individual performance obligations to manufacture and supply products to the government. The performance obligations are satisfied at a point in time when the Company's customers obtain control of the product, which is typically upon acceptance of the product at the delivery site. The Company invoices its customers after acceptance of the product and invoice payments are generally due within 30 days of the invoice date. The Company records product sales net of any variable consideration, including refund rights. The Company uses the most likely amount method when estimating its variable consideration, unless terms are specified within contracts. The Company recognizes revenue to the extent that it is probable that a significant revenue reversal will not occur in a future period. These estimates may differ from actual consideration received. The Company evaluates these estimates to reflect known changes.

Grant Revenue
The Company performs research and development for the U.S. Government agencies under cost plus fixed fee contracts. Revenues from reimbursable contracts are recognized over time as allowable costs are incurred during the period since the U.S. Government simultaneously receives and consumes the benefits provided by the Company. The Company uses the input method to measure satisfaction of the performance obligation. The cost plus fixed fee contracts include a variable component since they are subject to audit by the granting agency and, as a result, the amount could be adjusted in future periods based on the results of the audit. Based on variable consideration, we estimated indirect and fringe rate true-ups based on available guidance from the government entity. Unbilled receivables primarily represent revenue earned on contracts, which the Company is contractually precluded from billing until a future date. There are no unbilled receivables included in contract receivables at December 31, 2021.

Note B - Summary of Significant Accounting Policies (continued)

[2] Revenue recognition and deferred revenue: (continued)

Disaggregated Revenue
Contract revenue, assets and liabilities under the contracts described above, as well as the sales of ANTHIM® to BARDA are as follows as of December 31, 2021:

	2009 BARDA Contract	2011 BARDA Contract	Sales of ANTHIM®	Total
December 31, 2021:				
Revenue	$ 339,354	$ 1,565,142	$ 51,494,290	$ 53,398,786
Accounts receivable	—	923,917	24,000	947,917
Unbilled revenue	—	—	—	—
Accrued expense	—	—	—	—

In accordance with the DHHS contracts, the Company is subject to periodic reviews of fringe and indirect overhead rates submitted under the contracts for reimbursement. The audit of the 2019 and 2018 fringe and overhead rate have been completed and the final indirect cost rate agreements executed. Amounts due to the Company under the contract HHSO100201100034C for 2019 and 2018 are approximately $296,600 and $557,600, respectively and recorded as revenue as of December 31, 2021.

[3] Concentration of credit risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash, which are maintained with one major financial institution. The Company has not experienced any losses in such accounts.

[4] Accounts Receivable:

Accounts receivable are presented on the balance sheet net of estimated uncollectible amounts. Accounts receivable were $2,125,923 as of December 31, 2021. As of December 31, 2021, the Company did not believe there were factors that indicated the need for an allowance for doubtful accounts. During the year ended December 31, 2021 the Company had bad debt expense of $0.

Note B - Summary of Significant Accounting Policies (continued)

[5] Inventory:

The Company has bulk drug substance ("BDS") used in the manufacturing process recorded as current inventory, with a cost basis of $8,081,114, as of December 31, 2021. On April 6, 2022, the Company executed a modification to the letter contract which exercises the USG contract option valued at approximately $31.0 million with an effective date of April 1, 2022. All inventory has been recorded at the lower of cost or market.

[6] Property and equipment:

Property and equipment are stated at cost, less depreciation and amortization. Depreciation is calculated using the straight-line method based on a three-year life for office equipment, and seven-year life for furniture and fixtures. Amortization of leasehold improvements is computed using the straight-line method over the shorter of their estimated useful life or the term of the lease.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs related to bringing the asset to its working condition and location for its intended use. Expenditures incurred after an asset has been put into operations that do not result in an improvement of the asset or extension of its estimated life, such as repairs and maintenance, are charged to expense in the period in which they are incurred. The Company reviews property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of such assets may not be fully recoverable. Impairment is recognized for long-lived assets when the carrying values exceed their undiscounted cash flows. There was no impairment as of December 31, 2021.

[7] Income taxes:

The Company provides for deferred income taxes in accordance with the FASB ASC Topic 740, *Income Taxes*, which requires deferred tax assets and liabilities to be recognized for the future tax consequences attributable to net operating loss ("NOL") carryforwards and for differences between the financial statement carrying amounts and the respective tax bases of assets and liabilities. Deferred tax assets are reduced if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company also follows the FASB ASC Topic 740-10, *Uncertainty in Income Taxes.* This Topic prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Topic also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes tax benefits or expenses of uncertain tax positions in the year such determination is made when the position is more likely than not to be sustained assuming examination by tax authorities.

Management evaluates the tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not to be sustained upon examination by the applicable tax authorities. As of December 31, 2021, the Company had no material uncertain tax positions.

Note B - Summary of Significant Accounting Policies (continued)

[8] Stock-based compensation:

The Company recognizes compensation expense for all equity-based payments. Stock-based compensation issued to employees is accounted for under ASC 718-10, *Compensation—Share Compensation* ("ASC 718-10"). The Company utilizes the Black-Scholes valuation method to recognize compensation expense over the vesting period. Certain assumptions need to be made with respect to utilizing the Black-Scholes valuation model, including the expected life, volatility, risk-free interest rate and anticipated forfeiture of the stock options.

[9] Research and development costs:

Research and development expenditures are expensed as incurred. Research and development expenses are comprised of costs in performing research and development activities, including, salaries, benefits, contracted services, materials, supplies and other external costs.

[10] Leases:

Right of Use ("ROU") assets represent the Company's right to use an underlying asset during the reasonably certain lease term and operating lease obligations represent the Company's obligation to make lease payments arising from the lease. The Company recognizes ROU lease assets and operating lease liabilities at lease commencement on our balance sheet based on the present value of lease payments over the lease term using a discount rate determined based on the Company's incremental borrowing rate since the rate implicit in each lease is not readily determinable. The Company elected the practical expedient to account for each separate lease component of a contract and its associated non-lease components as a single lease component. The Company does not record an ROU asset and corresponding lease liability for leases with an initial term of 12 months or less ("short-term leases"). Lease payments are made in accordance with the lease terms and lease expense is recognized on a straight-line basis over the lease term.

[11] Recent accounting pronouncements:

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses.* The standard modifies the impairment model for most financial assets, including trade accounts receivables and loans, and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The effective date of the standard is for fiscal years beginning after December 15, 2022, with early adoption permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of adoption of this update on its financial statements and related disclosures.

[12] Subsequent events:

The Company evaluated events or transactions that occurred after the balance sheet date through April 29, 2022, the date the financial statements were available to be issued. See Note M.

Note C - Property and Equipment

Property and equipment consist of the following:

Office equipment	$	47,150
Furniture and fixtures		102,469

Leasehold improvements	55,395
Total property and equipment	205,014
Less: accumulated depreciation and amortization	129,205
Property and equipment, net	$ 75,809

Depreciation and amortization expense for the year ended December 31, 2021 was approximately $29,000.

Note D - Debt

On May 4, 2020, Elusys Therapeutics, Inc. entered into an unsecured term loan in the amount of $410,900 issued by the U.S. Small Business Administration ("SBA") in accordance with the Coronavirus Aid, Relief and Economic Security Act ("CARES") Act Paycheck Protection Program. The principle amount outstanding is payable over a 24-month period at an annual interest rate of 1%. Payments begin six months from the day of first disbursement of the loan and interest will accrue during this deferment period. The Company received approval of loan forgiveness for the full amount outstanding in May 2021. All interest relating to this loan accrued through December 31, 2021 has been reversed.

On April 29, 2021, Elusys Therapeutics, Inc. entered into an unsecured term loan in the amount of $411,000 issued by the SBA in accordance with the CARES Act Paycheck Protection Program. This unsecured loan is payable over a 60 - month term at an annual interest rate of 1%. Payments are not due during the deferment period (as defined in the loan note), however interest will continue to accrue on the unpaid principal balance of the loan during this time. The Company received approval of loan forgiveness for the full amount outstanding in November 2021. All interest relating to this loan accrued through December 31, 2021 has been reversed.

Note E - Significant Contracts and Agreements

Research Contracts

Department of Health and Human Services Contract

a. In December 2009, the Company was awarded a multi-part cost plus fixed fee contract from the DHHS Biomedical Advanced Research and Development Authority for the development and manufacture of ANTHIM®. The contract starts with a base-year contract in the amount of $16.8 million (base-year contract) for development activities necessary to achieve emergency use application eligibility and submit a biologics license application for the use of ANTHIM® as a treatment for anthrax infection and conduct studies to evaluate a post-exposure prophylaxis indication.

Note E - Significant Contracts and Agreements (continued)

In addition, the contract has four separate one-year options, with a total additional preliminary contract value of $126.2 million. The government may, by unilateral contract modification, require the Company to perform any of the additional options as defined in the contract by giving the Company at least 60 days' notice prior to the contract expiration date. The following options were exercised by DHHS, which reflect all of the options available under the contract:

- In July 2010, DHHS exercised the first of the one-year options valued at $40.6 million.
- In July 2012, DHHS exercised the second of the one-year options valued at $50.2 million.
- In September 2012, DHHS exercised a third option valued at $10 million.
- In July 2013, DHHS exercised the fourth option valued at $25 million.

The Company has completed all of the activities required under this contract and is awaiting formal contract close-out.

b. In August 2011, the Company was awarded another multi-part cost plus fixed fee contract for the development of an anti-toxin for pre- and post-exposure prophylaxis use and treatment via intramuscular injection. The contract, which amounts to $26.5 million, has a base performance period that runs from September 15, 2011 to September 14, 2013, focused on initiating nonclinical development studies and further development activities in support of administration of ANTHIM® by the intramuscular route.

In addition, the contract has five separate options with varying performance periods and additional preliminary contract value totaling approximately $42.3 million. The government may, by unilateral contract modification, require the Company to perform any of the additional options as defined in the contract by giving the Company notice prior to the contract expiration date. The following options were exercised by DHHS:

- In August 2012, DHHS exercised the first of the contract options valued at $4.5 million.
- In September 2014, DHHS exercised the second of the contract options valued at $7.4 million.
- In September 2015, DHHS exercised the third of the contract options valued at $16.2 million.
- In September 2016, DHHS exercised a portion of the fourth of the contract options valued at $2.3 million.
- In December 2016, DHHS exercised the remaining portion of the fourth of the contract options valued at $2.4 million.
- On October 6, 2020, DHHS granted an extension to the period of performance to July 31, 2021.

The Company has completed all of the activities required under this contract and is awaiting formal contract close-out.

Agreements

Lonza Sales AG

In April 2009, the Company entered into a license agreement with Lonza Sales AG ("Lonza") for certain intellectual property rights. The agreement requires the Company to pay Lonza on a quarterly basis, a royalty based on the net selling price of all products manufactured by Lonza or a strategic partner of the Company as defined in the agreement. In 2016, the Company made royalty payments of $120,000 related to deposits on product reflected as deferred revenue. This royalty payment was recorded as a prepaid expense and was expensed as a cost of sale consistent with the recognition of the related revenue in 2020. Royalty expense amounted to approximately $385,000 for the year ended December 31, 2021.

ELUSYS THERAPEUTICS, INC.

