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

FORM 8-K

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

Date of Report (Date of earliest event reported): November 30, 2022

Solid Biosciences Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	001-38360	90-0943402
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

500 Rutherford Avenue, Third Floor
Charlestown, Massachusetts 02129
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (617) 337-4680

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

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

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

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

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock $0.001 par value per share	**SLDB**	**The Nasdaq Global Select Market**

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

Emerging growth company ☒

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

Introductory Note.

As previously disclosed, Solid Biosciences Inc. (the "Company") entered into (i) an agreement and plan of merger, dated as of September 29, 2022 (the "Merger Agreement"), by and among the Company, Greenland Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of the Company ("Transitory Subsidiary"), AavantiBio, Inc., a Delaware corporation ("AavantiBio"), and, solely in his capacity as equityholder representative, Doug Swirsky, providing for the acquisition of AavantiBio by the Company through the merger of Transitory Subsidiary into AavantiBio, with AavantiBio surviving as a wholly owned subsidiary of the Company (the "Acquisition"), (ii) securities purchase agreements, dated as of September 29, 2022 (the "Securities Purchase Agreement"), by and among the Company and several accredited investors (the "PIPE Investors", with such transaction being the "Private Placement"), and (iii) a registration rights agreement with the PIPE Investors, pursuant to which the Company agreed to register for resale the PIPE Shares (as defined below).

On December 2, 2022, the Company completed its acquisition of AavantiBio in accordance with the terms of the Merger Agreement, and the Private Placement closed immediately following the closing of the Acquisition.

Unless the context otherwise requires, all references in this Current Report on Form 8-K to "Solid," "we," "our" and "us" refer to Solid Biosciences Inc. and its wholly owned subsidiaries after the effective time of the Acquisition, and all references to AavantiBio refer to AavantiBio, Inc. prior to the effective time of the Acquisition.

Item 1.01. Entry into a Material Definitive Agreement.

As a result of the Acquisition, the following AavantiBio agreements and arrangements effectively became agreements and arrangements of the Company.

License Agreements with the University of Florida Research Foundation, Inc.

Between March 2020 and June 2021, AavantiBio entered into multiple license agreements with the University of Florida Research Foundation, Inc. (the "UFRF License Agreements"). Broadly, the license agreements grant rights to certain patent rights and know-how relating to: (1) adeno-associated virus ("AAV") vectors, compositions and methods of treatment of Friedreich's ataxia, (2) AAV vectors for treatment of glycogen storage disease, (3) methods and compositions for treating of MYPBC related cardiomyopathy with a viral vector, and (4) methods and compositions for treating BAG-3 cardiomyopathy. Under each of the license agreements, AavantiBio is obligated to use commercially reasonable efforts to develop and commercialize products covered by the applicable licensed patent rights and to achieve certain regulatory and commercialization milestones within estimated time periods. The UFRF License Agreements terminate on a licensed product-by-licensed product basis on the later of: (i) expiration of the patent rights covering such licensed product or (ii) ten (10) years from the first commercial sale of such licensed product.

In connection with each of the UFRF License Agreements, AavantiBio is required to pay annual license maintenance fees ranging from $5,000 to $10,000 (totaling $45,000 for all of the UFRF License Agreements) until the first commercial sale of a licensed product under such UFRF License Agreement. AavantiBio also agreed to pay a low, single digit royalty on annual net sales of licensed products on a licensed-product-by-licensed product basis until the expiration of the last of the patent rights licensed under each of the UFRF License Agreements. In addition, in connection with each of the UFRF License Agreements, AavantiBio is required to make contingent milestone payments to the university ranging from $100,000 to $1,500,000 (totaling up to $15.4 million for all UFRF License Agreements) upon the achievement of certain clinical and regulatory milestones. AavantiBio is required to pay ongoing patent expense fees in relation to the licensed patents. AavantiBio is required to pay a fee upon a change in control, which was triggered by the closing of the Acquisition. Under the license agreements, the combined fee payable upon a change in control is expected to be a mid-single digit percentage of the acquisition value.

License Agreement with Life Technologies Corporation

On December 18, 2020, AavantiBio entered into a non-exclusive license agreement with Life Technologies Corporation, a Delaware corporation, with respect to life cells for producing genetically engineered adeno associated virus (AAV) particles. In connection with the license, AavantiBio paid an upfront fee of $450,000. In addition, AavantiBio is required to pay a fee of $450,000 for each additional licensee product added to the license and a fee of $50,000 for each additional cell line documentation package. Lastly, AavantiBio is required to pay a fee of $450,000 upon a change in control, which payment was triggered by the closing of the Acquisition. The license agreement continues until terminated, which may be made upon thirty (30) days prior written notice.

License Agreement with University of North Carolina

On December 21, 2021, AavantiBio entered into an exclusive license agreement with the University of North Carolina ("UNC") with respect to certain patent rights relating to truncated dysferlin for treatment of dysferlinopathy. Under the terms of the license, AavantiBio is required to pay a minimum annual license maintenance fee of $10,000 for years 2022 through 2025 and $25,000 for year 2026 and thereafter, until the first year in which AavantiBio sells a product covered by the claims of the licensed patents. AavantiBio also agreed to pay low, single digit royalties on annual net sales of licensed products on a licensed-product-by-licensed product until the expiration of the last of the patent rights licensed under the license. In addition, AavantiBio is required to make contingent milestone payments totaling up to $5.0 million in aggregate upon the achievement of certain clinical and regulatory milestones. In the event that AavantiBio sublicenses the licensed patent rights, UNC is also entitled to receive a percentage of the sublicensing revenue received by AavantiBio. AavantiBio is required to pay ongoing patent expense fees in relation to the licensed patents. The term of the license agreement continues until the later of: (i) expiration the patent rights, (ii) the expiration of any market exclusivity relating to a licensed product or (iii) ten (10) years from the first commercial sale of a licensed product.

Item 2.01. Completion of Acquisition or Disposition of Assets.

As previously disclosed, on September 29, 2022, the Company, Transitory Subsidiary, AavantiBio and Doug Swirsky, acting solely in his capacity as equityholder representative, entered into the Merger Agreement. On December 2, 2022, the Company completed its acquisition of AavantiBio in accordance with the terms of the Merger Agreement. At the closing of the Acquisition, the Company issued an aggregate of (i) $1,000 and (ii) 1,354,258 shares of its common stock, par value $0.001 per share (the "common stock") to AavantiBio equityholders (the "Stock Consideration").

The foregoing description of the Merger Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which was filed as Exhibit 2.1 on the Current Report on Form 8-K filed by the Company on September 30, 2022, and is incorporated herein by reference.

Item 2.05. Costs Associated with Exit or Disposal Activities.

On November 30, 2022, the Company's Board of Directors (the "Board") approved a plan to reduce the Company's workforce by approximately 18%. These reductions are expected to be completed by the December 5, 2022. This plan is designed to streamline the Company's operating structure. The Company expects to incur a charge in the fourth quarter of 2022 of approximately $3.2 million related to the reduction in force, consisting of severance and other employee termination benefits. The Company expects that approximately $0.4 million of this amount will be paid during in the fourth quarter of 2022 and the balance through the first quarter of 2024.

Item 3.02. Unregistered Sales of Equity Securities.

Pursuant to the Merger Agreement, the Company issued 1,354,258 shares of common stock to the former equityholders of AavantiBio in accordance with the terms and conditions set forth in the Merger Agreement. The nature of the transaction and the nature and amount of consideration received by AavantiBio's equityholders are described in Item 2.01 of this Current Report on Form 8-K, which is incorporated by reference into this Item 3.02.

On September 29, 2022, the Company entered into the Securities Purchase Agreement with the PIPE Investors, pursuant to which, on December 2, 2022, the Company issued an aggregate of 10,638,290 shares of the Company's common stock (the "PIPE Shares"). The Private Placement closed immediately following the closing of the Acquisition on December 2, 2022. The Company received aggregate gross proceeds from the Private Placement of approximately $75.0 million, before deducting placement agent fees and estimated offering expenses payable by the Company.

The issuance of the Stock Consideration in the Acquisition and the offering and sale of PIPE Shares in the Private Placement was made in reliance on the exemption afforded by Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and/or Rule 506 of Regulation D promulgated under the Securities Act and corresponding provisions of state securities or "blue sky" laws. The Stock Consideration issued in the Acquisition and the PIPE Shares issued and sold in the Private Placement was not registered under the Securities Act or any state securities laws and such securities may not be offered or sold in the United States absent registration with the Securities and Exchange Commission (the "SEC") or an applicable exemption from the registration requirements. The issuance of the Stock Consideration in the Acquisition and the issuance and sale of the PIPE Shares did not involve a public offering and was made without general solicitation or general advertising. The AavantiBio equityholders receiving Stock Consideration and the PIPE Investors have represented that they are accredited investors, as such term is defined in Rule 501(a) of Regulation D under the Securities Act, and that they are acquiring the securities for investment purposes only and not with a view to any resale, distribution or other disposition of the securities in violation of the United States federal securities laws.

The foregoing description of the Securities Purchase Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the Securities Purchase Agreement, which was filed as Exhibit 10.3 on the Current Report on Form 8-K filed by the Company on September 30, 2022, and is incorporated herein by reference.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of Principal Executive Officer and Election of Directors

On November 30, 2022, the Board appointed Alexander (Bo) Cumbo as the Company's President and Chief Executive Officer and elected Mr. Cumbo as a member of the Board, in each case, subject to and contingent and effective upon the closing of the Acquisition (the "Effective Date"). As previously disclosed, the Company entered into an employment agreement with Mr. Cumbo on September 29, 2022, effective as of the Effective Date.

Mr. Cumbo, age 51, has served as the President and Chief Executive Officer and as a director of AavantiBio since October 2020. From January 2013 to October 2020, Mr. Cumbo held positions of increasing responsibility at Sarepta Therapeutics, Inc., a precision genetic medicine company, ultimately serving as Executive Vice President, Chief Commercial Officer. From 2011 to 2013, Mr. Cumbo served as Vice President of Sales and Treatment Education for Vertex Pharmaceuticals Incorporated ("Vertex"), a global biotechnology company, launching Incivek, a treatment for hepatitis C, and from 2010 to 2011, he served as Area director for Vertex. Prior to Vertex, Mr. Cumbo served in multiple commercial roles supporting the HIV, HBV and cardiovascular franchises at Gilead Sciences, Inc., a biopharmaceutical company. Mr. Cumbo has served on the board of Verve Therapeutics, Inc. since June 2022. Mr. Cumbo previously served on the board of RA Pharmaceuticals, Inc., a clinical stage biopharmaceutical company acquired by UCB, Brussels, from November 2018 to April 2020. Mr. Cumbo received a Bachelor of Science in Laboratory Technology from Auburn University.

On November 30, 2022, the Board also elected Adam Koppel, M.D., Ph.D., as a member of the Board, subject to and contingent and effective upon the closing of the Acquisition. Dr. Koppel previously served as a member of the Board from October 2017 to June 2022.

Mr. Cumbo and Dr. Koppel will serve as a Class I and Class II directors, respectively, with a term expiring at the Company's 2025 and 2023 annual meeting of stockholders, respectively, and thereafter until such director's successor has been duly elected and qualified or until such director's earlier death, resignation or removal. Other than as contemplated in the Merger Agreement, there are no arrangements or understandings between Mr. Cumbo or Dr. Koppel and any other persons pursuant to which Mr. Cumbo or Dr. Koppel, respectively, was elected as a director.

As an employee of the Company, Mr. Cumbo will not receive any additional compensation for his service on the Board. Dr. Koppel will receive compensation for his service as a non-employee director and for any committee service in accordance with the Company's non-employee director compensation program, which is described in Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, filed with the SEC on August 11, 2022.

In connection with their respective appointment and election as directors, Mr. Cumbo and Dr. Koppel will each enter into the Company's standard form of indemnification agreement with the Company, a copy of which was filed as Exhibit 10.16 to the Company's Registration Statement on Form S-1 (File No. 333-222357) filed with the SEC on December 29, 2017. Pursuant to the terms of the indemnification agreement, the Company may be required, among other things, to indemnify Mr. Cumbo and Dr. Koppel for certain expenses (including attorneys' fees), judgments, fines and settlement amounts reasonably incurred by such individuals in any action or proceeding arising out of their service as a director of the Company.

Executive Officer Resignations

As previously disclosed, Ilan Ganot notified the Company of his resignation as the Company's Chief Executive Officer and President and Erin Powers Brennan notified the Company of her resignation as the Company's Chief Legal Officer and Secretary, each of which became effective on December 2, 2022. Subject to the execution and delivery of the Additional Release of Claims in the form attached to their respective Executive Transition and Separation Agreements, dated as of September 29, 2022, the Company will pay Mr. Ganot and Ms. Brennan a cash bonus of $318,285 and $172,200, respectively.

Item 7.01. Regulation FD Disclosure.

On December 5, 2022, the Company issued a press release announcing, among other things, the closing of the Acquisition and the Private Placement. A copy of the press release is furnished hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Item 7.01 of this Current Report on Form 8-K, including the accompanying Exhibit 99.1, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that section. Furthermore, the information in this Item 7.01 of this Current Report on Form 8-K, including the accompanying Exhibit 99.1, shall not be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933, as amended.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The audited consolidated financial statements of AavantiBio as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, changes in convertible preferred stock and stockholders' deficit and cash flows for the years then ended, are attached hereto as Exhibit 99.2 and incorporated herein by reference.

The unaudited interim consolidated financial statements of AavantiBio as of September 30, 2022, and the related consolidated statements of operations and comprehensive loss, changes in convertible preferred stock and stockholders' deficit and cash flows for each of the nine months ended September 30, 2022 and 2021, are attached hereto as Exhibit 99.3 and incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined financial statements of the Company and AavantiBio for the year ended December 31, 2021 and as of and for the nine months ended September 30, 2022 are attached hereto as Exhibit 99.4 and incorporated herein by reference.

(d) Exhibits

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP
99.1	Press Release, dated December 5, 2022
99.2	Audited consolidated financial statements of AavantiBio as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, changes in convertible preferred stock and stockholders' deficit and cash flows for the years then ended
99.3	Unaudited interim consolidated financial statements of AavantiBio as of September 30, 2022 and the related consolidated statements of operations and comprehensive loss, changes in convertible preferred stock and stockholders' deficit and cash flows for each of the nine months ended September 30, 2022 and 2021
99.4	Unaudited pro forma condensed combined financial statements of the Company and AavantiBio for the year ended December 31, 2021 and as of and for the nine months ended September 30, 2022
104	Cover Page Interactive Data File (formatted as Inline XBRL)

Forward-Looking Statements

This Current Report on Form 8-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future expectations, plans and prospects for the Company, AavantiBio and the combined company; and other statements containing the words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "would," "working" and similar expressions. Any forward-looking statements are based on management's current expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those set forth in, or implied by, such forward-looking statements. For a discussion of risks and uncertainties, and other important factors, any of which could cause the Company's actual results to differ from those contained in the forward-looking statements, see the "Risk Factors" section, as well as discussions of potential risks, uncertainties and other important factors, in the Company's most recent filings with the SEC. In addition, the forward-looking statements included in this Current Report on Form 8-K represent the Company's views as of the date hereof and should not be relied upon as representing the Company's views as of any date subsequent to the date hereof. The Company anticipates that subsequent events and developments will cause the Company's views to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so.

SIGNATURES

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

		SOLID BIOSCIENCES INC.
Date: December 5, 2022	By:	/s/ Stephen DiPalma
		Name: Stephen DiPalma
		Title: Interim Chief Financial Officer

Consent of Independent Auditors

We consent to the incorporation by reference in Registration Statement Nos. 333-233594, 333-254310 and 333-258859 on Form S-3 and Registration Statement Nos. 333-222763, 333-241370, 333-258856, 333-265351 and 333-268643 on Form S-8 of Solid Biosciences Inc. of our report dated August 4, 2022 (except for Notes 3, 12 and 14, as to which the date is October 28, 2022), relating to the financial statements of AavantiBio, Inc. as of and for the years ended December 31, 2021 and 2020 appearing in this Current Report on Form 8-K of Solid Biosciences Inc.

/s/ *Ernst & Young LLP*

Boston, Massachusetts
December 5, 2022

Exhibit 99.1

Solid Biosciences Announces Closing of Acquisition of AavantiBio and Concurrent $75 Million Private Placement

- Transactions create a precision genetic medicine company focused on neuromuscular and cardiac diseases, led by industry veteran Bo Cumbo -

- Company to leverage synergies and key assets, including product candidates for Duchenne muscular dystrophy, Friedreich's ataxia, BAG3 mediated dilated cardiomyopathy and other undisclosed cardiac diseases, novel capsid libraries, and personnel -

- Combined company has approximately $215 million in cash and investments, which is expected to fund operations into 2025 and support attainment of key milestones for lead gene therapy programs -

CHARLESTOWN, Mass., December 5, 2022 – Solid Biosciences Inc. (Nasdaq: SLDB), a life sciences company focused on advancing meaningful therapies for Duchenne muscular dystrophy (Duchenne), today announced the closing of its acquisition of AavantiBio, a privately held gene therapy company focused on transforming the lives of patients with Friedreich's ataxia and rare cardiomyopathies, including its pipeline assets and net cash. The combined company will focus on advancing a portfolio of neuromuscular and cardiac programs, including SGT-003, a differentiated gene transfer candidate, for the treatment of Duchenne, AVB-202, a gene transfer candidate for the treatment of Friedreich's ataxia, AVB-401 for BAG3 mediated dilated cardiomyopathy, and additional assets for the treatment of undisclosed cardiac diseases. Bo Cumbo, the Chief Executive Officer of AavantiBio, will assume the role of President and CEO of Solid Biosciences.

Concurrent with the closing of the merger, Solid closed the previously announced $75 million private placement with a select group of institutional investors and accredited investors. The private placement was led by existing investors Perceptive Advisors, LLC, RA Capital Management and Bain Capital Life Sciences, and other new and existing investors participating in the private placement include CaaS Capital Management, Invus, Laurion Capital Management and Pura Vida Investments.

Solid's stockholders approved the issuance of shares of Solid common stock in the transactions on December 1, 2022, along with the other proposals presented at the meeting.

Following the closing of the merger and private placement, Solid has total cash and investments of approximately $215 million. Solid expects this will be sufficient to fund the company's planned operating expenses and capital expenditure requirements into 2025 and enable the potential attainment of key milestones for the combined company's lead programs.

"The closing of these transactions brings together two companies committed to helping patients and innovations in gene therapy science, bolstered by the capital necessary to advance our lead programs through important developmental milestones," said Bo Cumbo, President and Chief Executive Officer of Solid Biosciences. “We have a pipeline of assets that have the potential to offer unique value to patients, led by gene therapy programs for Duchenne muscular dystrophy, Friedreich’s ataxia and BAG3 mediated dilated cardiomyopathy. With our current cash, we expect to bring the Duchenne program, SGT-003, through to patient dosing, subject to IND clearance; the FA program, AVB-202, to an IND submission; and the BAG3 program, AVB-401, into preclinical testing. We greatly appreciate our stockholders, the Solid and AavantiBio employees and the patient communities who have supported us, and we look forward to the opportunities ahead for the next phase of Solid Biosciences.”

Cumbo continued, “On behalf of the employees and stockholders of Solid, I would like to extend my sincere thanks to Ilan Ganot for his leadership of Solid over the past nearly 10 years and his commitment to bringing innovation to patients with Duchenne and their families.”

BofA Securities acted as the sole placement agent for the private placement made to institutional investors. Wilmer Cutler Pickering Hale and Dorr LLP acted as legal counsel to Solid Biosciences. Sidley Austin LLP acted as legal counsel to AavantiBio.

About Solid Biosciences

Solid Biosciences is a life science company focused on advancing a portfolio of neuromuscular and cardiac programs, including SGT-003, a differentiated gene transfer candidate, for the treatment of Duchenne, AVB-202, a gene transfer candidate for the treatment of Friedreich’s ataxia, AVB-401 for BAG3 mediated dilated cardiomyopathy, and additional assets for the treatment of undisclosed cardiac diseases. Solid aims to be the center of excellence, bringing together those with expertise in science, technology, disease management and care. Disease-focused and founded by those directly impacted by Duchenne, Solid’s mandate is to improve the daily lives of patients living with these devastating diseases. For more information, please visit www.solidbio.com.