Notes to Financial Statements
December 31, 2021

Note E - Significant Contracts and Agreements (continued)

The Company has two subcontract agreements with Lonza to procure services for the commercial manufacturing and supply of the product for and to the Company ("2015 Bulk Drug Substance Ordering Agreement") and to transfer, scale-up and validate the product in support of the U.S. Government contract ("Subcontract Agreement"). The latter agreement aligns with the BARDA contract terms as outlined above. The total value of the contracts with Lonza are estimated at $72,000,000 and $60,000,000, respectively. Payments for the year ended December 31, 2021 under these contracts amounted to approximately $29,000 and $0, respectively. Amounts due to Lonza under these contracts totaled $0 at December 31, 2021.

Lonza intends to decommission the bioreactors previously used to manufacture Elusys' product and Lonza will establish a new suite for manufacturing by 2022-2023. As a result in December 2018, the Company entered into an agreement ("Amendment #63") to the Bulk Drug Substance Ordering Agreement with Lonza defining the transfer and establishment of the licensed process in the new manufacturing suite. The Company expects that the transfer will result in a substantial expense and the Company currently does not have a substitute manufacturer. The Company is currently assessing its options as it relates to the manufacture of future orders. Additionally, as per Amendment #63, future commercial orders that utilize the new manufacturing suite will have a minimum campaign size of seven (7) batches at a per-batch price of $2,550,000 unless agreed upon by both parties in writing.

Note F - Capital Structure

[1] Stockholders' agreement:

The owners of the Company's common and preferred stock are parties to the Amended and Restated Shareholders Agreement executed in January 2007. This agreement provides a right of first refusal to the holders of preferred stock of the Company to purchase, in whole or in part, any securities the Company should offer in the future at the price and on the terms and any such considerations specified in the offer, subject to certain exemptions. The stockholders' agreement terminates upon the occurrence of certain events, including a firmly underwritten initial public offering of any common stock of the Company with gross proceeds of $20,000,000 or more and has a per share price to the public of $2.40 or more.

[2] Common stock:

The total number of shares of common stock the Company is authorized to issue is 95,000,000 with a par value of $0.001. Of its total authorized shares, the Company has reserved 6,425,749 shares for its stock option and restricted stock plan, 65,845,422 shares for the conversion of Series D Convertible Preferred Stock ("Series D"), 5,747,127 shares for the conversion of Series E Convertible Preferred Stock ("Series E"), and 229,885 shares for the conversion of Series E Junior Preferred Stock. Holders of common stock, voting as a separate class, are also entitled to elect one director to the Board. Restricted shares issued and outstanding were 1,072,210 at December 31, 2021.

[3] Preferred stock:

Series D Convertible Preferred Stock
In April 2004, the Company completed the initial closing of issuance and sale of Series D Preferred Stock whereby the holders of the Series A, Series B, Series C, and Series C2 Preferred Stock (the "Designated Preferred Stock") were allowed to purchase Series D Preferred Stock and exchange their previously acquired shares of Designated Preferred Stock into such number of fully paid, non-assessable shares of Series D shares based upon an investment formula. Those holders of the Designated Preferred Stock who elected not to purchase or not to purchase to the full extent of such holder's pro-rata share (referred to as "Non-Participating Holders"), all of the outstanding shares (or such lesser number of shares not converted to Series D) held by such Non-Participating Holders would be automatically converted into the number of fully paid, non-assessable shares of common stock without any further action by the holders of such shares. Issuance costs totaling $366,014 were presented as a reduction of the carrying amount of the Series D Preferred Stock.

ELUSYS THERAPEUTICS, INC.

Notes to Financial Statements
December 31, 2021

Note F - Capital Structure (continued)

The Company received approximately $10.3 million and issued approximately 49 million shares of Series D on the conversion of Series A, Series B, Series C, and Series C2 and sale of Series D. Furthermore, immediately following the initial closing of the issuance and sale of Series D, the Company amended and restated the "2004 Amended and Restated Certificate of Incorporation", providing for, among other things, the elimination of the Series A, Series B, Series C, and Series C2.

As of December 31, 2021, there were 65,845,422 shares authorized, issued, and outstanding of Series D Convertible Preferred Stock. The Series D Convertible Preferred Stock had an aggregate liquidation preference of $232,441,068 as of December 31, 2021.

Series E Convertible Preferred Stock
In January 2007, the Company issued 5,747,127 shares of Series E Convertible Preferred Stock to Pfizer for $5,000,000. Issuance costs totaling $13,588 were presented as a reduction of the carrying amount of the Series E Preferred Stock.

As of December 31, 2021, there were 5,747,127 shares authorized, issued, and outstanding of Series E Convertible Preferred Stock. The Series E Convertible Preferred Stock had an aggregate liquidation preference of $18,837,994 as of December 31, 2021.

Series E Junior Convertible Preferred Stock
The Company is authorized to sell 229,885 shares of Series E Junior Convertible Preferred Stock with a par value of $0.01 at a price of $0.87 per share. There were no shares issued and outstanding as of December 31, 2021.

Holders of both Series D and Series E Preferred Stock are entitled to the following rights and privileges:

Voting
Holders of senior preferred stock are entitled to vote on all matters voted on by stockholders of the Company and shall have that number of votes equal to the maximum number of whole shares of common stock into which the shares of preferred stock held by such holder could be converted as of the record date. Except as otherwise required by law, the Series E Junior Convertible Preferred Stock shall have no voting rights.

Dividends
The holders of preferred stock shares are entitled to receive cumulative preferential dividends compounded quarterly, at an annual rate of $0.0640 and $0.0696 per share of Series D and Series E Preferred Stock, respectively, payable when declared by the Board of Directors ("Board") or payable (whether or not declared by the Board) upon liquidation or redemption as stipulated in the "Amended and Restated Certificate of Incorporation of Elusys Therapeutics, Inc." The junior preferred stock will receive dividends as and when declared by the Company on a pari passu basis with the common stock.

Liquidation Rights
In the event of any voluntary or involuntary liquidation, dissolution, or winding-up of the Company, each holder of senior preferred stock shall be entitled to be paid out of the distributable assets of the Company before any payment or distribution of any kind is made to any holder of junior preferred stock and common stock, the aggregate amount of the liquidation value (defined as the original purchase price multiplied by one and one half, plus all dividends declared or accrued, whether or not declared, but unpaid).

Conversion
Each share of preferred stock shall be convertible, at the option of the holder, at any time after the original issue date of such share at the conversion ratio in effect at the time of conversion. Each share of preferred stock shall be convertible into the number of shares of common stock equal to the quotient of the initial conversion price ($0.80 for Series D and $0.87 for Series E and Series E Junior) divided by the conversion price in effect at the time of conversion (referred to as "Conversion Ratio").

Note G - Stock Option/Restricted Stock Plans

The Company adopted the 1999 Stock Option/Restricted Stock Plan (the "1999 Plan") in January 1999 and adopted Amendment No. 4 effective July 14, 2004. Under the amended 1999 Plan, the Board, or a committee (the "Committee") appointed by the Board, has the sole discretion to grant to employees, directors, and consultants who are responsible for or contribute to the management, growth, and profitability of the Company and its affiliates (i) stock options and (ii) restricted stock.

In April 1999, the Company also adopted the 1999 Director Stock Option Plan (the "Director Plan") and adopted Amendment No. 2 effective July 14, 2004. The Chief Executive Officer of the Corporation has complete authority to administer, construe and interpret the terms of the Director Plan. Persons entitled to receive options and the terms and amounts of such options shall be determined as provided in the Director Plan.

In March 2007, the stockholders of the Company adopted the Stock Option and Restricted Stock Plan (the "2007 Plan") providing for the issuance of an additional 7,000,000 shares of common stock to directors, officers, employees, and consultants of the Company. Under the 2007 Plan, each option granted to an employee shall be an incentive stock option to the maximum permitted under the Internal Revenue Code, and any excess over such maximum, as well as each option granted to non-employee grantee, shall be a nonqualified stock option. The 2007 Plan allows a nonemployee director to receive an option of 20,000 shares of common stock upon initial election to the Board and an annual option to purchase 40,000 shares of common stock. In addition, the Chairman of the Board can elect 16,500 options and a nonemployee director can elect 10,000 options in lieu of an annual cash retainer for their "Compensation Option" and 2,500 shares or 1,250 shares granted in lieu of cash compensation for each Committee or Board meeting attended in person or by telephonic attendance, respectively. Options vest in accordance with the provisions of the 2007 Plan or on terms set forth in the stock option agreement.

Options terminate on the 10th anniversary of the date of grant, or earlier under conditions provided in the 2007 Plan. Restricted stock awards shall consist of shares of common stock restricted against transfer, subject to substantial risk of forfeiture and other terms and conditions determined by the Committee. Upon adoption of this plan, the 1999 Plan and the 1999 Director Plan were closed and no further options are granted under that plan. As of December 31, 2021, there were 1,285,000 options outstanding under the 2007 Plan and 5,190,749 shares available for issuance.

A summary of activity under the 2007 Plan for the year ended December 31, 2021 is as follows:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value	Intrinsic Value
Outstanding at January 1, 2021	1,455,000	0.22	—	383,272
Granted	125,000	0.38	0.13	—
Exercised	—	—	—	—
Forfeited	(295,000)	0.13	—	—
Outstanding at December 31, 2021	**1,285,000**	**$ 0.26**	**$ —**	**$ 307,556**
Available for grant at December 31, 2021	**5,190,749**			
At December 31, 2021:				
Fully vested option shares outstanding/exercisable				1,285,000
Weighted-average exercise price				$ 0.26
Weighted-average remaining contractual term				5.08 years

Note G - Stock Option/Restricted Stock Plans (continued)

The Company has utilized the Black-Scholes-Merton valuation model for estimating the fair value of all stock options granted during 2021. The fair value of each option is estimated on the date of the grant. The fair value is then amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. Use of a valuation requires management to make certain assumptions with respect to model inputs. Set forth below are the weighted-average assumptions used in valuing the stock options granted.

Assumptions	
Risk-free interest rate	0.86%
Expected life	5.00 years
Expected volatility	36%
Expected dividend yield	0%

The risk-free interest rate is the average U.S. Treasury rate with a term that most closely resembles the expected life of the option for the quarter in which the option was granted. The expected life is the period of time that the options granted is expected to remain outstanding. Expected volatility is a measure of the amount by which the share price has fluctuated or is expected to fluctuate during a period. The Company calculated the expected historical volatility used by similar public companies to estimate expected volatility. The Company does not pay regular dividends on its common stock and does not anticipate paying any dividends in the foreseeable future.

Forfeitures are estimated based on the Company's historical rate of actual share-based award forfeitures. The share-based compensation cost charged against income was approximately $16,000 for the year ended December 31, 2021. As of December 31, 2021, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. The total fair value of shares that vested during the years ended December 31, 2021 was approximately $16,000.

The following table summarizes information about stock options outstanding as of December 31, 2021:

Option Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life	Number of Options Exercisable
$ 0.131	160,000	0.61 years	160,000
0.137	250,000	2.23 years	250,000
0.173	125,000	3.72 years	125,000
0.253	125,000	4.70 years	125,000
0.302	125,000	5.74 years	125,000
0.379	125,000	6.71 years	125,000
0.379	125,000	7.71 years	125,000
0.379	125,000	8.71 years	125,000
0.379	125,000	9.71 years	125,000
	1,285,000	5.08 years	1,285,000

Note H - Employment Agreements

The Company has employment agreements for four employees which provide for severance in the case of termination without cause and includes a change of control provision, which provides for additional compensation in the event of such transaction.

Note I - Income Taxes

The income tax expense shown on the statements of operations differs from the amounts that would result from applying statutory income tax rates to income before taxes primarily because of the release of the valuation allowance.

Income tax benefit (expense) for the year ended December 31, 2021 consisted of the following:

Current:	
Federal	$ (156,000)
State	(889,000)
	(1,045,000)
Deferred:	
Federal	(6,699,000)
State	(75,000)
	(6,774,000)
Income tax benefit (expense)	$ (7,819,000)

The significant components of the Company's deferred tax assets (approximates) are as follows:

Deferred tax assets:	
Operating assets and liabilities	$ 26,000
Net operating loss carryforwards	—
Stock compensation expense	57,000
Other deferred tax assets	161,000
Federal credit carryforwards	1,761,000
Gross deferred tax asset, noncurrent	2,005,000
Valuation allowance	—

Net deferred tax asset, noncurrent	$ 2,005,000

ELUSYS THERAPEUTICS, INC.

Notes to Financial Statements
December 31, 2021

Note I - Income Taxes (continued)

At December 31, 2021 the Company utilized its gross net operating loss ("NOL") carryforwards of approximately $29,600,000 for federal income tax purposes. The Company also has approximately $1,761,000 of research and development carryforwards for federal and state tax purposes. The federal credits begin expiring in 2024.

Due to the change in ownership provisions of the Internal Revenue Code, the availability of the Company's NOL carryforwards may be subject to annual limitations under Section 382 of the Internal Revenue Code against taxable income in the future period, which could substantially limit the eventual utilization of such carryforwards. The Company had an Internal Revenue Code Section 382 study completed through December 31, 2012, noting that there were no ownership changes which would limit the utilization of NOL carryforwards.

On March 27, 2020, Congress passed the CARES Act. This Act modified the current rules relative to NOLs. Under the CARES Act, NOLs arising in tax years beginning after December 31, 2017, and prior to January 1, 2021 may be carried back five years preceding the year of the loss. After the enactment of the Tax Cuts and Jobs Act of 2017, NOLs could no longer be carried back, but they could be carried forward indefinitely subject to a limitation of 80% of taxable income. The CARES Act also temporarily remove the 80% limitation until 2020. Thus far, the Company did not generate any NOLs subsequent to December 31, 2017 and all NOLs are being carried forward.

In February 2022, the Company received an information document request from the State of New Jersey Department of the Treasury, Division of Taxation, requesting additional information to complete the processing of the Company's amended income tax returns for the years ending 2017, 2018 and 2019. In March 2022, a second request was received for additional information necessary to complete the audit. Other items may be requested as the exam proceeds. The potential receivable with respect to these amended returns total $1.1 million as of December 31, 2021 and there is a high probability of realizing the receivable in 2022.

Note J - Leases

On December 31, 2018, the Company entered into an operating lease agreement for a 6,702 square foot office space facility on 4 Century Drive in Parsippany, New Jersey from June 6, 2019 through June 30, 2024, which require average monthly payments of $13,125. The Company determines if an arrangement is a lease at inception. The arrangement is a lease if it conveys the right to the Company to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. This operating lease is included in Right-of-Use ("ROU") asset, current portion of operating lease indebtedness and operating lease indebtedness, long-term on the balance sheets. The Company recognizes rent expense for this lease on a straight-line basis over the lease term. ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's lease does not provide an implicit rate, it uses its incremental borrowing rate of 4.4% based on the commencement date in determining the present value of these lease payments. The Company gives consideration to instruments with similar characteristics when calculating this incremental borrowing rate. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Rent expense was approximately $159,000 for the year ended December 31, 2021, and cash payments for rent and utilities was $161,000 for the year ended December 31, 2021. Amortization of the ROU asset totaled approximately $134,000 and lease liability payments totaled approximately $156,000 for the year ended December 31, 2021.

Note J - Leases (continued)

Future minimum payments excluding additional payments for property taxes and operating expenses for 4 Century Drive in Parsippany, New Jersey, are as follows:

	Lease Payments 4 Century Dr.
2022	$ 158,893
2023	162,244
2024	95,783
Total future payments	416,920
Less: interest/fees	(23,849)
Present value of future payments	393,071
Current portion	144,370
Long-term portion	$ 248,701

Note K - Retirement Plans

The Company has a 401(k) retirement plan (the "401(k) Plan") covering all eligible employees. Employees are eligible to participate in the 401(k) Plan upon employment, as defined in the 401(k) Plan documents. Employee contributions may not exceed statutory limits for the 401(k) Plan year, and the Company will match contributions at its discretion. Matching employer contributions for the year ended December 31, 2021 amounted to approximately $33,000.

Note L - Risks and Uncertainties

The extent of the impact and effects of the outbreak of the coronavirus ("COVID-19") on the operation and financial performance of our business will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, the recovery time of the disrupted supply chains, production delays, and uncertainty with respect to the accessibility of additional liquidity, all of which are highly uncertain and cannot be predicted. Based on our continual assessment we are projecting an impact to the demand for the Company's products for an extended period and our results of operations may be materially adversely affected. Management continues to monitor this matter closely.

From time to time, the Company may be subject to litigations, claims or disputes in the ordinary course of business. The Company defends itself vigorously in all such matters. In the opinion of management, no pending or known threatened claims, actions or proceedings against the Company are expected to have a material adverse effect on its financial statements.

Note M - Subsequent Events

In January 2022, the audit of the 2020 fringe and overhead rate has been completed and the final indirect cost rate agreement executed. Amount due to the Company under the contract HHSO100201100034C for 2020 is approximately $258,000. Accordingly, the Company will record this as revenue in 2022.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Elusys Therapeutics, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Elusys Therapeutics, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in stockholders' equity, and cash flows for each of the year then ended, and the related notes to the financial statements.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards general accepted in the United States of America. Those standard require that we plan and perform the audits to obtain reasonable assurance whether the financial statements are free form material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, in making those risk assessments. The auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elusys Therapeutics, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ EISNERAMPER LLP
EISNERAMPER LLP
Iselin, New Jersey
October 4, 2021

ELUSYS THERAPEUTICS, INC.

Contents

ELUSYS THERAPEUTICS, INC.

Balance Sheets

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,485,785	$ 17,902,198
Contract receivables	163,584	479,962
Prepaid supplies	—	1,116,815
Prepaid expenses and other current assets	1,258,825	657,223
Inventory - current	11,472,540	—
Deposits for inventory	—	7,887,290
Total current assets	19,380,734	28,043,488
Inventory – non-current	8,081,114	10,611,502
Property and equipment, net	104,367	133,709
Security deposits and other non-current assets	27,957	27,957
Deferred tax assets, non-current	8,779,000	—
Right of Use Asset	510,575	639,046
Total assets	$ 36,883,747	$ 39,455,702
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,406,468	$ 1,237,149
Accrued liabilities	1,076,246	6,926,126
Deferred revenue	—	8,000,000
Current portion of operating lease obligation	134,858	145,335
Current portion of debt	410,900	—
Total current liabilities	3,028,472	16,308,610
Operating lease obligation, long-term	393,070	508,338
Total liabilities	3,421,542	16,816,948
Stockholders' equity:		
Series D convertible preferred stock	108,736,271	108,736,271
Series E convertible preferred stock	8,655,897	8,655,897
Common stock	9,468	9,518
Additional paid-in capital	208,937	193,792
Accumulated deficit	(84,148,368)	(94,956,724)
Total stockholders' equity	33,462,205	22,638,754
Total liabilities and stockholders' equity	$ 36,883,747	$ 39,455,702

The accompanying notes are an integral part of these financial statements

ELUSYS THERAPEUTICS, INC.

Statements of Operations

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues:		
Government service revenue	$ 3,024,155	$ 3,933,738
Product sales	8,092,400	23,534,950
Total revenues	11,116,555	27,468,688
Costs and expenses:		
Cost of product sales	(976,473)	(7,882,293)
Research and development	(3,213,510)	(9,005,046)
Selling, general and administrative	(4,643,910)	(5,587,827)

Income from operations	2,282,662	4,993,522
Other income:		
Other income, net	20,058	151,225
Income before income taxes	2,302,720	5,144,747
Current income tax benefit (expense)	8,505,586	(366,829)
Net income	$ 10,808,306	$ 4,777,918

The accompanying notes are an integral part of these financial statements

ELUSYS THERAPEUTICS, INC.

Statements of Changes in Stockholders' Equity

	Convertible Preferred Stock						Additional		Total
	Series D		Series E		Common Stock		Paid-in	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Equity
Balance at December 31, 2018	65,845,422	$ 108,736,271	5,747,127	$ 8,655,897	9,517,033	$ 9,518	$ 172,403	$ (99,734,642)	$ 17,839,447
Stock compensation expense related to the grant of stock options	—	—	—	—	—	—	21,389	—	21,389
Net income	—	—	—	—	—	—	—	4,777,918	4,777,918
Balance at December 31, 2019	65,845,422	108,736,271	5,747,127	8,655,897	9,517,033	9,518	193,792	(94,956,724)	22,638,754
Stock compensation expense related to the grant of stock options	—	—	—	—	—	—	15,145	—	15,145
Restricted stock forfeiture	—	—	—	—	(50,000)	(50)	—	50	—
Net income	—	—	—	—	—	—	—	10,808,306	10,808,306
Balance at December 31, 2020	**65,845,422**	**$ 108,736,271**	**5,747,127**	**$ 8,655,897**	**9,467,033**	**$ 9,468**	**$ 208,937**	**$ (84,148,368)**	**$ 33,462,205**

The accompanying notes are an integral part of these financial statements

ELUSYS THERAPEUTICS, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net income	$ 10,808,306	$ 4,777,918
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	30,909	33,997
Deferred tax asset valuation allowance	(8,779,000)	—
Right of Use Asset – ROU	128,471	62,246
Loss on disposition of assets	—	3,041
Stock compensation expense	15,145	21,389
Changes in operating assets and liabilities:		
Contract receivables	316,378	893,508
Prepaid supplies	139,844	1,365,038
Inventory	(77,891)	(1,758,676)
Prepaid expenses and other current assets	(601,602)	886,461
Deposits for inventory	—	(4,333,595)
Other non-current assets – security deposits	—	1,997,131
Accounts payable and accrued liabilities	(5,680,561)	5,629,338
Deferred revenue	(8,000,000)	—
Operating lease obligation	(125,745)	(47,619)
Net cash (used in)/provided by operating activities	(11,825,746)	9,530,177
Cash flows from investing activities:		
Purchase of property and equipment	(1,567)	(134,672)
Net cash used in investing activities	(1,567)	(134,672)
Cash flows from financing activities:		
Proceeds from debt	410,900	—

Net cash provided by financing activities	410,900	—
Net (decrease)/increase in cash and cash equivalents	(11,416,413)	9,395,505
Cash and cash equivalents at beginning of year	17,902,198	8,506,693
Cash and cash equivalents at end of year	$ 6,485,785	$ 17,902,198
Supplemental disclosure of cash flow information:		
Taxes paid/(refunded) during the year	$ 439,878	$ (167,171)

The accompanying notes are an integral part of these financial statements

Note A - Corporate Information, Status of Operations, and Management Plans

[1] Corporate information:

Elusys Therapeutics, Inc. (the "Company"), incorporated on April 14, 1998, focused on the development of targeted anti-infective therapeutics for the treatment of infectious diseases. The Company's focus is on the commercialization, continued development and product enhancements of its anti-anthrax antibody, ANTHIM®.

Status of operations and management plans:

In December 2020, Elusys Therapeutics, Inc. announced that the European Commission ("EU") has approved obiltoxaximab, the Company's monoclonal antibody (mAb) anthrax antitoxin for the treatment of inhalation anthrax. Obiltoxaximab is indicated in all age groups in combination with appropriate antibacterial drugs for the treatment of inhalational anthrax due to Bacillus anthracis; and for post-exposure prophylaxis of inhalational anthrax when alternative therapies are not available or not appropriate. This EU approval for obiltoxaximab was automatically converted to a UK marketing authorization on January 1, 2021.