About SGT-003

SGT-003 is Solid’s next-generation AAV gene transfer therapy candidate that utilizes a rationally designed, novel muscle-tropic AAV capsid, called AAV-SLB101, to deliver Solid’s proprietary and differentiated nNOS microdystrophin for the treatment of Duchenne. AAV-SLB101 has demonstrated enhanced muscle biodistribution and transgene expression, as well as reduced liver tropism, compared with AAV9 in in vivo mouse models and, utilizing a reporter transgene, non-human primate in vivo models. SGT-003 has correspondingly demonstrated higher levels of microdystrophin expression in vivo in the mdx mouse model of Duchenne and in vitro in human Duchenne cell lines. Solid is targeting an IND submission for SGT-003 in mid-2023.

Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future expectations, plans and prospects for the company; the anticipated benefits of the acquisition; the anticipated milestones, business focus and pipeline of the company; the cash runway of the company; the company’s SGT-003 program, including expectations for filing an IND and initiating dosing, AVB-202 program, including expectations for filing an IND, and AVB-401 program; and other statements containing the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “would,” “working” and similar expressions. Any forward-looking statements are based on management’s current expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those set forth in, or implied by, such forward-looking statements. These risks and uncertainties include, but are not limited to, risks associated with the ability to recognize the anticipated benefits of the acquisition; the outcome of any legal proceedings that may be instituted against Solid or AavantiBio following any announcement of the acquisition and related transactions; the ability to obtain or maintain the listing of the common stock of the combined company on the Nasdaq Stock Market following the acquisition; the company’s ability to advance its SGT-003, AVB-202, AVB-401 and other programs on the timelines expected or at all; obtain and maintain necessary approvals from the FDA and other regulatory authorities; obtain and maintain the necessary approvals from investigational review boards at clinical trial sites and independent data safety monitoring board; replicate in clinical trials positive results found in preclinical studies and early-stage clinical trials of its product candidates; whether the methodologies, assumptions and applications the company utilizes to assess particular safety or efficacy parameters will yield meaningful statistical results; advance the development of its product candidates under the timelines it anticipates in current and future clinical trials; successfully transition, optimize and scale its manufacturing process; obtain, maintain or protect intellectual property rights related to its product candidates; compete successfully with other companies that are seeking to develop Duchenne and Friedreich’s ataxia treatments and gene therapies; manage expenses; and raise the substantial additional capital needed, on the timeline necessary, to continue development of SGT-003, AVB-202, AVB-401 and other product candidates, achieve its other business objectives and continue as a going concern. For a discussion of other risks and uncertainties, and other important factors, any of which could cause the company’s actual results to differ from those contained in the forward-looking statements, see the “Risk Factors” section, as well as discussions of potential risks, uncertainties and other important factors, in the company’s most recent filings with the Securities and Exchange Commission. In addition, the forward-looking statements included in this press release represent the company’s views as of the date hereof and should not be relied upon as representing the company’s views as of any date subsequent to the date hereof. The company anticipates that subsequent events and developments will cause the company’s views to change. However, while the company may elect to update these forward-looking statements at some point in the future, the company specifically disclaims any obligation to do so.

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Report of Independent Auditors

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

Opinion

We have audited the financial statements of AavantiBio, Inc. (the Company), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and comprehensive loss, changes in convertible preferred stock and stockholders' deficit and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audits. We believe that 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 of 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 for one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 GAAS 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 judgement made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 judgement, 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/ Ernst & Young

Boston, Massachusetts
August 4, 2022, except for Notes 3, 12 and 14, as to which the date is October 28, 2022

AavantiBio, Inc.

Balance Sheets
(in thousands, except share and per share amounts)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 39,878	$35,702
Prepaid expenses and other current assets	462	632
Total current assets	40,340	36,334
Property and equipment, net	2,396	1,546
Total assets	$ 42,736	$37,880
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 3,472	$ 659
Accrued expenses and other current liabilities	2,693	393
Total current liabilities	6,165	1,052
Derivative liability	3,655	820
Share repurchase liability	397	—
Other long-term liabilities	182	307
Total liabilities	10,399	2,179
Commitments and contingencies (Note 11)		
Series A Convertible Preferred Stock, $0.0001 par value per share; 15,788,241 shares of Series A-1 and 5,234,921 shares of Series A-2 authorized; 14,732,800 and 9,028,486 shares of Series A-1 issued and outstanding at December 31, 2021 and 2020, respectively, liquidation value of $106,786 and $65,440 as of December 31, 2021 and 2020, respectively	70,799	43,313
Stockholders' deficit:		
Common stock, $0.0001 par value per share; 36,000,000 shares authorized; 5,402,848 and 3,406,582 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively	1	1
Additional paid-in capital	5,746	2
Accumulated deficit	(44,209)	(7,615)
Total stockholders' deficit	(38,462)	(7,612)
Total liabilities, Convertible Preferred Stock and stockholders' deficit	$ 42,736	$37,880

See accompanying notes to the financial statements.

AavantiBio, Inc.

Statements of Operations and Comprehensive Loss
(in thousands)

	December 31, 2021	December 31, 2020
Operating expenses:		
Research and development	$ 26,387	$ 4,308
General and administrative	9,172	2,098
Total operating expenses	35,559	6,406
Loss from operations	(35,559)	(6,406)
Other income (expense):		
Interest expense, net	—	(404)
Change in fair value of derivative liability	(1,035)	(160)
Total other expense, net	(1,035)	(564)
Net loss and comprehensive loss	$(36,594)	$(6,970)

See accompanying notes to the financial statements.

AavantiBio, Inc.

Statements of Convertible Preferred Stock and Stockholders' Deficit
(in thousands, except share amounts)

	Series A Convertible Preferred Stock		Common Stock				
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Total Stockholders' Deficit**
Balance as of January 1, 2020	—	—	5,000,000	$ 1	$ 2	$ (645)	$ (642)
Issuance of Common Stock	—	—	431,210	—	—	—	—
Exercise of common stock options	—	—	58,706	—	—	—	—
Issuance of Series A Convertible Preferred Stock, net of issuance costs of $313 and conversion of convertible notes	9,028,486	43,313	—	—	—	—	—
Modification of restricted common stock	—	—	(5,000,000)	—	—	—	—
Vesting of restricted stock	—	—	2,916,666	—	—	—	—
Net loss	—	—	—	—	—	(6,970)	(6,970)
Balance as of December 31, 2020	9,028,486	$43,313	3,406,582	$ 1	$ 2	$ (7,615)	$ (7,612)
Vesting of restricted stock	—	—	940,825	—	—	—	—
Issuance of Series A Convertible Preferred Stock, net of issuance cost of $78 and related conversion of preferred to common stock	5,704,314	27,486	1,055,441	—	5,103	—	5,103
Stock-based compensation expense	—	—	—	—	641	—	641
Net loss	—	—	—	—	—	(36,594)	(36,594)
Balance as of December 31, 2021	14,732,800	$70,799	5,402,848	$ 1	$ 5,746	$ (44,209)	$ (38,462)

See accompanying notes to the financial statements.

AavantiBio, Inc.

Statements of Cash Flows
(in thousands)

	December 31, 2021	December 31, 2020
Cash flows from operating activities:		
Net loss	$ (36,594)	$ (6,970)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	425	89
Stock compensation expense	641	0
Non-cash interest	—	406
Change in fair value of derivative liability	1,035	160
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	171	(620)
Accounts payable	2,581	654
Accrued expenses and other current liabilities	2,300	214
Derivative liability	1,800	660
Other long-term liabilities	(125)	(43)
Net cash used in operating activities	(27,766)	(5,450)
Cash flows from investing activities:		
Acquisition of property and equipment	(1,044)	(1,635)
Net cash used in investing activities	(1,044)	(1,635)
Cash flows from financing activities:		
Proceeds from issuance of Convertible Preferred Stock, net of issuance costs	32,589	32,515
Proceeds from issuance of convertible notes	—	9,000
Issuance of restricted stock	397	—
Net cash provided by financing activities	32,986	41,515
Net Increase in cash, cash equivalents and restricted cash	4,176	34,430
Cash, cash equivalents and restricted cash at beginning of period	35,702	1,272
Cash, cash equivalents and restricted cash at end of period	$ 39,878	$35,702
Supplemental Schedule of Non-cash activities		
Non-cash impact to equity upon conversion of convertible notes	—	(1,500)
Property and equipment in accounts payable	230	—

See accompanying notes to the financial statements.

1. Operations

AavantiBio, Inc. ("AavantiBio" or the "Company") is a gene therapy company focused on transforming the lives of patients with rare genetic diseases. The Company was incorporated on August 14, 2019, under the laws of the state of Delaware, and its principal offices are in Cambridge, Massachusetts.

The Company is subject to risks and uncertainties common to early-stage companies in the biopharmaceutical industry, including, but not limited to, risks related to the successful development and commercialization of product candidates, fluctuations in operating results and financial risks, the ability to successfully raise additional funds when needed, protection of proprietary rights and patent risks, patent litigation, compliance with government regulations, dependence on key personnel and prospective collaborative partners, and competition from competing products in the marketplace.

Liquidity

As of December 31, 2021, the Company had an accumulated deficit of $44.2 million. The Company has incurred losses and negative cash flows from operations since inception, including net losses of $36.6 million and $7.0 million for the years ended December 31, 2021 and 2020, respectively, and expects that its operating losses and negative cash flows will continue for the foreseeable future as the Company continues its research and development (R&D) programs and develop its product candidates.

The Company expects that its cash on hand of $39.9 million as of December 31, 2021, together with the $31.6 million of gross proceeds from the Third Tranche of the Company's Series A Convertible Preferred Stock financing received on February 24, 2022, will fund operations through at least one year from the date of issuance of these financial statements.

Management also may, in the future, seek to raise additional funds through equity or debt financings or through collaboration transactions. The Company may be unable to obtain equity or debt financings, enter into collaboration transactions and, if necessary, the Company will be required to implement cost reduction strategies. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting standards generally accepted in the United States of America ("U.S. GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates made by management relate to, but are not limited to, the fair value of common stock, the fair value of the derivative liability, stock-based compensation, accrued expenses (including accrued and prepaid research costs), and the recoverability of the Company's net deferred tax assets and related valuation allowance. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgements about the carrying values of assets and liabilities under the circumstances. The Company evaluates its estimates and assumptions on an ongoing basis. Actual results could differ from those estimates.

Concentration of Credit Risks

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains deposits in an accredited financial institution. The Company deposits its cash in financial institutions that it believes have high credit quality and have not experienced any losses in such accounts. The Company does not believe it is exposed to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships. Such deposits have and will continue to exceed federally insured limits. As of December 31, 2021, and 2020, the Company had deposits in excess of federally insured amounts of $39.9 and $35.7 million, respectively.

Cash and Cash Equivalents

Cash includes cash in readily available checking accounts. Cash is carried at cost, which approximates its fair value. The Company considers cash and cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present an insignificant risk of changes in value, including investments that mature within three months from the date of original purchase.

Property and Equipment

Property and equipment, net, is stated at cost and is depreciated or amortized using the straight-line method over the estimated useful life of the related assets as follows:

	Estimated Useful Life (Years)
Laboratory equipment	5
Furniture and fixtures and office equipment	7
Computer equipment and software	5
Leasehold improvements	Lesser of remaining life of lease or useful life

Major additions and upgrades are capitalized; maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. The Company reviews its property and equipment to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. There have been no impairments in 2021 or 2020.

Leases

Under ASC Topic 840, Leases (“ASC 840”), the Company determines if an arrangement is or contains a lease at inception, and whether the lease is an operating or capital lease. Lease payments made under operating leases are recognized as expense on a straight-line basis over the lease term, resulting in deferred rent classified in other liabilities on the balance sheet.

The Company recognizes leasehold improvements within property and equipment and the corresponding lease incentive as a liability on the balance sheet. The lease incentive is allocated between other current and other long-term liabilities on the balance sheet. The lease incentive liability is recognized as a reduction of rent expense on a straight-line basis over the term of the lease in accordance with ASC 840.

Research and Development Costs

Expenditures for research and development activities are expensed as incurred. The majority of research and development expenses consist of costs incurred in performing research and development activities, including personnel-related expenses such as salaries, facilities costs, depreciation, and external costs of outside vendors engaged to conduct research and preclinical development activities.

Patent Costs

All patent-related costs incurred in connection with filing and prosecuting patent applications are expensed as incurred due to the uncertainty about the recovery of the expenditure. Amounts incurred are classified as general and administrative expenses.

Accrued Expenses

The Company accrues expenses related to development activities performed by third parties based on an evaluation of services received and efforts expended pursuant to the terms of the contractual arrangements. Payments under some of these contracts depend on research and non-clinical trial milestones. There may be instances in which payments made to the Company’s vendors will exceed the level of services provided and result in a prepayment of expenses. In accruing service fees, the Company estimates the period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust the accrual or prepaid expense accordingly. The Company has not experienced any material differences between accrued costs and actual costs incurred since its inception.

Convertible Preferred Stock

As the Convertible Preferred Stockholders have liquidation rights in the event of a deemed liquidation event that, in certain situations, are not solely within the control of the Company and would require the redemption of the then-outstanding Convertible Preferred Stock, the Company classifies the Convertible Preferred Stock in mezzanine equity on the balance sheet. Due to the fact that the occurrence of a deemed liquidation event is not currently probable, the carrying value of the Convertible Preferred Stock is not being accreted to its redemption value. Subsequent adjustments to the carrying value of the Convertible Preferred Stock would be made only when a deemed liquidation event becomes probable.

Stock-Based Compensation

The Company accounts for its stock-based compensation awards in accordance with ASC Topic 718, Compensation—Stock Compensation ("ASC 718"). ASC 718 requires all stock-based payments to employees and non-employees to be recognized based on their fair value on the date of the grant. The Company estimates the grant date fair value using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including (i) the expected stock price volatility, (ii) the calculation of expected term of the award, (iii) the risk-free interest rate and (iv) expected dividends. Due to the lack of complete company-specific historical and implied volatility data for the full expected term of the stock-based awards, the Company bases its estimate of expected volatility on a representative group of publicly traded companies. The expected term assumption for employee grants is determined by using the "simplified" method for awards that qualify as "plain-vanilla" options. The expected term of stock options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is based on the rate of the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends on common stock and does not expect to pay any cash dividends in the foreseeable future. Forfeitures are accounted for as they occur.

The Company classifies stock-based compensation expense in the statement of operations in the same manner in which the award recipients' payroll costs are classified or the award recipients' service payments are classified. The Company accounts for awards granted to non-employees using the same treatment as awards granted to employees.

Upon exercise of stock options, the Company issues the grantee the respective number of shares of common stock from the available common stock shares approved for issuance by the Board of Directors. Until the restricted stock awards vest, the Company can repurchase unvested awards for a period of up to 90 days following termination. The Company is also entitled to repurchase early exercised unvested stock options. The Company records a liability on the balance sheet for any early exercised stock options awards. As of December 31, 2021, the Company recorded a $397,430 share repurchase liability on the balance sheet for the early exercise of unvested stock options and unvested shares of restricted stock subject to repurchase.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes ("ASC 740"). ASC 740 requires the use of the asset and liability method of accounting for income taxes. The current or deferred tax consequences of a transaction are measured by applying the provisions of enacted tax laws to determine the amount of taxes payable currently or in future years. Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax basis of assets and liabilities and expected future tax consequences of events that have been included in the financial statements or tax returns using enacted tax rates in effect for the year in which the differences are expected to reverse. Under this method, a valuation allowance is used to offset deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets may not be realized. Management annually evaluates the recoverability of deferred taxes and the adequacy of the valuation allowance as further discussed in Note 12, "Income Taxes."

The Company follows the provisions of ASC 740 relative to accounting for uncertain tax positions. These provisions provide guidance on the recognition, de-recognition, and measurement of potential tax benefits associated with tax positions.

Derivative Liability

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. The Company evaluates all of its financial instruments, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. In connection with certain transactions, the Company has identified certain embedded derivatives that requires separate accounting, which are recorded as liabilities on the Company's balance sheet and are remeasured to fair value at each reporting date until the derivative is settled. Changes in the fair value of the derivative liabilities are recognized as other income (expense) in the statement of operations.

Fair Value Measurements

In determining the fair value of its assets and liabilities, the Company uses various valuation approaches. The Company employs a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the source of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and models for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary among the various types of financial assets and liabilities. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for financial statement disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is categorized is based on the lowest level input that is significant to the overall fair value measurement.

Commitments and Contingencies

Legal Proceedings

From time to time, the Company may become involved in litigation, inquiries and/or investigation relating to claims arising from the ordinary course of business. As of December 31, 2021 and 2020, there are no claims or actions pending against the Company, the ultimate disposition of which would have a material adverse effect on the Company's results of operations, financial condition or cash flows. Management updates its assessment each reporting period and updates amounts accrued and disclosed accordingly.

Guarantees and Indemnifications

The Company's certificate of incorporation requires the Company to indemnify and advance expenses to its officers and directors and agents to the fullest extent permitted by law. Under the Company's operating lease terms, the Company is required to indemnify the lessor against claims, actions, or damages incurred in connection with, among other items, the Company's occupancy, and use of the premises. The Company's equity agreements and certain other arrangements include standard indemnifications against claims, actions, or other matters that may arise in connection with these arrangements.

As of December 31, 2021, and 2020, the Company had not experienced any losses related to these indemnification obligations, and no claims with respect thereto were outstanding. The Company does not expect significant claims related to these indemnification obligations and has no amount accrued related to these contingencies.

Recently Issued Accounting Pronouncements – Not Yet Adopted

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial statements and disclosures.

ASU No. 2016-02, Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). Under this accounting standard (and various amendments to ASU 2016-02 issued by the FASB, collectively referred to as "ASC 842"), lessees are required to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability is equal to the present value of lease payments. The asset is based on the liability, subject to certain adjustments, such as for initial direct costs. For income statement purposes, a dual model was retained, requiring leases to be classified as either operating or finance leases. Operating leases result in straight line expense (similar to operating leases under the prior accounting standard), while finance leases result in a frontloaded expense pattern (similar to capital leases under the prior accounting standard). Lessor accounting is similar to the prior model but updated to align with certain changes to the lessee model (e.g., certain definitions, such as initial direct costs, have been updated) and the new revenue recognition standard. ASC 842 is effective for the Company beginning January 1, 2022. The Company is currently evaluating the potential impact this standard may have on its financial statements upon adoption.

ASU No. 2019-12, Income Taxes (Topic 740)

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard simplifies the accounting for income taxes through the removal of various exceptions previously provided, as well providing additional reporting requirements for income taxes. The ASU is effective for the Company on January 1, 2022. The Company is currently evaluating the potential impact this standard may have on its financial statements upon adoption.

ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)

In August 2020, the FASB issued ASU 2020-06, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. This standard will be effective for the Company on January 1, 2024, with early adoption permitted (but no earlier than fiscal years beginning after December 15, 2020). The Company is currently evaluating the potential impact this standard may have on its financial statements upon adoption.

3. Fair Value Measurements

Fair Value Measured on a Recurring Basis

Financial liabilities measured at fair value on a recurring basis consist of the following as of December 31, 2021 and 2020:

	Fair Value measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative Liability	$ —	$ —	$3,655,000	$3,655,000
Total Liabilities	$ —	$ —	$3,655,000	$3,655,000

	Fair Value measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative Liability	$ —	$ —	$ 820,000	$ 820,000
Total Liabilities	$ —	$ —	$ 820,000	$ 820,000

Derivative Liability

In connection with license agreements entered into with a university and a third party as further described in Note 7, the Company recorded a derivative liability on its balance sheet associated with a fee due to the licensors upon an event of change of control. The Company remeasures the derivative liability at fair value at each reporting date and recognizes changes in the fair value of the derivative liability as a component of other income (expense) in the statement of operations. The university is a related party which is further described in Note 13.

Management determined the fair value of the derivative liability using a Monte Carlo simulation analysis with assumptions for volatility, cost of debt, and time to liquidity. The inputs used to calculate the fair value of the derivative liability are considered to be Level 3 inputs due to the lack of relevant market activity and significant management judgment.

The significant assumptions used in valuing the derivatives in the Monte Carlo simulation model are as follows:

	March 19, 2020	December 31, 2020	June 9, 2021	December 31, 2021
Discount rate	33.0%	20.0%	0.3%	1.0%
Expected volatility	—	—	90.0%	77.0%
Weighted average expected term (in years)	2.8	2.8	3.0	3.0

A reconciliation of the change in fair value of derivative liability is included in the following table:

Balance at December 31, 2019	$ —
Initial measurement at March 19, 2020	400,000
Initial measurement at December 31, 2020	260,000
Change in fair value	160,000
Balance at December 31, 2020	$ 820,000
Balance at December 31, 2020	$ 820,000
Initial measurement at June 9, 2021	1,800,000
Change in fair value	1,035,000
Balance at December 31, 2021	$3,655,000

The fair value of the derivative liability is based on the expected value of the consideration to be delivered, discounted to present value. The actual value to be delivered upon settlement of the derivatives may differ materially from current estimates. Reasonable changes in assumptions could materially affect the estimated fair value of the derivative liability.