In August 2020, Elusys Therapeutics, Inc. ("Elusys") announced that Health Canada has approved the Company's New Drug Submission ("NDS") for Anthim (obiltoxaximab for injection), the Company's monoclonal antibody (mAb) anthrax antitoxin for the treatment of inhalation anthrax.

In April 2018, the Company was awarded a delivery order for $25.2M by the U.S. Government for ANTHIM®. This is the second delivery order ("DO2") issued for ANTHIM® by the Biomedical Advanced Research and Development Authority ("BARDA"), part of the U.S. Department of Health and Human Services Office of the Assistant Secretary for Preparedness and Response ("DHHS/ASPR"). This procurement will increase the inventory of ANTHIM® stored in the Strategic National Stockpile ("SNS") for use as a medical countermeasure against a potential bioterrorist attack. The Company is pursuing additional delivery orders with BARDA, as well as identifying other potential customers for the sale of its ANTHIM® product. Additionally, the Company will continue to provide research and development services to U.S. government agencies under its grant contracts.

In March 2016, ANTHIM® (obiltoxaximab) Injection, the Company's monoclonal antibody (mAb) anthrax antitoxin, received approval from the U.S. Food and Drug Administration ("FDA") for the treatment of adult and pediatric patients with inhalational anthrax due to *Bacillus anthracis* in combination with appropriate antibacterial drugs, and for prophylaxis of inhalational anthrax due to *B. anthracis* when alternative therapies are not available or not appropriate.

In November 2015, the Company was awarded its first delivery order under a procurement contract for ANTHIM® (obiltoxaximab), valued at $44,900,000. The delivery order ("DO1") was issued by the Biomedical Advanced Research and Development Authority, part of the DHHS/ASPR, for acquisition of ANTHIM ® into the SNS as a countermeasure against a potential bioterrorist attack. In 2011 and 2009, as discussed in Note E, the Company was awarded two contracts by BARDA which complement a prior contract with the National Institute of Allergy and Infectious Diseases, for the development of ANTHIM®.

Note B - Summary of Significant Accounting Policies

[1] Use of estimates:

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

Note B - Summary of Significant Accounting Policies (continued)

[2] Revenue recognition and deferred revenue:

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers,* effective January 1, 2019. Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To the extent the transaction price includes variable consideration, the Company estimates the amount of variable consideration that should be included in the transaction price using the most likely method based on historical experience as well as applicable information currently available.

Product Sales

The Company recognizes revenue from product sales when its performance obligations with its customers have been satisfied. In the contracts with BARDA, the Company has identified individual performance obligations to manufacture and supply products to the government. The performance obligations are satisfied at a point in time when the Company's customers obtain control of the product, which is typically upon acceptance of the product at the delivery site. The Company invoices its customers after acceptance of the product and invoice payments are generally due within 30 days of the invoice date. The Company records product sales net of any variable consideration, including refund rights. The Company uses the most likely amount method when estimating its variable consideration, unless terms are specified within contracts. The Company recognizes revenue to the extent that it is probable that a significant revenue reversal will not occur in a future period. These estimates may differ from actual consideration received. The Company evaluates these estimates to reflect known changes.

During the year-ended December 31, 2016, the Company received a payment advance of $8,000,000 from BARDA for two separate deliveries of ANTHIM®, the first delivery was made in 2016 and the second delivery for replacement product was delivered in 2020. The Company recognized the advance payment as revenue in 2020.

Additionally, under DO1 and DO2, the Company is required to deliver a specified amount of product by September 2021.

Grant Revenue

The Company performs research and development for the U.S. Government agencies under cost plus fixed fee contracts. Revenues from reimbursable contracts are recognized over time as allowable costs are incurred during the period since the U.S. Government simultaneously receives and consumes the benefits provided by the Company. The Company uses the input method to measure satisfaction of the performance obligation. The cost plus fixed fee contracts include a variable component since they are subject to audit by

Note B - Summary of Significant Accounting Policies (continued)

[2] Revenue recognition and deferred revenue: (continued)

the granting agency and, as a result, the amount could be adjusted in future periods based on the results of the audit. Included in contract receivables are unbilled receivables totaling $15,000 and $229,000 at December 31, 2020 and 2019, respectively. Unbilled receivables primarily represent revenue earned on contracts, which the Company is contractually precluded from billing until a future date.

Disaggregated Revenue

Contract revenue, assets and liabilities under the contracts described above, as well as the sales of ANTHIM® to BARDA are as follows as of December 31, 2020 and 2019:

	2009 BARDA Contract	2011 BARDA Contract	Sales of ANTHIM®	Total
December 31, 2020:				
Revenue	$ —	$ 3,024,155	$ 8,092,400	$ 11,116,555
Accounts receivable	—	57,430	23,100	80,530
Unbilled revenue	—	15,484	—	15,484
Accrued expense	—	15,484	—	15,484
Deferred revenue	—	—	—	—

	2009 BARDA Contract	2011 BARDA Contract	Sales of ANTHIM®	Total
December 31, 2019:				
Revenue	$ 825	$ 3,932,913	$ 23,534,950	$ 27,468,688
Accounts receivable	—	214,146	27,500	241,646
Unbilled revenue	—	228,601	—	228,601
Accrued expense	—	224,015	—	224,015
Deferred revenue	—	—	8,000,000	8,000,000

In accordance with the DHHS contracts, the Company is subject to periodic reviews of fringe and indirect overhead rates submitted under the contracts for reimbursement. The audit of the 2019 and 2018 fringe and overhead rate have been completed and the final indirect cost rate agreements executed. Amounts due to the Company under the contract HHSO100201100034C for 2019 and 2018 are $296,600 and $557,600, respectively. The performance obligation is satisfied when the DHHS obtains control of the service deemed to be at the time of invoicing. Accordingly, the Company will record this as revenue in 2021 when it is probable that the uncertainty giving rise to the variability of the payment of the transaction price is resolved.

[3] Concentration of credit risk:

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash, which are maintained with one major financial institution. The Company has not experienced any losses in such accounts.

Note B - Summary of Significant Accounting Policies (continued)

[4] Prepaid supplies:

In 2020, the Company reclassed $977,000 to inventory and $140,000 to expense from prepaid supplies. Supplies initially identified for research and development ("R&D") were returned to inventory upon discontinuance of the related R&D program. Prepaid raw materials representing resins will reach expiry prior to use in future production periods of ANTHIM® and was expensed. As of December 31, 2020 and 2019, the Company had prepaid supplies which amounted to $0 and $1,117,000, respectively.

[5] Inventory:

The Company has bulk drug substance ("BDS") used in the manufacturing process recorded as non-current inventory, with a cost basis of $8,081,114 and $10,612,000, as of December 31, 2020 and 2019, respectively. Non-current inventory is not identified for any specific sale or customer as of December 31, 2020. All inventory has been recorded at the lower of cost or market.

[6] Property and equipment:

Property and equipment are stated at cost, less depreciation and amortization. Depreciation is calculated using the straight-line method based on a three-year life for office equipment, and seven-year life for furniture and fixtures. Amortization of leasehold improvements is computed using the straight-line method over the shorter of their estimated useful life or the term of the lease.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs related to bringing the asset to its working condition and location for its intended use. Expenditures incurred after an asset has been put into operations that do not result in an improvement of the asset or extension of its estimated life, such as repairs and maintenance, are charged to expense in the period in which they are incurred. The Company reviews property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of such assets may not be fully recoverable. Impairment is recognized for long-lived assets when the carrying values exceed their undiscounted cash flows.

[7] Income taxes:

The Company provides for deferred income taxes in accordance with the FASB ASC Topic 740, *Income Taxes*, which requires deferred tax assets and liabilities to be recognized for the future tax consequences attributable to net operating loss ("NOL") carryforwards and for differences between the financial statement carrying amounts and the respective tax bases of assets and liabilities. Deferred tax assets are reduced if necessary, by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company also follows the FASB ASC Topic 740-10, *Uncertainty in Income Taxes.* This Topic prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Topic also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes tax benefits or expenses of uncertain tax positions in the year such determination is made when the position is more likely than not to be sustained assuming examination by tax authorities.

Management evaluates the tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not to be sustained upon examination by the applicable tax authorities. As of December 31, 2020 and 2019, the Company had no material uncertain tax positions.

Note B - Summary of Significant Accounting Policies (continued)

[8] Stock-based compensation:

The Company recognizes compensation expense for all equity-based payments. Stock-based compensation issued to employees is accounted for under ASC 718-10, *Compensation—Share Compensation* ("ASC 718-10"). The Company utilizes the Black-Scholes valuation method to recognize compensation expense over the vesting period. Certain assumptions need to be made with respect to utilizing the Black-Scholes valuation model, including the expected life, volatility, risk-free interest rate and anticipated forfeiture of the stock options.

[9] Research and development costs:

Research and development expenditures are expensed as incurred. Research and development expenses are comprised of costs in performing research and development activities, including, salaries, benefits, contracted services, materials, supplies and other external costs.

[10] Leases:

Right of Use ("ROU") assets represent the Company's right to use an underlying asset during the reasonably certain lease term and operating lease obligations represent the Company's obligation to make lease payments arising from the lease. The Company recognizes ROU lease assets and operating lease liabilities at lease commencement on our balance sheet based on the present value of lease payments over the lease term using a discount rate determined based on the Company's incremental borrowing rate since the rate implicit in each lease is not readily determinable. The Company elected the practical expedient to account for each separate lease component of a contract and its associated non-lease components as a single lease component. The Company does not record an ROU asset and corresponding lease liability for leases with an initial term of 12 months or less ("short-term leases"). Lease payments are made in accordance with the lease terms and lease expense is recognized on a straight-line basis over the lease term.

[11] Recent accounting pronouncements:

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses.* The standard modifies the impairment model for most financial assets, including trade accounts receivables and loans, and will require the use of an "expected loss" model for instruments measured at amortized cost. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The effective date of the standard is for fiscal years beginning after December 15, 2022, with early adoption permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of adoption of this update on its financial statements and related disclosures.

[12] Subsequent events:

The Company evaluated events or transactions that occurred after the balance sheet date through October 4, 2021, the date the financial statements were available to be issued. See Note M.

Note C - Property and Equipment

Property and equipment consist of the following:

	December 31, 2020	December 31, 2019
Office equipment	$ 47,150	$ 45,583
Furniture and fixtures	102,469	102,469
Leasehold improvements	55,395	55,395
	205,014	203,447
Less: accumulated depreciation and amortization	100,647	69,738
Property and equipment, net	$ 104,367	$ 133,709

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was approximately $31,000 and $34,000, respectively. Coincident with the Company's move to a new office space in June 2019, the leasehold improvements relating to their former leased office location have been fully amortized and written off as of December 31, 2019.

Note D - Debt

On May 4, 2020, Elusys Therapeutics, Inc. entered into an unsecured term loan in the amount of $410,900 issued by the U.S. Small Business Administration ("SBA") in accordance with the Coronavirus Aid, Relief and Economic Security Act ("CARES") Act Paycheck Protection Program. The principle amount outstanding is payable over a 24-month period at an annual interest rate of 1%. Payments begin six months from the day of first disbursement of the loan and interest will accrue during this deferment period. In November 2020, the Company applied through the lender (Citibank) for forgiveness of the amount due on this loan. The Company received the approval of loan forgiveness in May 2021. Our total indebtedness under this agreement was $410,900 and $0 as of December 31, 2020 and 2019, respectively. Interest accrued through December 31, 2020 totaled $2,385.

In September 2015, the Company entered into a $5,000,000 uncommitted revolving line of credit ("LOC") with Citibank, N.A. The LOC carries a variable interest rate on any unpaid principal balance of 2.0 percentage points over the 30 day London Interbank Offered Rate ("LIBOR"), is due on demand, and is collateralized by certain cash accounts. LIBOR as of December 31, 2020 was 2.15%. Our total indebtedness under this agreement as of December 31, 2020 and 2019 was $0.

Note E - Significant Contracts and Agreements

Research Contracts

Department of Health and Human Services Contract

a. In December 2009, the Company was awarded a multi-part cost plus fixed fee contract from the DHHS Biomedical Advanced Research and Development Authority for the development and manufacture of ANTHIM®. The contract starts with a base-year contract in the amount of $16.8 million (base-year contract) for development activities necessary to achieve emergency use application eligibility and submit a biologics license application for the use of ANTHIM® as a treatment for anthrax infection and conduct studies to evaluate a post-exposure prophylaxis indication.

In addition, the contract has four separate one-year options, with a total additional preliminary contract value of $126.2 million. The government may, by unilateral contract modification, require the Company to perform any of the additional options as defined in the contract by giving the Company at least 60 days' notice prior to the contract expiration date. The following options were exercised by DHHS, which reflect all of the options available under the contract:

- In July 2010, DHHS exercised the first of the one-year options valued at $40.6 million.
- In July 2012, DHHS exercised the second of the one-year options valued at $50.2 million.
- In September 2012, DHHS exercised a third option valued at $10 million.
- In July 2013, DHHS exercised the fourth option valued at $25 million.

The Company has completed all of the activities required under this contract and is awaiting formal contract close-out.

b. In August 2011, the Company was awarded another multi-part cost plus fixed fee contract for the development of an anti-toxin for pre- and post-exposure prophylaxis use and treatment via intramuscular injection. The contract, which amounts to $26.5 million, has a base performance period that runs from September 15, 2011 to September 14, 2013, focused on initiating nonclinical development studies and further development activities in support of administration of ANTHIM® by the intramuscular route.

In addition, the contract has five separate options with varying performance periods and additional preliminary contract value totaling approximately $42.3 million. The government may, by unilateral contract modification, require the Company to perform any of the additional options as defined in the contract by giving the Company notice prior to the contract expiration date. The following options were exercised by DHHS:

- In August 2012, DHHS exercised the first of the contract options valued at $4.5 million.
- In September 2014, DHHS exercised the second of the contract options valued at $7.4 million.
- In September 2015, DHHS exercised the third of the contract options valued at $16.2 million.
- In September 2016, DHHS exercised a portion of the fourth of the contract options valued at $2.3 million.
- In December 2016, DHHS exercised the remaining portion of the fourth of the contract options valued at $2.4 million.
- On October 6, 2020, DHHS granted an extension to the period of performance to July 31, 2021.

Note E - Significant Contracts and Agreements (continued)

Agreements

Genentech, Inc. License Agreement

On September 21, 2016, the Company obtained a non-exclusive license right from Genentech, Inc. ("Genentech") to use patented technology necessary to manufacture ANTHIM®. Under the terms of the agreement the Company made license payments in 2017 and 2016 totaling $1,200,000. The Company capitalized the license payment as an intangible asset which was fully amortized in 2018.

In addition, the Company is required to pay Genentech on a quarterly basis through December 18, 2018, a royalty of $150 for each therapeutic dose sold to a governmental third party and 4% of net sales of all licensed products sold to a non-governmental third party, as defined in the agreement. In 2016, the Company made royalty payments of $300,000 related to deposits on product reflected as deferred revenue. This royalty payment was recorded as a prepaid expense and was expensed as a cost of sale consistent with the recognition of the related revenue in 2020. Royalty expense amounted to $300,000 and $0 for the years ended December 31, 2020 and 2019, respectively.

Lonza Sales AG

In April 2009, the Company entered into a license agreement with Lonza Sales AG ("Lonza") for certain intellectual property rights. The agreement requires the Company to pay Lonza on a quarterly basis, a royalty based on the net selling price of all products manufactured by Lonza or a strategic partner of the Company as defined in the agreement. In 2016, the Company made royalty payments of $120,000 related to deposits on product reflected as deferred revenue. This royalty payment was recorded as a prepaid expense and was expensed as a cost of sale consistent with the recognition of the related revenue in 2020. Royalty expense amounted to $120,000 and $176,000 for the years ended December 31, 2020 and 2019, respectively.

The Company has two subcontract agreements with Lonza to procure services for the commercial manufacturing and supply of the product for and to the Company ("2015 Bulk Drug Substance Ordering Agreement") and to transfer, scale-up and validate the product in support of the U.S. Government contract ("Subcontract Agreement"). The latter agreement aligns with the BARDA contract terms as outlined above. The total value of the contracts with Lonza are estimated at $72,000,000 and $60,000,000, respectively. Payments for the year ended December 31, 2020 under these contracts amounted to approximately $5,820,000 and $150,900, respectively, and for the year ended December 31, 2019, $7,915,000 and $700,200, respectively. Amounts due to Lonza under these contracts totaled approximately $88,000 and $5,874,000 at December 31, 2020 and 2019, respectively.

Lonza intends to decommission the bioreactors previously used to manufacture Elusys' product and Lonza will establish a new suite for manufacturing by 2022-2023. As a result in December 2018, the Company entered into an agreement ("Amendment #63") to the Bulk Drug Substance Ordering Agreement with Lonza defining the transfer and establishment of the licensed process in the new manufacturing suite. The Company expects that the transfer will result in a substantial expense and the Company currently does not have a substitute manufacturer. The Company is currently assessing its options as it relates to the manufacture of future orders. Additionally, as per Amendment #63, future commercial orders that utilize the new manufacturing suite will have a minimum campaign size of seven (7) batches at a per-batch price of $2,550,000 unless agreed upon by both parties in writing.

Note F - Capital Structure

[1] Stockholders' agreement:

The owners of the Company's common and preferred stock are parties to the Amended and Restated Shareholders Agreement executed in January 2007. This agreement provides a right of first refusal to the holders of preferred stock of the Company to purchase, in whole or in part, any securities the Company should offer in the future at the price and on the terms and any such considerations specified in the offer, subject to certain exemptions. The stockholders' agreement terminates upon the occurrence of certain events, including a firmly underwritten initial public offering of any common stock of the Company with gross proceeds of $20,000,000 or more and has a per share price to the public of $2.40 or more.

[2] Common stock:

The total number of shares of common stock the Company is authorized to issue is 95,000,000 with a par value of $0.001. Of its total authorized shares, the Company has reserved 6,425,749 shares for its stock option and restricted stock plan, 65,845,422 shares for the conversion of Series D Convertible Preferred Stock ("Series D"), 5,747,127 shares for the conversion of Series E Convertible Preferred Stock ("Series E"), and 229,885 shares for the conversion of Series E Junior Preferred Stock. Holders of common stock, voting as a separate class, are also entitled to elect one director to the Board. Restricted shares issued and outstanding were 1,082,210 and 1,142,210 at

December 31, 2020 and 2019, respectively.

[3] Preferred stock:

Series D Convertible Preferred Stock
In April 2004, the Company completed the initial closing of issuance and sale of Series D Preferred Stock whereby the holders of the Series A, Series B, Series C, and Series C2 Preferred Stock (the "Designated Preferred Stock") were allowed to purchase Series D Preferred Stock and exchange their previously acquired shares of Designated Preferred Stock into such number of fully paid, non-assessable shares of Series D shares based upon an investment formula. Those holders of the Designated Preferred Stock who elected not to purchase or not to purchase to the full extent of such holder's pro-rata share (referred to as "Non-Participating Holders"), all of the outstanding shares (or such lesser number of shares not converted to Series D) held by such Non-Participating Holders would be automatically converted into the number of fully paid, non-assessable shares of common stock without any further action by the holders of such shares. Issuance costs totaling $366,014 were presented as a reduction of the carrying amount of the Series D Preferred Stock.

The Company received approximately $10.3 million and issued approximately 49 million shares of Series D on the conversion of Series A, Series B, Series C, and Series C2 and sale of Series D. Furthermore, immediately following the initial closing of the issuance and sale of Series D, the Company amended and restated the "2004 Amended and Restated Certificate of Incorporation", providing for, among other things, the elimination of the Series A, Series B, Series C, and Series C2.

As of December 31, 2020 and 2019, there were 65,845,422 shares authorized, issued, and outstanding of Series D Convertible Preferred Stock. The Series D Convertible Preferred Stock had an aggregate liquidation preference of $216,745,390 and $202,245,009 as of December 31, 2020 and 2019, respectively. The redemption feature on the Series D Convertible Preferred Stock expired in 2013 and therefore no amounts are included as mezzanine equity.

Series E Convertible Preferred Stock
In January 2007, the Company issued 5,747,127 shares of Series E Convertible Preferred Stock to Pfizer for $5,000,000. Issuance costs totaling $13,588 were presented as a reduction of the carrying amount of the Series E Preferred Stock.

As of December 31, 2020 and 2019, there were 5,747,127 shares authorized, issued, and outstanding of Series E Convertible Preferred Stock. The Series E Convertible Preferred Stock had an aggregate liquidation preference of $17,593,781 and $16,444,321 as of December 31, 2020 and 2019, respectively. The redemption feature on the Series E Convertible Preferred Stock expired in 2013 and therefore no amounts are included as mezzanine equity.

Note F - Capital Structure (continued)

Series E Junior Convertible Preferred Stock
The Company is authorized to sell 229,885 shares of Series E Junior Convertible Preferred Stock with a par value of $0.01 at a price of $0.87 per share. There were no shares issued and outstanding as of December 31, 2020 and 2019.

Holders of both Series D and Series E Preferred Stock are entitled to the following rights and privileges:

Voting
Holders of senior preferred stock are entitled to vote on all matters voted on by stockholders of the Company and shall have that number of votes equal to the maximum number of whole shares of common stock into which the shares of preferred stock held by such holder could be converted as of the record date. Except as otherwise required by law, the Series E Junior Convertible Preferred Stock shall have no voting rights.

Dividends
The holders of preferred stock shares are entitled to receive cumulative preferential dividends compounded quarterly, at an annual rate of $0.0640 and $0.0696 per share of Series D and Series E Preferred Stock, respectively, payable when declared by the Board of Directors ("Board") or payable (whether or not declared by the Board) upon liquidation or redemption as stipulated in the "Amended and Restated Certificate of Incorporation of Elusys Therapeutics, Inc." The junior preferred stock will receive dividends as and when declared by the Company on a pari passu basis with the common stock.

Liquidation Rights
In the event of any voluntary or involuntary liquidation, dissolution, or winding-up of the Company, each holder of senior preferred stock shall be entitled to be paid out of the distributable assets of the Company before any payment or distribution of any kind is made to any holder of junior preferred stock and common stock, the aggregate amount of the liquidation value (defined as the original purchase price multiplied by one and one half, plus all dividends declared or accrued, whether or not declared, but unpaid).

Conversion
Each share of preferred stock shall be convertible, at the option of the holder, at any time after the original issue date of such share at the conversion ratio in effect at the time of conversion. Each share of preferred stock shall be convertible into the number of shares of common stock equal to the quotient of the initial conversion price ($0.80 for Series D and $0.87 for Series E and Series E Junior) divided by the conversion price in effect at the time of conversion (referred to as "Conversion Ratio").