Fair Value Measured on a Nonrecurring Basis

During the years ended December 31, 2021 and 2020, there were no re-measurements to fair value of financial assets and liabilities that are measured at fair value on a nonrecurring basis.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	December 31,	
	2021	2020
Research and development	$344,472	$556,186
Insurance	58,164	33,957
Rent	29,545	42,256
Other	29,654	—
	$461,835	$632,399

5. Property and Equipment, Net

Property and equipment, net, consisted of the following:

	December 31,	
	2021	2020
Laboratory equipment	$2,565,350	$1,291,462
Leasehold improvements	343,700	343,700
Less: Accumulated depreciation	(513,358)	(88,822)
	$2,395,692	$1,546,340

Depreciation expense for the years ended December 31, 2021 and December 31, 2020 was $424,536 and $88,822 respectively.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	December 31,	
	2021	2020
Payroll and payroll-related expenses	$1,768,327	$131,512
Research and development	518,185	100,833
Professional fees	238,474	154,208
Other current liabilities	167,839	6,499
	$2,692,825	$393,052

7. License Agreements

License Agreements with a University

Between March 2020 and June 2021, the Company entered into multiple license agreements with a university, a related party as further described in Note 13, Related Party Transactions, relating to certain patent rights and know how. Under the license, the Company is obligated to use commercially reasonable efforts to develop, commercialize and maintain supply of licensed product.

In connection with the license, the Company paid an aggregate upfront fee of $45,000 and issued 268,529 shares of common stock with a fair value of $0.0079/share to the university. Under the terms of the license, the Company is required to pay an aggregate annual license maintenance fee of $45,000 until the first year in which the Company sells a licensed product. The Company also agreed to pay royalties on annual net sales of licensed products on a licensed-product-by-licensed product basis until the expiration of the last of the patent rights licensed under the license. In addition, the Company is required to make contingent milestone payments to the university totaling up to $15.4 million aggregate upon the achievement of certain clinical and regulatory milestones. In the event that the Company sublicenses the licensed patent rights, the university is also entitled to receive a percentage of the sublicensing revenue received by the Company. Lastly, the Company is required to pay a fee not to exceed $10.0 million in aggregate upon a change in control as discussed further in Note 3, Fair Value Measurements.

In addition to the license agreements, the Company entered three option agreements with the university, pursuant to which the Company obtained an exclusive option to obtain a royalty-bearing, limited-term, worldwide, exclusive license under certain Patent Rights relating to (i) the field of Methods of packaging multiple Adeno Associated Virus vectors, (ii) the field of Adeno-Associated Virus Vectors for Treatment of Glycogen Storage Disease and (iii) the field of management of immunity against AAV-mediated gene therapy. The Company exercised its rights under each option agreement in March 2021 and executed standard exclusive or non-exclusive license agreements, accordingly.

All payments made and the shares of common stock issued to the university have been expensed as research and development expenses in the statements of operations. The financial statements as of December 31, 2021 and 2020 include a liability with respect to the first milestone payment of $50,000 that will be paid during the year ending December 31, 2022. The Company has recorded a derivative liability associated with the payment due upon a change in control, as discussed in Note 3.

License Agreement with a Third Party

In December 2020, the Company entered into a non-exclusive license agreement with a third party with respect to life cells for producing genetically engineered adeno associated virus (AAV) particles.

In connection with the license, the Company paid an upfront fee of $450,000. In addition, the Company is required to pay a fee of $450,000 for each additional licensee product added to the license and a fee of $50,000 for each additional cell line documentation package. Lastly, the Company is required to pay a fee of $450,000 upon a change in control. The Company has recorded a derivative liability associated with the payment due upon a change in control.

All payments made to the third party have been expensed as research and development expenses in the statements of operations. The financial statements as of December 31, 2021 and 2020 do not include any liabilities with respect to the third party as the Company has not yet generated revenue and the achievement of certain milestones is not probable.

License Agreement with Another University

In December 2021, the Company entered into an exclusive license agreement with another university with respect to certain patent rights.

In connection with the license, the Company paid an upfront fee of $20,000. In addition, under the terms of the license, the Company is required to pay a minimum annual license maintenance fee of $10,000 for years 2022-2025 and $25,000 for year 2026 and thereafter, until the first year in which the Company sells a licensed product. The Company also agreed to pay royalties on annual net sales of licensed products on a licensed-product-by-licensed product until the expiration of the last of the patent rights licensed under the license. In addition, the Company is required to make contingent milestone payments totaling up to $5.0 million in aggregate upon the achievement of certain clinical and regulatory milestones. In the event that the Company sublicenses the licensed patent rights, the university is also entitled to receive a percentage of the sublicensing revenue received by the Company. The Company is required to pay ongoing patent expense fees in relation to the licensed patents.

All payments made to the university have been expensed as research and development expenses in the statement of operations. The financial statements as of December 31, 2021 and 2020 do not include any liabilities with respect to the license as the Company has not yet generated revenue and the achievement of certain milestones is not probable.

8. Convertible Promissory Notes and Convertible Preferred Stock

Convertible promissory notes

On October 17, 2019, the Company entered into an agreement to sell $1.5 million of convertible promissory notes (“2019 Note Purchase Agreement”). The notes carried an interest rate of 8% and were convertible into a subsequent financing or repaid at the holders’ option.

On June 19, 2020, the Company entered into an agreement to sell $9.0 million of convertible notes to new investors (“2020 Note Purchase Agreement”). The notes carried an interest rate of 6% and were convertible into a subsequent financing or repaid at the holders’ option.

Upon the closing of the Series A-1 convertible preferred stock financing in October and November 2020, the convertible promissory notes and the related accrued interest of $295,000 were converted into shares of Series A-1 Convertible Preferred Stock. The Company elected the fair value option under ASC 825 Financial Instruments to account for the convertible promissory notes and there was no gain or loss recorded upon the conversion to Series A-1 Convertible Preferred Stock.

Series A Convertible Preferred Stock

In October 2020, the Company entered into a securities purchase agreement (“Series A Agreement”) with certain investors to sell up 19,498,328 Series A Convertible Preferred Stock which included 9,028,486 shares of Series A-1 at $4.8321 per share and 10,469,842 shares of Series A-2 at $6.0401 per share. The Series A Agreement contemplated an initial closing which occurred in October 2020 and an interim closing (“Interim Closing”), which occurred in November 2020. The Series A Agreement also contemplated two tranche closings, for Convertible Preferred Stock to be purchased at a stated price per share, contingent upon certain closing conditions, unless waived by the holders of 67% of the outstanding shares of Convertible Preferred Stock (the “Requisite Holders”).

In October 2020, the initial closing, the Company issued 6,741,915 shares of Series A-1 Convertible Preferred Stock at $4.8321 (“Series A-1 Original Issue Price”) per share for gross cash proceeds of $32.6 million less issuance costs of $313,000, resulting in net proceeds of $32.3 million. In addition, the Company issued 1,900,507 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share in consideration of the cancellation of the notes issued under the 2020 Note Purchase Agreement of $9.2 million.

In November 2020, the Company issued 51,737 shares of Series A-1 Convertible Preferred Stock at a price of $4.8321 per share for gross cash proceeds of $250,000. In addition, the Company issued 334,327 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share in consideration of the cancellation of notes issued under the 2019 Note Purchase Agreement of $1.6 million.

On June 25, 2021, the Series A Agreement was amended to: (i) add an additional purchaser for purposes of the Second Tranche closing initially outlined in the Series A Agreement and (ii) provide that the shares issued at the Second Tranche closing will be shares of Series A-1 instead of Series A-2 and will be issued at an Original Issue Price per share of $4.8321, as well as increased the authorized issuance of the Series A Convertible Preferred Stock to 21,023,162 shares, which included 15,788,241 shares of Series A-1 at $4.8321 per share and 5,234,921 shares of Series A-2 at $6.0401 per share.

On July 1, 2021, the Company obtained approval from the Requisite Holders to waive the conditions to the Second Tranche closing and closed the Second Tranche of the Series A Convertible Preferred Stock financing. At the Second Tranche closing, the Company issued 6,759,754 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share for gross cash proceeds of $32.6 million, less issuance costs of $78,000, as well as payment in service of $44,373, resulting in net proceeds of $32.5 million. An investor elected not to participate in the Second Tranche closing, resulting in 1,055,441 shares of Convertible Preferred Stock automatically converting into common stock at $4.8321 per share, or $5.1 million, in accordance with the Amended and Restated Certificate of Incorporation (“ARCOI”).

The rights, preferences, and privileges of the holders of Convertible Preferred Stock under the ARCOI following the issuance of Series A are as follows:

Voting Rights

The holders of each share of Convertible Preferred Stock have the right to one vote for each share of common stock into which such Convertible Preferred Stock could then be converted, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of common stock.

Dividends

The holders of then outstanding shares of Convertible Preferred Stock are entitled to receive dividends, out of any assets legally available; prior and in preference to any declaration or payment of any dividend on the common stock by the Company at a rate of 8% of the applicable Original Issuance Price (as defined above) per annum, payable when, as and if declared by the Company's Board of Directors (the "Board"). Such dividends are not cumulative and no right to dividends shall accrue to holders of the Convertible Preferred Stock by reason of the fact that dividends on said shares are not declared. After payment of such dividends, any additional dividends or distributions shall be distributed among all holders of common stock and Convertible Preferred Stock in proportion to the number of shares of common stock that each such holder would hold if all shares of Convertible Preferred Stock were converted to common stock at the then effective conversion rate.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution, winding up of the Company or deemed liquidation event (as defined in the ARCOI, the holders of shares of Convertible Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of the common stock, an amount per share equal to the greater of (I) 1.5x the applicable Original Issue Price, plus any dividends declared but unpaid or (II) such amount per share as would have been payable had all shares of Convertible Preferred Stock been converted into common stock immediately prior to such liquidation, dissolution, winding up or deemed liquidation event. If upon any such liquidation, dissolution or winding up of the Company or deemed liquidation event, the assets of the Company available for distribution to its stockholders shall be insufficient to pay the holders of shares of Convertible Preferred Stock the full amount to which they shall be entitled, the holders of shares of Convertible Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Conversion

Each share of Convertible Preferred Stock shall be convertible, at the option of the holder, at any time and from time to time, into such number of fully paid and non-assessable share of common stock as is determined by dividing the applicable Original Issue Price by the Applicable Conversion Price (as defined in the ARCOI) in effect at the time of conversion, which is initially equal to the Original Issue Price. In the event of a liquidation, dissolution, winding up of the Company or a deemed liquidation event, the conversion rights shall terminate at the close of business on the last full day preceding the date fixed for payment of any such amounts distributable on such event to the holders of Convertible Preferred Stock.