Note G - Stock Option/Restricted Stock Plans

The Company adopted the 1999 Stock Option/Restricted Stock Plan (the "1999 Plan") in January 1999 and adopted Amendment No. 4 effective July 14, 2004. Under the amended 1999 Plan, the Board, or a committee (the "Committee") appointed by the Board, has the sole discretion to grant to employees, directors, and consultants who are responsible for or contribute to the management, growth, and profitability of the Company and its affiliates (i) stock options and (ii) restricted stock.

In April 1999, the Company also adopted the 1999 Director Stock Option Plan (the "Director Plan") and adopted Amendment No. 2 effective July 14, 2004. The Chief Executive Officer of the Corporation has complete authority to administer, construe and interpret the terms of the Director Plan. Persons entitled to receive options and the terms and amounts of such options shall be determined as provided in the Director Plan.

Note G - Stock Option/Restricted Stock Plans (continued)

In March 2007, the stockholders of the Company adopted the Stock Option and Restricted Stock Plan (the "2007 Plan") providing for the issuance of an additional 7,000,000 shares of common stock to directors, officers, employees, and consultants of the Company. Under the 2007 Plan, each option granted to an employee shall be an incentive stock option to the maximum permitted under the Internal Revenue Code, and any excess over such maximum, as well as each option granted to non-employee grantee, shall be a nonqualified stock option. The 2007 Plan allows a nonemployee director to receive an option of 20,000 shares of common stock upon initial election to the Board and an annual option to purchase 40,000 shares of common stock. In addition, the Chairman of the Board can elect 16,500 options and a nonemployee director can elect 10,000 options in lieu of an annual cash retainer for their "Compensation Option" and 2,500 shares or 1,250 shares granted in lieu of cash compensation for each Committee or Board meeting attended in person or by telephonic attendance, respectively. Options vest in accordance with the provisions of the 2007 Plan or on terms set forth in the stock option agreement.

Options terminate on the 10th anniversary of the date of grant, or earlier under conditions provided in the 2007 Plan. Restricted stock awards shall consist of shares of common stock restricted against transfer, subject to substantial risk of forfeiture and other terms and conditions determined by the Committee. Upon adoption of this plan, the 1999 Plan and the 1999 Director Plan were closed and no further options are granted under that plan. As of December 31, 2020, there were 1,455,000 options outstanding under the 2007 Plan and 5,020,749 shares available for issuance.

A summary of activity under the 2007 Plan for the years ended December 31, 2020 and 2019 is as follows:

	Stock Options	Weighted- Average Exercise Price	Weighted-Average Grant Date Fair Value	Intrinsic Value
Outstanding at December 31, 2018	2,090,000	$ 0.17	$ —	$ 603,427
Granted	165,000	0.38	0.13	—
Exercised	—	—	—	—
Forfeited	(385,000)	0.08	—	—
Outstanding at December 31, 2019	1,870,000	0.20	—	500,083
Granted	125,000	0.38	0.12	—
Exercised	—	—	—	—
Forfeited	(540,000)	0.17	—	—
Outstanding at December 31, 2020	**1,455,000**	**$ 0.22**	**$ —**	**$ 383,272**
Available for grant at December 31, 2020	**5,020,749**			

At December 31, 2020:	
Fully vested option shares outstanding/exercisable	1,455,000
Weighted-average exercise price	$ 0.22
Weighted-average remaining contractual term	4.6 years

Note G - Stock Option/Restricted Stock Plans (continued)

The Company has utilized the Black-Scholes-Merton valuation model for estimating the fair value of all stock options granted during 2020 and 2019. The fair value of each option is estimated on the date of the grant. The fair value is then amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period. Use of a valuation requires management to make certain assumptions with respect to model inputs. Set forth below are the weighted-average assumptions used in valuing the stock options granted.

Assumptions	2020	2019
Risk-free interest rate	0.27%	1.57%
Expected life	5.00 years	5.00 years
Expected volatility	36%	36%
Expected dividend yield	0%	0%

The risk-free interest rate is the average U.S. Treasury rate with a term that most closely resembles the expected life of the option for the quarter in which the option was granted. The expected life is the period of time that the options granted is expected to remain outstanding. Expected volatility is a measure of the amount by which the share price has fluctuated or is expected to fluctuate during a period. The Company calculated the expected historical volatility used by similar public companies to estimate expected volatility. The Company does not pay regular dividends on its common stock and does not anticipate paying any dividends in the foreseeable future.

Forfeitures are estimated based on the Company's historical rate of actual share-based award forfeitures. The share-based compensation cost charged against income was approximately $15,000 and $21,000 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans. The total fair value of shares that vested during the years ended December 31, 2020 and 2019 was approximately $15,000 and $21,000, respectively.

The following table summarizes information about stock options outstanding as of December 31, 2020:

Option Exercise Price	Options Outstanding	Weighted-Average Remaining Contractual Life	Number of Options Exercisable

$ 0.128	295,000	0.74 years	295,000
0.131	160,000	1.61 years	160,000
0.137	250,000	3.23 years	250,000
0.173	125,000	4.72 years	125,000
0.253	125,000	5.70 years	125,000
0.302	125,000	6.74 years	125,000
0.379	375,000	8.71 years	375,000
	1,455,000	4.60 years	1,455,000

Note H - Employment Agreements

The Company has employment agreements for four employees which provide for severance in the case of termination without cause and includes a change of control provision, which provides for additional compensation in the event of such transaction.

Note I - Income Taxes

The income tax expense shown on the statements of operations differs from the amounts that would result from applying statutory income tax rates to income before taxes primarily because of the release of the valuation allowance.

Income tax benefit (expense) for the years ended December 31, 2020 and 2019 consisted of the following:

	December 31, 2020	December 31, 2019
Current:		
Federal	$ 167,000	$ 167,000
State	(305,000)	(534,000)
	(138,000)	(367,000)
Deferred:		
Federal	8,482,000	—
State	297,000	—
	8,779,000	—
Income tax benefit (expense)	$ 8,641,000	$ (367,000)

The significant components of the Company's deferred tax assets (approximates) are as follows:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Operating assets and liabilities	$ 38,000	$ 12,000
Net operating loss carryforwards	6,215,000	6,737,000
Stock compensation expense	50,000	48,000
Other deferred tax assets	190,000	598,000
Federal credit carryforwards	2,286,000	2,211,000
Gross deferred tax asset, noncurrent	8,779,000	9,606,000
Valuation allowance	—	(9,606,000)
Net deferred tax asset, noncurrent	$ 8,779,000	$ —

Note I - Income Taxes (continued)

At December 31, 2020 the Company has gross net operating loss ("NOL") carryforwards of approximately $29,600,000 for federal income tax purposes. The NOL carryforwards generated prior to 2020 expire in various years beginning in the year 2022. The Company also has approximately $2,100,000 of research and development carryforwards for federal purposes. The federal credits begin expiring in 2024.

The Company is projecting future taxable income and management concluded that the deferred tax assets are more likely than not to be recognized and as a result the full valuation allowance was released.

Due to the change in ownership provisions of the Internal Revenue Code, the availability of the Company's NOL carryforwards may be subject to annual limitations under Section 382 of the Internal Revenue Code against taxable income in the future period, which could substantially limit the eventual utilization of such carryforwards. The Company had an Internal Revenue Code Section 382 study completed through December 31, 2012, noting that there were no ownership changes which would limit the utilization of NOL carryforwards.

On March 27, 2020, Congress passed the CARES Act. This Act modified the current rules relative to NOLs. Under the CARES Act, NOLs arising in tax years beginning after December 31, 2017, and prior to January 1, 2021 may be carried back five years preceding the year of the loss. After the enactment of the Tax Cuts and Jobs Act of 2017, NOLs could no longer be carried back, but they could be carried forward indefinitely subject to a limitation of 80% of taxable income. The CARES Act also temporarily remove the 80% limitation until 2020. Thus far, the Company did not generate any NOLs subsequent to December 31, 2017 and all NOLs are being carried forward.

Note J - Leases

On December 31, 2018, the Company entered into an operating lease agreement for a 6,702 square foot office space facility on 4 Century Drive in Parsippany, New Jersey from June 6, 2019 through June 30, 2024, which require average monthly payments of $13,125. The Company determines if an arrangement is a lease at inception. The arrangement is a lease if it conveys the right to the Company to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. This operating lease is included in Right-of-Use ("ROU") asset, current portion of operating lease indebtedness and operating lease indebtedness, long-term on the balance sheets. The Company recognizes rent expense for this lease on a straight-line basis over the lease term. ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Company's lease does not provide an implicit rate, it uses its incremental borrowing rate of 4.4% based on the commencement date in determining the present value of these lease payments. The Company gives consideration to instruments with similar characteristics when calculating this incremental borrowing rate. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Rent expense was approximately $156,000 and $192,000 for the years ended December 31, 2020 and 2019, respectively, and cash payments for rent and utilities was $154,000 and $188,000 for the years ended December 31, 2020 and 2019, respectively. Amortization of the ROU asset totaled $128,471 and lease liability payments totaled $152,191 for the year ended December 31, 2020.

On December 31, 2018, the Company entered into a sublease agreement for 14,049 square foot office space facility on Riverside Drive, in Pine Brook, New Jersey from January 1, 2019 through June 30, 2019. This sublease was terminated on June 30, 2019. The total income from the sublease agreement was recognized as other income and totaled $50,000 for the year ended December 31, 2019.

Note J - Leases (continued)

Future minimum payments excluding additional payments for property taxes and operating expenses for 4 Century Drive in Parsippany, New Jersey, are as follows:

		Lease Payments 4 Century Dr.
2021	$	155,542
2022		158,893
2023		162,244
2024		95,783
Total future payments		572,462
Less: interest/fees		(44,534)
Present value of future payments		527,928
Current portion		134,858
Long-term portion	$	393,070

Note K - Retirement Plans

The Company has a 401(k) retirement plan (the "401(k) Plan") covering all eligible employees. Employees are eligible to participate in the 401(k) Plan upon employment, as defined in the 401(k) Plan documents. Employee contributions may not exceed statutory limits for the 401(k) Plan year, and the Company will match contributions at its discretion. Matching employer contributions for the years ended December 31, 2020 and 2019, amounted to approximately $45,000 and $41,000, respectively.

Note L - Risks and Uncertainties

The extent of the impact and effects of the outbreak of the coronavirus ("COVID-19") on the operation and financial performance of our business will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, the recovery time of the disrupted supply chains, production delays, and uncertainty with respect to the accessibility of additional liquidity, all of which are highly uncertain and cannot be predicted. Based on our continual assessment we are projecting an impact to the demand for the Company's products for an extended period and our results of operations may be materially adversely affected. Management continues to monitor this matter closely.

Note M - Subsequent Events

On April 28, 2021, Elusys Therapeutics, Inc. was awarded a second term loan issued by the U.S. Small Business Administration under the CARES Act Paycheck Protection Program. This unsecured loan in the amount of $411,000 is payable over a 60-month term at an annual interest rate of 1%. No payments are due during the period (the "Deferment Period") beginning on the date of first disbursement of the loan and ending on the earliest of (a) the date (i) of determination on Borrower's forgiveness application that no part of the loan is entitled to forgiveness (ii) on which the amount of forgiveness determined under the Paycheck Protection Program is remitted by SBA to and received by Lender, or (iii) that is 10 months after the last day of the covered period if Borrower fails to apply for forgiveness within 10 months after the last day of the covered period, or (b) the date determined by application of any further relevant guidance that may hereafter be issued by SBA, which date shall be communicated in writing by Lender to Borrower not less than 30 days prior to such date. Interest will continue to accrue on the unpaid principal balance of the loan during the deferment period. The Company may apply thru the lender (Citibank) for forgiveness of the amount due on this loan. There is no guarantee that a forgiveness will be granted for all or part of the loan, as the calculation and compliance with covenants are required as per Section 1106 of the CARES Act (P.L. 116-136).