Upon either (a) the closing of the sale of shares of common stock to the public at a price of at least $12.0802 per share, in a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $50.0 million of gross proceeds, net of the underwriting discount and commissions, to the Company and in connection with such offering the common stock is listed for trading, (b) the Company's completion of a merger or consolidation with a special purpose acquisition company or its subsidiary in which the common stock of the surviving parent are listed in which the initial price per share of the Company following such merger is at least $12.0802 and in connection with which the surviving or parent entity receives gross proceeds of at least $50.0 million from the sale of its equity securities, or (c) the date and time, or the occurrence of an event, specified by vote or written consent of the Requisite Holders then ('i) all outstanding share of Convertible Preferred Stock shall automatically be converted into share of common stock at the then effective conversion rate and ('ii) such share may not be reissued by the Company.

Redemption

The Convertible Preferred Stock is not redeemable at the option of the stockholders and is only redeemable upon a Deemed Liquidation Event. As such, the Convertible Preferred Stock is considered contingently redeemable at the option of the holders rather than mandatorily redeemable because the holders may never elect to redeem the Convertible Preferred Stock and the Convertible Preferred Stock may or may not be redeemed in the event of a Deemed Liquidation Event. Any shares of Convertible Preferred Stock that are redeemed or otherwise acquired by the Company shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred.

The features associated with the Series A-1 and Series A-2 Convertible Preferred Stock were evaluated in accordance with ASC 815. It was determined that none of the features within the Series A-1 and Series A-2 Convertible Preferred Stock were required to be bifurcated from the host instrument. The Company also concluded that no beneficial conversion features existed on the issuance dates.

9. Common Stock

The Company is authorized to issue up to 36,000,000 shares of common stock, of which 5,402,848 shares were issued and outstanding at December 31, 2021.

The holders of the Company's common stock are entitled to one vote for each share of common stock held, subject to certain limitations pertaining to the Convertible Preferred Stock. Common stockholders are entitled to receive dividends, as may be declared by the Board of Directors, subject to the preferential dividend rights of Convertible Preferred Stock. No dividends were declared or paid during the year ended December 31, 2021. In the event of any voluntary or involuntary liquidation, dissolution, winding up of the Company or deemed liquidation event, the holders of shares of common stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders after payment shall be made to the holders of the Convertible Preferred Stock.

The Company has reserved shares of common stock for the conversion or exercise of the following securities:

	December 31,	
	2021	**2020**
Conversion of Series A Convertible Preferred Stock	14,732,800	9,028,486
Vesting of restricted stock	1,511,052	2,451,877
Exercise of stock options	3,893,769	2,675,836
Total	**20,137,621**	**14,156,199**

10. Stock-Based Compensation

Equity incentive plan

In 2019, the Company's Board of Directors adopted the 2019 Equity Incentive Plan (the "2019 Plan"), under which the Company may grant options and restricted stock to its employees and certain non-employees. The 2019 Plan was amended in July 2021, with the issuance of the Second Tranche closing, to increase the number of shares of common stock authorized and reserved for issuance under the 2019 Plan from 3,103,085 shares to 5,006,242 shares.

The Company may grant options to purchase authorized but unissued shares of the Company's common stock. Options granted under the 2019 Plan include incentive stock options that can be granted only to the Company's employees and non-statutory stock options that can be granted to the Company's employees, consultants, advisors, and directors. The 2019 Plan also permits the Company to issue restricted stock awards.

Option awards are generally granted with an exercise price equal to the fair value of the Company's common stock at the date of grant. No grant may have a term in excess of ten years. Options granted under the 2019 Plan are exercisable in whole or in part at any time subsequent to vesting.

Stock Options

The following table summarizes the Company's stock option activity during the period:

	Number of Shares	**Weighted-Average Exercise Price per Share**	**Aggregate Intrinsic value**	**Weighted average remaining contractual term (years)**
Outstanding at December 31, 2020	58,706	$ 0.01	65,874	9.43
Granted	2,973,605	0.57	—	
Exercised	(685,224)	0.58	376,873	
Canceled/forfeited	(2,000)	0.58	—	
Outstanding at December 31, 2021	2,345,087	0.56	2,284,798	9.50
Exercisable at December 31, 2021	1,950,290	$ 0.55	1,908,061	9.51

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model using the assumptions noted in the table below. The grant date fair value is recorded as compensation cost on a straight-line basis over the requisite service period of the awards, which is generally the vesting period.

The Company used the following assumptions when valuing share-based payments:

	2021
Weighted average expected volatility	86.07%
Weighted average risk-free interest rate	1.09%
Weighted average expected dividend yield	0.00%
Weighted average expected term (in years)	6.34

A total fair value of options vested during the year ended December 31, 2021 was $292,518. The weighted-average grant-date fair value of the stock options granted during the year ended December 31, 2021 was $1.05. For the year ended December 31, 2021, stock-based compensation expense related to stock options was $641,311. The total intrinsic value of stock options exercised during the year ended December 31, 2021 was $0.58.

As of December 31, 2021, the total unrecognized compensation cost related to non-vested stock options was $2.5 million that is expected to be recognized over a weighted-average period of 3 years.

The following table summarizes total stock compensation by department during the period:

	December 31, 2021
Research and Development	$ 194,945
General and Administrative	446,366
Total	$ 641,311

Restricted stock

A summary of the Company's non-vested restricted common stock shares as of December 31, 2021, and changes during the year then ended is presented below:

	Shares
December 31, 2020	2,451,877
Granted	—
Vested	(940,825)
December 31, 2021	1,511,052

These unvested shares are subject to a repurchase feature through the vesting period, and therefore are issued but not outstanding until they vest.

11. Commitments and Contingencies

Operating Leases

On December 12, 2019, the Company entered into an operating lease which commenced on May 1, 2020, for office and laboratory space in Florida, which expires in April of 2025. The Company has the right to extend the lease for two additional five-year periods at a market rate as determined by the landlord and agreed to by the Company. As part of the operating lease agreement, the Company received a tenant improvement allowance of $343,700 which is recorded as a leasehold improvement within property and equipment, net and lease incentive liability, in other current and other long-term liabilities on the balance sheet as of December 31, 2021 and 2020. The lease incentive liability is recognized as a reduction of rent expense on a straight-line basis over the term of the lease in accordance with ASC 840. Rent expense for the years ended December 31, 2021 and 2020 was $192,472 and $128,314, respectively.

On January 1, 2021, the Company entered into an additional operating lease for office and laboratory space in Florida, which expires in December 2022. The Company has the right to extend the lease for an additional twelve-month period at a market rate as determined by the landlord and agreed to by the Company. Rent expense for the year ended December 31, 2021 was $214,572.

On August 1, 2021, the Company entered into another operating lease for laboratory space in Florida, which expires in December 2022. The Company has the right to extend the lease for three additional one-year periods at a market rental rate as determined by the landlord and agreed to by the Company. Rent expense for the year ended December 31, 2021 was $21,850.

The Company's aggregate minimum lease obligations for the years ending December 31, are as follows:

Year ending December 31	
2022	$ 606,483
2023	265,795
2024	272,669
2025 and thereafter	91,653
Total future minimum lease obligations	$1,236,600

On January 10, 2022, the Company entered an operating lease which commenced on April 4, 2022, for office and laboratory space in Florida that expires in October 2032 and has total lease payments of $3.9 million over the lease term. The Company has the right to extend the lease for two additional five-year periods at a market rate as determined by the landlord and agreed to by the Company.

On January 17, 2022, the Company entered into an operating lease which commenced on February 16, 2022, for office and laboratory space in North Carolina through February 2024, with total lease payments of $430,500 over the lease term. The Company has the right to extend the lease for one additional two-year period at a market rate as determined by the landlord and agreed to by the Company.

Employee Benefit Plan

In January 2021, the Company implemented a 401K Plan which covers all eligible employees of the Company (the "401K Plan"). Employer matching contributions are immediately 100% vested. The Company's 401K Plan provides that the Company match each participant's contribution at 100% up to 6% of the employee's eligible compensation. Company contributions to the 401K Plan totaled approximately $161,680 and $0 for the years ended December 31, 2021 and 2020, respectively.

12. Income Taxes

During the years ended December 31, 2021 and 2020, the Company recorded no income tax benefits for the net operating losses incurred in the year due to its uncertainty of realizing a benefit from those items. All of the Company's losses before income taxes were generated in the United States.

A reconciliation of income taxes computed using the U.S. federal statutory rate to that reflected in operations as of December 31, 2021 and 2020 is as follows:

	Year Ended December 31,	
	2021	2020
Income tax computed at federal statutory tax rate	21.0%	21.0%
State taxes, net of federal benefit	2.2%	3.4%
Permanent differences	(0.3)%	0.0%
R&D credits	1.4%	0.0%
Change in deferred tax rate	(0.2)%	(0.1)%
Convertible debt	0.0%	(1.2)%
Other	0.0%	1.1%
Valuation allowance	(24.1)%	(24.2)%
	0.0%	0.0%

Net deferred tax assets as of December 31, 2021 and 2020 consisted of the following (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Deferred Tax Assets		
Amortization	$ 5,304	$ 966
Net operating losses	2,695	561
Accrual to cash adjustment	1,365	178
Derivative liability	851	202
R&D credits	529	—
Stock-based compensation	18	—
Gross deferred tax assets	10,762	1,907
Less: Valuation Allowance	(10,639)	(1,809)
Net Deferred Tax Assets	$ 123	$ 98
Deferred Tax Liabilities		
Depreciation	(123)	(98)
Net Deferred Tax Assets (Liabilities)	$ —	$ —

As of December 31, 2021, the Company had federal and state net operating loss carryforwards of $11.5 million and $7.3 million respectively. The Company's federal NOLs generated for the years ended after December 31, 2018 can be carried forward indefinitely. The Company's state NOLs which may be available to reduce future taxable income and expire at various dates beginning in 2032. In addition, the Company had federal and state research and development tax credit carryforwards of $512,520 and $20,487, available to reduce future tax liabilities which start to expire at various dates beginning in 2042 and 2037, respectively.

Utilization of the U.S. NOL carryforwards and credits may be subject to annual limitations due to the ownership percentage change limitations provided by Internal Revenue Code Section 382 and similar state provisions. In the event of a deemed change in control under Internal Revenue Code Section 382, an annual limitation on the utilization of NOL and credits may result in the expiration of all or a portion of the NOL and credit carryforwards. The Company has not, as yet, conducted a study to determine if any such changes have occurred that could limit its ability to use the NOL and tax credit carryforwards.

In accordance with Statement of ASC 740, management of the Company has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets, which are comprised principally of amortization and net operating loss carryforwards. Management has determined that it is more likely than not that the Company will not recognize the benefits of federal and state deferred tax assets and, as a result, a full valuation allowance of $10.6 million and $1.8 million has been established at December 31, 2021 and December 31, 2020, respectively.

The Company has assessed its uncertain tax positions according to the guidance outlined in ASC 740. As of December 31, 2021 and December 31, 2020, there are no tax matters under discussion with taxing authorities. As such, the Company has not recorded any tax reserves. However, the Statute of Limitations is open for the tax years ended December 31, 2020, 2019, 2018 and 2017.

The Company has not yet conducted a study of its research and development credit carryforwards. This study may result in an increase or decrease to the Company's credit carryforwards; however, until a study is completed, and any adjustment is known, no amounts are being presented as an uncertain tax position. A full valuation allowance has been provided against the Company's credits, and if an adjustment is required, this adjustment would be offset by an adjustment to the valuation allowance. As a result, there would be no impact to the statements of operations and comprehensive loss or statements of cash flows if an adjustment were required.

13. Related Party Transactions

The Company has a related party relationship with a university and a research foundation. The research foundation is a separate corporation that manages intellectual property that arises from the research activities of the university faculty and staff. The Company's two Founders, who also serve on the Board of Directors of the Company, are employed by the university, own 5,000,000 shares of the Company's common stock and are compensated as consultants. The Founders were both paid $100,000 in 2021 and $50,000 and $61,360, respectively, in 2020. These amounts were recorded on the statements of operations for the years ended December 31, 2021 and 2020, accordingly.

As discussed in Note 7, License Agreements, the Company has entered into multiple licensing agreements with the university and research foundation and recorded $1,850,000 and $460,000 of research and development expense in the statements of operations for the years ended December 31, 2021 and 2020, accordingly. Additionally, the financial statements as of December 31, 2021 and 2020 include a liability with respect to the first milestone payment of $50,000 related to the license that will be paid during the year ending December 31, 2022.

14. Subsequent Events

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. The Company is not aware of any material subsequent events other than those disclosed below:

Series A Financing

On February 24, 2022, the Company and the Requisite Holders entered into the second amendment to the Series A Agreement to increase the authorized issuance of the Series A Convertible Preferred Stock to 27,900,000 shares, which included 14,732,800 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share and 13,087,248 shares of Series A-2 Convertible Preferred Stock at $2.4161 per share. Concurrently, on February 24, 2022, the Company obtained approval from the Requisite Holders to waive the conditions to the Third Tranche closing, and closed the Third Tranche of the Series A Convertible Preferred Stock financing. At the Third Tranche closing, the Company issued 13,087,248 shares of Series A-2 Convertible Preferred Stock at $2.4161 per share for gross cash proceeds of $31.6 million.

2019 Plan

The 2019 Plan was amended in February 2022, with the issuance of the Third Tranche closing, to increase the number of shares of common stock authorized and reserved for issuance under the 2019 Plan from 5,006,242 shares to 8,688,053.

Restructuring

On June 27, 2022, the Company announced a restructuring (the "Restructuring") to extend its cash runway while furthering the development of its pipeline. The Restructuring was made in connection with a challenging economic environment and changes to the Company's Friedreich's ataxia program. As part of the Restructuring, the Company reduced its workforce by 47%, or 33 full-time employees, resulting in restructuring charges of approximately $0.3 million. The reduction in force was completed by the end of July 2022.

Operating Leases

The Company entered into two new leases on January 10 and January 17, 2022, respectively. The leases are further described in Note 11.

On October 21, 2022, the Company terminated the lease agreement with Laser Investment Group, LLC that was executed on January 10, 2022, as discussed in Note 11. The Company paid a $2.0 million termination fee to relieve all of its remaining obligations under the lease.

Merger Agreement

On September 29, 2022, Solid Biosciences Inc. and the Company entered into an Agreement and Plan of Merger. The Merger Agreement provides for the acquisition of the Company, with the Company surviving as a wholly owned subsidiary of Solid Biosciences Inc.

INDEX TO CONDENSED FINANCIAL STATEMENTS

AavantiBio, Inc.

Condensed Balance Sheets
(in thousands, except share and per share amounts)
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 37,609	$ 39,878
Prepaid expenses and other current assets	434	462
Total current assets	38,043	40,340
Property and equipment, net	2,888	2,396
Operating lease right-of-use assets	3,444	—
Other non-current assets	22	—
Total assets	$ 44,397	$ 42,736
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 4,029	$ 3,472
Accrued expenses and other current liabilities	1,129	2,693
Operating lease liabilities, current	1,120	—
Total current liabilities	6,278	6,165
Derivative liability	1,790	3,655
Share repurchase liability	220	397
Operating lease liabilities, non-current	2,686	—
Other long-term liabilities	—	182
Total liabilities	10,974	10,399
Commitments and contingencies (Note 11)		
Series A Convertible Preferred Stock, $0.0001 par value per share; 14,732,800 shares of Series A-1 and 13,087,248 shares of Series A-2 authorized; 14,732,800 of Series A-1 issued and outstanding at September 30, 2022 and December 31, 2021, respectively; 13,087,248 shares of Series A-2 issued and outstanding at September 30, 2022, liquidation value of $154,216 as of September 30, 2022 and $106,786 as of December 31, 2021	102,371	70,799
Stockholders' deficit:		
Common stock, $0.0001 par value per share; 43,000,000 shares authorized; 6,406,278 and 5,402,848 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	1	1
Additional paid-in capital	6,539	5,746
Accumulated deficit	(75,488)	(44,209)
Total stockholders' deficit	(68,948)	(38,462)
Total liabilities, Convertible Preferred Stock and stockholders' deficit	$ 44,397	$ 42,736

See accompanying notes to condensed financial statements (Unaudited).

AavantiBio, Inc.

Condensed Statements of Operations and Comprehensive Loss
(in thousands)
(Unaudited)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating expenses:		
Research and development	$ 25,520	$ 17,689
General and administrative	7,624	6,317
Total operating expenses	33,144	24,006
Loss from operations	(33,144)	(24,006)
Other income (expense):		
Change in fair value of derivative liability	1,865	(755)
Total other income (expense), net	1,865	(755)
Net loss and comprehensive loss	$ (31,279)	$ (24,761)

See accompanying notes to the condensed financial statements (Unaudited).

AavantiBio, Inc.

Condensed Statements of Convertible Preferred Stock and Stockholders' Deficit
(in thousands, except share amounts)
(Unaudited)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance as of December 31, 2020	9,028,486	$ 43,313	3,406,582	$ 1	$ 2	$ (7,615)	$ (7,612)
Vesting of restricted stock	—	—	625,000	—	—	—	—
Issuance of Series A Convertible Preferred Stock, net of issuance cost of $78 and related conversion of preferred to common stock	5,704,314	32,542	1,055,441	—	—	—	—
Stock-based compensation expense					396		396
Net loss	—	—	—	—	—	(24,761)	(24,761)
Balance as of September 30, 2021	14,732,800	$ 75,855	5,087,023	$ 1	$ 398	$ (32,376)	$ (31,977)
Balance as of December 31, 2021	14,732,800	$ 70,799	5,402,848	$ 1	$ 5,746	$ (44,209)	$ (38,462)
Vesting of restricted stock	—	—	694,102	—	—	—	—
Exercise of common stock options	—	—	2,946	—	2	—	2
Vesting of share repurchase liability	—	—	306,382	—	178		178
Issuance of Series A-2 Convertible Preferred Stock, net of issuance cost of $48	13,087,248	31,572	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	613	—	613
Net loss	—	—	—	—	—	(31,279)	(31,279)
Balance as of September 30, 2022	27,820,048	$ 102,371	6,406,278	$ 1	$ 6,539	$ (75,488)	$ (68,948)

See accompanying notes to the condensed financial statements (Unaudited).

AavantiBio, Inc.

Condensed Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30, 2022	2021
Cash flows from operating activities:		
Net loss	$ (31,279)	$ (24,761)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	708	299
Stock compensation expense	613	396
Change in fair value of derivative liabilities	(1,865)	755
Non-cash lease expense	535	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(2)	232
Other non-current assets	(22)	—
Accounts payable	557	1,840
Accrued expenses and other current liabilities	(1,316)	883
Derivative liability	—	1,800
Operating lease liabilities	(390)	—
Other long-term liabilities	(182)	(44)
Net cash used in operating activities	(32,643)	(18,600)
Cash flows from investing activities:		
Acquisition of property and equipment	(1,200)	(555)
Net cash used in investing activities	(1,200)	(555)
Cash flows from financing activities:		
Proceeds from exercise of common stock options	2	—
Proceeds from issuance of Convertible Preferred Stock, net of issuance costs	31,572	32,542
Issuance of restricted stock	—	397
Net cash provided by financing activities	31,574	32,939
Net increase (decrease) in cash, cash equivalents and restricted cash	(2,269)	13,784
Cash, cash equivalents and restricted cash at beginning of period	39,878	35,702
Cash, cash equivalents and restricted cash at end of period	**$ 37,609**	**$ 49,486**
Supplemental schedule of non-cash activities		
Operating lease right-of-use asset recognized upon adoption of ASC 842	1,409	—
Operating lease right-of-use asset recognized under ASC 842	2,789	—
Property and equipment in accounts payable	—	343

See accompanying notes to the condensed financial statements (Unaudited).