On May 24, 2021, the Company received the approval of loan forgiveness for the first Paycheck Protection Program term loan issued on May 4, 2020 totaling $410,900.

On August 7, 2021, the Company executed a letter contract with the U.S. Department of Health and Human Services' Office of the Assistant Secretary for Preparedness and Response, Strategic National Stockpile to furnish all labor, materials, supplies, facilities, equipment, transportation and travel necessary to manufacture, manage, sustain, and deliver ANTHIM® (FDA-approved anthrax antitoxin) for treatment of inhalational anthrax due to Bacillus anthrax. The total contract award of $81.0 million is comprised of a base quantity, valued at $50.0 million and an option quantity, valued at $31.0 million. The work is to be performed from the period August 6, 2021, through September 14, 2024. This procurement will increase the inventory of ANTHIM® stored in the Strategic National Stockpile for use as a medical countermeasure against a potential bioterrorist attack. In August 2021, the Company delivered approximately $43.7 million of product under the contract award and received payment in full in September 2021.

UNAUDITED PROFORMA CONDENSED COMBINED FINANCIAL INFORMATION OF NIGHTHAWK BIOSCIENCES, INC.

On December 20, 2021, NightHawk Biosciences, Inc. (formerly Heat Biologics, Inc. "Heat") ("NightHawk" or the "Company") entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") by and among Heat, Heat Acquisition Sub 1, Inc., a Delaware corporation and wholly owned subsidiary of Heat ("Merger Sub"), and Elusys Therapeutics, Inc., a Delaware corporation ("Elusys"), which provides for, among other things, the merger of Merger Sub with and into Elusys, with Elusys continuing as the surviving entity as a wholly owned subsidiary of Heat (the "Merger"). The Merger contemplated by the Merger Agreement (the "Closing") closed on April 18, 2022 (the "Closing Date").

The following unaudited pro forma condensed combined financial information gives effect to the Merger. The Unaudited Pro Forma Condensed Combined Balance Sheet is presented as if the Merger had occurred on December 31, 2021. The Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2021, is presented as if the Merger had occurred on January 1, 2021, the beginning of the earliest period presented. The unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of our company and Elusys and the assumptions and adjustments set forth in the accompanying explanatory notes. This unaudited proforma condensed combined financial information was prepared using the acquisition method of accounting, where we are considered the acquirer of Elusys for accounting purposes. See "Note 2 - Basis of Presentation" below on page 6.

The unaudited pro forma condensed combined financial information is derived from and should be read in conjunction with (i) the Company's historical audited consolidated financial statements and the related notes thereto, included in its Annual Report on Form 10-K as of and for the year ended December 31, 2021, filed with the SEC on March 9, 2022; and ii) Elusys historical audited financial statements, and the related notes thereto, as of and for the year ended December 31, 2021, filed as Exhibit 99.1 to the accompanying Current Report on Form 8-K/A. The acquisition of Elusys is expected to be accounted for as a business combination and will reflect the application of acquisition accounting in accordance with Accounting Standards Codification (ASC) 805, Business Combinations. For purposes of developing the Unaudited Pro Forma Condensed Combined Balance Sheet as of December 31, 2021, the acquired Elusys assets, including identifiable intangible assets and liabilities assumed, have been recorded at their preliminary estimated fair values with the excess purchase price assigned to goodwill. The pro forma adjustments are based on preliminary estimates of the fair values of assets acquired and liabilities assumed and information available as of the date of this Current Report on Form 8-K/A. Certain valuations and assessments, including valuations of contingent consideration and other intangible assets, as well as the assessment of the tax positions and rates of the combined business, are in process as of the date of this Current Report on Form 8-K/A. The estimated fair values assigned in this unaudited pro forma condensed combined financial information is preliminary and represent our current best estimate of fair value and are subject to revision.

Pursuant to the Merger Agreement, as merger consideration ("Merger Consideration"), NightHawk paid at the Closing a cash upfront payment of $3,000,000 to certain equity holders of Elusys (the "Sellers"). NightHawk will also pay to the Sellers (i) $2,000,000 ("Deferred Cash Consideration") at the same time that the payment of the Receivable Consideration is distributed to the Sellers as described below and (ii) the earn out payments (the "Earn Out") for a period of 12 years from the date of the Closing equal to 10% of the gross dollar amount of payments received during each one year period during such twelve year period with respect to any sale, license or commercialization anywhere in the world of Anthim that either: (a) occurs during the first nine years after the Closing Date in any respect; or (b) occurs thereafter pursuant to any contract, agreement, commitment or order that is placed, granted, awarded, or entered into during the first nine years after the Closing Date.

Under the Merger Agreement, upon collection of the Elusys contract receivables ("Contract Receivables") of $24.5 million, the Company will remit payment of $24.5 million (the "Receivable Consideration") to the Sellers. Furthermore, Elusys is expected to receive additional revenue from the future fulfillment of an existing U.S. Government contract, and NightHawk has agreed to fulfill the future obligations of Elusys under such contract and pass through and distribute to the Sellers the payments received under such contract minus the costs associated with such fulfillment obligations, subject to certain adjustments to the Merger Consideration specified in the Merger Agreement, including income taxes payable with respect to such payments (the "Contract Deferred Consideration"). The Merger Agreement further provides that eighty percent of any amounts paid to and received by Elusys (the "Additional Earn Out") after the Closing and prior to June 30, 2023, with respect to the sale of 1,500 pre-filled vials of Anthim shall be paid to the Sellers, subject to certain adjustments specified in the Merger Agreement.

The fair value of the purchase consideration, or the purchase price, in the unaudited pro forma condensed combined financial information is estimated to be approximately $48.1 million. The purchase consideration consists of $3.0 million in cash and $2.0 million in Deferred Cash Consideration, and the estimated fair value of the contingent and deferred consideration liabilities related to the Receivable Consideration, Contract Deferred Consideration, Earn Out and Additional Earn Out totaling $43.1 million.

Unaudited Pro Forma Condensed Combined Balance Sheet

December 31, 2021

	NightHawk	Elusys Therapeutics	Transaction Accounting Adjustments	Notes	Pro Forma Combined
Current assets:					
Cash and cash equivalents	$ 8,053,879	$ 49,325,227	$ (46,605,227)	**A,E**	$ 10,773,879
Short-term investments	88,324,922	—	—		88,324,922
Contract receivables	—	—	24,489,000	**N**	24,489,000
Inventory	—	8,081,114	(2,237,114)	**B,M**	5,844,000
Prepaid expenses and other current assets	2,952,569	3,022,633	(1,121,633)	**O**	4,853,569
Total current assets	99,331,370	60,428,974	(25,474,974)		134,285,370
Property and equipment, net	2,158,479	75,809	(75,809)	**O**	2,158,479
In-process R&D	3,500,000	—	—		3,500,000
Goodwill	—	—	4,957,000	**C**	4,957,000
Intangible asset, net	—	—	11,200,000	**C**	11,200,000
Grant receivable	1,318,359	—	—		1,318,359
Operating lease right-of-use asset	1,782,884	376,348	(34,348)	**O**	2,124,884
Finance lease right-of-use					

asset	470,700	—	—		470,700
Other assets	12,193,540	26,253	367,747	**O**	12,587,540
Deferred tax asset	—	2,005,000	(2,005,000)	**D**	—
Deposits	205,901	—	—		205,901
Total assets	$ 120,961,233	$ 62,912,384	$ (11,065,384)		$ 172,808,233

Unaudited Pro Forma Condensed Combined Balance Sheet

December 31, 2021

	NightHawk	**Elusys Therapeutics**	**Transaction Accounting Adjustments**	**Notes**	**Pro Forma Combined**
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$ 922,782	$ 267,453	$ (63,453)	**O**	$ 1,126,782
Operating lease liability, current portion	350,343	144,370	—		494,713
Finance lease liability, current portion	260,574	—	—		260,574
Accrued expenses and other liabilities	2,419,676	3,787,311	(652,311)	**F,O**	5,554,676
Deferred consideration	—	—	2,000,000	**A**	2,000,000
Receivable consideration	—	—	24,489,000	**N**	24,489,000
Contingent consideration, current portion	593,037	—	4,735,000	**G**	5,328,037
Contingent consideration, related party - current portion	174,333	—	—		174,333
Total current liabilities	4,720,745	4,199,134	30,508,236		39,428,115
Other long-term liabilities	99,550	—	—		99,550
Deferred tax liability	215,937	—	—	**D,H**	215,937
Operating lease liability, net of current portion	1,060,856	248,701	(35,071)	**O**	1,274,486
Financing lease liability, net of current portion	255,429	—	—		255,429
Contingent consideration	1,990,118	—	7,400,000	**I**	9,390,118
Contract deferred consideration	—	—	6,500,000	**L**	6,500,000
Contingent consideration, related party	585,027	—	—		585,027
Total liabilities	8,927,662	4,447,835	44,373,165		57,748,662
Stockholders' Equity					
Preferred stock	—	117,392,168	(117,392,168)	**J**	—
Common stock	5,055	9,468	(9,468)	**J**	5,055
Additional paid-in capital	278,890,153	224,562	(224,562)	**J**	278,890,153
Accumulated deficit	(165,718,953)	(59,161,649)	62,187,649	**F,J,H**	(162,692,953)
Accumulated other comprehensive loss	(67,941)	—	—		(67,941)
Total stockholders' equity - NightHawk	113,108,314	58,464,549	(55,438,549)		116,134,314
Non-controlling interest	(1,074,743)	—	—		(1,074,743)
Total stockholders' equity	112,033,571	58,464,549	(55,438,549)		115,059,571
Total liabilities and stockholders' equity	$ 120,961,233	$ 62,912,384	$ (11,065,384)		$ 172,808,233

Unaudited Pro Forma Condensed Combined Statement of Operations

December 31, 2021

	NightHawk	**Elusys Therapeutics**	**Transaction Accounting Adjustments**	**Notes**	**Pro Forma Combined**
Revenue:					
Grant and contract revenue	$ 2,112,806	$ 1,904,496	—		$ 4,017,302
Product sales	—	51,494,290	—		51,494,290
Total revenue	2,112,806	53,398,786	—		55,511,592
Operating expenses:					

Cost of product sales	—	13,714,625	1,680,000	K	15,394,625
Research and development	18,821,278	2,097,812			20,919,090
General and administrative	16,828,229	5,610,741	300,000	F	22,738,970
Goodwill impairment loss	1,452,338	—	—		1,452,338
Change in fair value of contingent consideration	430,000	—	—		430,000
Total operating expenses	37,531,845	21,423,178	1,980,000		60,935,023
(Loss) Income from operations	(35,419,039)	31,975,608	(1,980,000)		(5,423,431)
Other (expense) income, net	(127,742)	829,989	—		702,247
Net loss before income taxes	(35,546,781)	32,805,597	(1,980,000)		(4,721,184)
Income tax benefit (expense)	145,974	(7,818,878)	3,326,000	H	(4,346,904)
Net (loss) income	(35,400,807)	24,986,719	1,346,000		(9,068,088)
Net loss - non-controlling interest	(329,339)	—	—		(329,339)
Net loss attributable to NightHawk	$ (35,071,468)	$ 24,986,719	$ 1,346,000		$ (8,738,749)
Net loss per share, basic and diluted	$ (1.41)	$ —	$ —		$ (0.35)
Weighted-average common shares outstanding, basic and diluted	24,913,942	—	—		24,913,942

NOTES TO THE UNAUDITED PROFORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of Transaction

On April 18, 2022, the Company closed on the merger contemplated by the Merger Agreement that was entered into the with Merger Sub, Elusys and Fortis Advisors LLC, pursuant to which the Company acquired Elusys through the Merger of Merger Sub with Elusys. NightHawk paid at the Closing a cash upfront payment of $3,000,000 to the Sellers. NightHawk will also pay to the Sellers (i) $2,000,000 ("Deferred Cash Consideration") at the same time that the payment of the Receivable Consideration is distributed to the Sellers as described below and (ii) the earn out payments (the "Earn Out") for a period of 12 years from the date the Closing equal to 10% of the gross dollar amount of payments received during each one year period during such twelve year period with respect to any sale, license or commercialization anywhere in the world of Anthim that either: (a) occurs during the first nine years after the Closing Date in any respect; or (b) occurs thereafter pursuant to any contract, agreement, commitment or order that is placed, granted, awarded, or entered into during the first nine years after the Closing Date.

Under the Merger Agreement, upon collection of the Elusys contract receivables ("Contract Receivables") of $24.5 million, the Company will remit payment of $24.5 million (the "Receivable Consideration") to the Sellers. Furthermore, Elusys is expected to receive additional revenue from the future fulfillment of an existing U.S. Government contract, and NightHawk has agreed to fulfill the future obligations of Elusys under such contract and pass through and distribute to the Sellers the payments received under such contract minus the costs associated with such fulfillment obligations, subject to certain adjustments to the Merger Consideration specified in the Merger Agreement, including income taxes payable with respect to such payments (the "Contract Deferred Consideration"). The Merger Agreement further provides that eighty percent of any amounts paid to and received by Elusys (the "Additional Earn Out") after the Closing and prior to June 30, 2023, with respect to the sale of 1,500 pre-filled vials of Anthim shall be paid to the Sellers, subject to certain adjustments specified in the Merger Agreement.

2. Basis of Presentation

The fair value of the purchase consideration, or the purchase price, in the unaudited pro forma, condensed combined financial information is estimated to be approximately $48.1 million. The purchase consideration consists of $3.0 million in cash and $2.0 million in Deferred Cash Consideration, and the estimated fair value of the contingent and deferred consideration liabilities related to the Receivable Consideration, Contract Deferred Consideration, Earn Out and Additional Earn Out totaling $43.1 million.

The accompanying unaudited pro forma condensed combined financial information gives effect to the Merger in which Elusys merged with and into the Company. The unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of the Company and Elusys and the assumptions and adjustments set forth in these notes. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2021, gives effect to the Merger as if it had occurred on January 1, 2021. The unaudited pro forma condensed combined balance sheet as of December 31, 2021, assumes that the Merger took place on that date. The unaudited pro forma condensed combined financial information is provided for informational purposes only and is based on available information and assumptions that we believe are reasonable. It does not purport to represent what the actual consolidated results of operations or the consolidated financial position of our company would have been if the Merger occurred on the dates indicated, nor is it necessarily indicative of future consolidated results of operations or consolidated financial position. The actual financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and changes in operating results following the date of the unaudited proforma condensed combined financial information.

The unaudited pro forma combined financial information herein has been adjusted to depict the accounting of a business combination for the Acquisition ("Transaction Accounting Adjustments"), which reflect the application of the purchase accounting required by U.S. GAAP and SEC rules and regulations. The unaudited pro forma combined financial information does not present any synergies and other transaction effects that have occurred or are expected to occur ("Management's Adjustments") and only presents Transaction Accounting Adjustments.

The Merger is expected to be accounted for using the acquisition method of accounting, pursuant to ASC 805, Business Combinations, with the Company considered the accounting and legal acquirer. The unaudited pro forma condensed combined financial information reflects the preliminary assessment of fair values and useful lives assigned to the assets acquired and liabilities assumed. Fair value estimates were determined based on preliminary discussions between us and Elusys and through due diligence efforts. The detailed valuation studies necessary to arrive at the required estimates of the fair values for the Elusys assets acquired and liabilities assumed have not been completed. Significant assets and liabilities that are subject to preparation of valuation studies to determine appropriate fair value adjustments include intangible assets, deferred income tax liability and contingent and deferred consideration. Changes to the fair values of these assets and liabilities will also result in changes to goodwill recorded from the acquisition, which could be material.

3. Preliminary Purchase Consideration

The fair value of the purchase consideration, or the purchase price, in the unaudited pro forma, condensed combined financial information is estimated to be approximately $48.1 million. The preliminary purchase consideration consists of $3.0 million in cash and $2.0 million in Deferred Cash Consideration, and the estimated fair value of the contingent and deferred consideration liabilities related to the Receivable Consideration, Contract Deferred Consideration, Earn Out and Additional Earn Out totaling $43.1 million. The following table highlights the components of the preliminary purchase consideration:

Cash	$	3,000,000
Deferred cash consideration		2,000,000
Earn out		7,400,000
Additional earn out		4,735,000
Receivable consideration		24,489,000
Contract deferred consideration		6,500,000
Total preliminary purchase consideration	$	48,124,000

For purposes of this pro forma analysis, the above preliminary purchase consideration has been allocated as follows based on a preliminary estimate of the fair value of the assets and liabilities acquired as of April 18, 2022:

Cash	$	5,720,000
Contract receivables		24,489,000
Inventory		5,844,000
Prepaid expenses and other current assets		1,901,000
Operating lease right-of-use asset		342,000
Other assets		394,000
Intangible asset		11,200,000
Total assets acquired		49,890,000
Accounts payable		(204,000)
Operating lease liability		(358,000)
Accrued expenses and other liabilities		(2,835,000)
Deferred income tax liability		(3,326,000)
Total liabilities assumed		(6,723,000)
Net assets and liabilities acquired/assumed		43,167,000
Goodwill		4,957,000
Total preliminary purchase consideration	$	48,124,000

This preliminary purchase price allocation has been used to prepare the transaction accounting adjustments in the pro forma balance sheet and income statement. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations as described in more detail in the explanatory notes below. The final allocation is expected to be completed when the Company files its report on Form 10-K for the year ending December 31, 2022, and could differ materially from the preliminary allocation used in the transaction accounting adjustments. The final allocation may include (1) changes in fair values of inventory; (2) changes in allocations to the intangible assets, such as Anthim Formulation and goodwill; and (3) other changes to assets and liabilities.

4. Pro Forma Adjustments

The unaudited pro forma condensed combined financial information is presented in accordance with Article 11 of SEC Regulation S-X.

Adjustments included in the column under the heading "Transaction Accounting Adjustments" are based on information contained within the Merger Agreement. Transaction Accounting Adjustments are required adjustments that reflect only the application of required accounting to the transaction linking the effects of the acquisition of Elusys to our historical financial information.

Given our history of net losses and tax valuation allowance, management assumed a statutory tax rate of 0%. However, the inclusion of Elusys in the Company's consolidated return following the acquisition, creates an income tax benefit for the reduction in the Company's deferred tax valuation allowance.

Proforma adjustments are necessary to reflect the acquisition consideration exchanged and to adjust amounts related to the tangible assets and liabilities of Elusys to reflect the preliminary estimate of their fair values and to reflect the impact on the balance sheet and statement of operations of the Merger as if the companies had been combined during the periods presented therein. The proforma adjustments included in the unaudited proforma condensed combined financial information is as follows:

A. To adjust the cash balance for the $3,000,000 cash consideration paid and to record the $2,000,000 Deferred Cash Consideration as part of the Merger Consideration.

B. To record the fair value of the inventory acquired with respect to the 1,500 pre-filled vials of Anthim that are expected to be sold in 2022, which is estimated at $5,844,000.

C. To record the fair value of the intangible asset acquired and the residual goodwill from the Merger Transaction. The intangible asset acquired consists of patents and other intellectual property related to the formulation of Anthim. The preliminary valuation of the intangible asset was determined using a discounted cash flow analysis methodology based on the expected future cash flows from future sales of Anthim utilizing a discount rate of 26%. Goodwill, representing the excess of the purchase price over the fair value of the assets to be acquired, is approximately $4,957,000. This allocation is based on preliminary estimates. The final allocation may differ materially from this estimate as changes to the initial valuation of assets and liabilities will be allocated to goodwill.

D. To adjust the deferred tax asset and establish a deferred tax liability of $3,326,000 for the difference between the future tax and book amortization of the acquired intangible assets utilizing the blended federal and state statutory income tax rate of approximately 23% for the year ended December 31, 2021. See Note H below regarding the subsequent reversal of the deferred tax liability.

E. To reduce the cash balance for cash that will be paid to the sellers prior to closing.

NOTES TO THE UNAUDITED PROFORMA CONDENSED COMBINED FINANCIAL INFORMATION

F. To reflect an accrual for the incremental unrecorded estimated transaction expenses of $300,000 as of December 31, 2021, and for the year then ended. These transaction costs are one-time non-recurring expenses directly associated with the Merger Transaction. This amount also increases accumulated deficit.

G. To record the Additional Earn Out related to the future sale of 1,500 pre-filled vials of Anthim. This is the estimated amount that is expected to be paid to the sellers upon the sale of these vials, which is anticipated to occur in 2022. The value of this contingent consideration was calculated as 80% of the gross sales price of these vials, less estimated fulfillment costs to be incurred.

H. To record an income tax benefit for the reduction in NightHawk's deferred tax valuation allowance as a result of the acquired deferred tax liability. Because Elusys will be included in our consolidated tax return following the acquisition, we have determined that the deferred tax liability related to the acquisition provides sufficient taxable income to realize our deferred tax assets of $3,326,000. This nonrecurring adjustment reduces the deferred tax liability and accumulated deficit by $3,326,000.

I. To record the estimated fair value of the Earn Out. The preliminary estimated fair value of the Earn Out was valued using a discounted cash flow analysis. Any changes to the Earn Out liability after the Closing Date that are not part of an adjustment associated with an initial change in value during the measurement period will be recognized in our statement of operations as a component of operating income or expense.

J. To reflect the elimination of Elusys' historical equity balances, including accumulated deficit.

K. To record the amortization expense applicable to the related period for the intangible asset acquired as part of the business combination. The newly acquired intangible is being amortized to cost of product sales on a straight-line basis over its estimated useful life of 80 months. We are still in the process of evaluating the fair value of the intangible asset. Any resulting change in the fair value would have a direct impact to amortization expense.

L. To record the estimated fair value of the Contract Deferred Consideration from the future fulfillment of an existing U.S. Government contract. The preliminary valuation of the liability was determined using a discounted cash flow analysis utilizing a discount rate of 14%.

M. To reduce the $8,081,114 of inventory as of December 31, 2021, which was sold prior to April 18, 2022.

N. To record the Contract Receivables acquired at the Merger and the Receivable Consideration for the payment to the Sellers to occur upon collection of the Contract Receivables subsequent to the Merger. The Contract Receivables were created through the sale of the inventory that existed as of December 31, 2021 (See M).

O. To record an adjustment to working capital for the difference in operating assets acquired and liabilities assumed as of December 31, 2021, compared to the actual Closing Date.