AavantiBio, Inc.

Notes to Condensed Financial Statements

(Unaudited)

1. Operations

AavantiBio, Inc. ("AavantiBio" or the "Company") is a gene therapy company focused on transforming the lives of patients with rare genetic diseases. The Company was incorporated on August 14, 2019, under the laws of the state of Delaware, and its principal offices are in Cambridge, Massachusetts.

The Company is subject to risks and uncertainties common to early-stage companies in the biopharmaceutical industry, including, but not limited to, risks related to the successful development and commercialization of product candidates, fluctuations in operating results and financial risks, the ability to successfully raise additional funds when needed, protection of proprietary rights and patent risks, patent litigation, compliance with government regulations, dependence on key personnel and prospective collaborative partners, and competition from competing products in the marketplace.

Liquidity

As of September 30, 2022, the Company had an accumulated deficit of $75.5 million. The Company has incurred losses and negative cash flows from operations since inception, including net losses of $31.3 million and $24.8 million for the nine months ended September 30, 2022 and 2021, respectively, and the Company expects that its operating losses and negative cash flows will continue for the foreseeable future as the Company continues its research and development (R&D) programs and develops its product candidates.

The Company expects that its cash on hand of $37.6 million as of September 30, 2022, will fund the Company's operations through at least one year from the date of issuance of these condensed financial statements.

Management also may, in the future, seek to raise additional funds through equity or debt financings or through collaboration transactions. The Company may be unable to obtain equity or debt financings or to enter into collaboration transactions and, if necessary, the Company will be required to implement cost reduction strategies. The condensed financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Agreement and Plan of Merger

On September 29, 2022, Solid Biosciences Inc. ("Solid") and the Company entered into an Agreement and Plan of Merger, which provides for the acquisition of the Company, with the Company surviving as a wholly owned subsidiary of Solid Biosciences Inc.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed financial statements are presented in accordance with accounting standards generally accepted in the United States of America ("U.S. GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

The Company's significant accounting policies are disclosed in Note 2, "Summary of Significant Accounting Policies," in the audited financial statements for the year ended December 31, 2021, and notes thereto, included in Exhibit 99.2 of this Solid Current Report on Form 8-K filed with the Securities and Exchange Commission on December 5, 2022 (the "Solid Form 8-K") of which this Exhibit 99.3 is a part. Since the date of those financial statements, there have been no changes to significant accounting policies, except as noted below for leases.

Unaudited Interim Financial Information

The accompanying condensed interim financial statements are unaudited. The unaudited condensed interim financial statements have been prepared on the same basis as the audited annual financial statements except for the adoption of ASU No. 2016-02, Leases (Topic 842), as discussed further in this Note 2, "Summary of Significant Accounting Policies" and in Note 11, "Commitments and Contingencies." In the opinion of management, the accompanying unaudited interim condensed financial statements reflect all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's condensed financial position as of September 30, 2022, the Company's condensed results of its operations for the nine months ended September 30, 2022 and 2021, and the Company's cash flows for the nine months ended September 30, 2022 and 2021. The condensed financial data and other information disclosed in these notes related to nine months ended September 30, 2022 and 2021 are unaudited. The condensed results for the nine months ended September 30, 2022 are not necessarily indicative of results to be expected for the year ending December 31, 2022, any other interim periods, or any future year or period.

Recently Adopted Accounting Pronouncements

ASU No. 2016-02, Leases (Topic 842)

The Company adopted ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), as of January 1, 2022 using the modified retrospective transition approach. With the adoption, there was no restatement of prior periods or cumulative adjustment to accumulated deficit. As a result, prior periods are presented in accordance with the previous guidance in ASC 840, *Leases* ("ASC 840"). Upon adoption, the Company elected the package of transition practical expedients, which allowed the Company to carry forward prior conclusions related to whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases and initial direct costs for existing leases. The Company also made an accounting policy election not to recognize leases with an initial term of 12 months or less within its balance sheets and to recognize those lease payments on a straight-line basis in its statements of operations over the lease term. The Company elected the practical expedient to not separate lease and non-lease components for its leases.

The Company evaluates whether an arrangement is or contains a lease at the inception date. If determined to be or contain a lease, the Company determines the classification of the lease at the commencement date, which represents the date at which the lessor makes the underlying asset available for use by the Company. When determining the expected accounting lease term, the Company includes the noncancellable lease term, together with periods covered by (i) an option to extend the lease if the Company is reasonably certain to exercise such option, (ii) an option to terminate the lease if the Company is reasonably certain not to exercise such option and (iii) an option to extend or not terminate the lease where the exercise of such option is controlled by the lessor.

Operating lease right-of-use assets represent the Company's right to use an underlying asset over the lease term and operating lease liabilities represent the Company's obligation to make lease payments under the arrangement. The Company measures its operating lease liabilities as the present value of the lease payments, discounted using an incremental borrowing rate, as interest rates implicit in lease arrangements are generally not readily determinable. The Company measures its right-of-use assets as the present value of its lease payments at the commencement date. The incremental borrowing rate represents the interest rate at which the Company could borrow an amount equal to the lease payments on a fully collateralized basis, over a similar term, in a similar economic environment. The Company recognizes rent expense for operating leases on a straight-line basis. The Company recognizes variable lease expenses as incurred.

The Company remeasures operating lease right-of-use assets and operating lease liabilities when a lease is modified, and the modification is not accounted for as a separate contract. A modification is accounted for as a separate contract if the modification grants the Company an additional right of use not included in the original lease arrangement and the increase in lease payments is commensurate with the additional right of use. The Company assesses its right-of-use assets for impairment in a manner consistent with its assessment for long-lived assets held and used in operations.

Upon adoption of ASU 2016-02, the Company recognized operating lease right-of-use assets of approximately $1.4 million and a corresponding operating lease liability of approximately $1.4 million, which are included in the Company's condensed balance sheet. The adoption of ASU 2016-02 did not have any impact on the Company's statements of operations and comprehensive loss.

ASU No. 2019-12, Income Taxes (Topic 740)

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This standard simplifies the accounting for income taxes through the removal of various exceptions previously provided, as well providing additional reporting requirements for income taxes. The Company adopted this ASU on January 1, 2022. The adoption of this new standard did not have a material impact on the Company's condensed financial statements.

Recently Issued Accounting Pronouncements – Not Yet Adopted

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial statements and disclosures.

ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)

In August 2020, the FASB issued ASU 2020-06, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. This standard will be effective for the Company on January 1, 2024, with early adoption permitted (but no earlier than fiscal years beginning after December 15, 2020). The Company is currently evaluating the potential impact this standard may have on its financial statements upon adoption.

3. Fair Value Measurements

Fair Value Measured on a Recurring Basis

Financial liabilities measured at fair value on a recurring basis consist of the following as of September 30, 2022 and December 31, 2021:

	Fair Value Measurements as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative Liability	$ —	$ —	$ 1,790,000	$ 1,790,000
Total Liabilities	$ —	$ —	$ 1,790,000	$ 1,790,000

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative Liability	$ —	$ —	$ 3,655,000	$ 3,655,000
Total Liabilities	$ —	$ —	$ 3,655,000	$ 3,655,000

Derivative Liability

In connection with license agreements entered into with a university and a third party as further described in Note 7, “License Agreements,” in the audited financial statements for the year ended December 31, 2021, and notes thereto, included in the Solid Form 8-K, the Company recorded a derivative liability on its balance sheet associated with a fee due to the licensors upon an event of change of control. The Company remeasures the derivative liability at fair value at each reporting date and recognizes changes in the fair value of the derivative liability as a component of other income (expense) in the condensed statement of operations and comprehensive loss. The university is a related party which is further described in Note 13.

Management determined the fair value of the derivative liability using a Monte Carlo simulation analysis with assumptions for expected volatility, discount rate, and time to liquidity. The inputs used to calculate the fair value of the derivative liability are considered to be Level 3 inputs due to the lack of relevant market activity and significant management judgment.

The significant assumptions used in valuing the derivative liability in the Monte Carlo simulation model are as follows:

	September 30, 2022	December 31, 2021
Discount rate	3.3%	1.0%
Expected volatility	100.0%	77.0%
Weighted average expected term (in years)	0.25	3.0

The reconciliation of changes in the fair value of the derivative liability based on Level 3 inputs for the nine months ended September 30, 2022 is as follows:

Balance at December 31, 2021	$ 3,655,000
Change in fair value	(1,865,000)
Balance at September 30, 2022	$ 1,790,000

The reconciliation of changes in the fair value of the derivative liability based on Level 3 inputs for the nine months ended September 30, 2021 is as follows:

Balance at December 31, 2020	$ 820,000
Initial measurement at June 9, 2021	1,800,000
Change in fair value	755,000
Balance at September 30, 2021	$3,375,000

The fair value of the derivative liability is based on the expected value of the consideration to be delivered, discounted to present value. The actual value to be delivered upon settlement of the derivatives may differ materially from current estimates. Reasonable changes in assumptions could materially affect the estimated fair value of the derivative liability.

Fair Value Measured on a Nonrecurring Basis

During the nine months ended September 30, 2022 and 2021, there were no re-measurements to fair value of financial assets and liabilities that are measured at fair value on a nonrecurring basis.

4. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	September 30, 2022	December 31, 2021
Research and development	$ 311,127	$ 344,472
Insurance	31,746	58,164
Rent	—	29,545
Other	90,996	29,654
	$ 433,869	$ 461,835

5. Property and Equipment, Net

Property and equipment, net, consisted of the following:

	September 30, 2022	December 31, 2021
Laboratory equipment	$ 3,742,284	$ 2,565,350
Leasehold improvements	23,303	343,700
Less: Accumulated depreciation	(877,356)	(513,358)
	$ 2,888,231	$ 2,395,692

Depreciation expense for the nine months ended September 30, 2022 and 2021 was $0.7 million and $0.3 million, respectively.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2022	December 31, 2021
Payroll and payroll-related expenses	$ 1,128,868	$ 1,768,327
Research and development	—	518,185
Professional fees	—	238,474
Other current liabilities	—	167,839
	$ 1,128,868	$ 2,692,825

7. License Agreements

The Company's significant license agreements are disclosed in Note 7, "License Agreements", in the audited financial statements for the year ended December 31, 2021, and notes thereto, included in the Solid Form 8-K. Since the date of those financial statements, there have been no material changes to the Company's license agreements.

8. Convertible Promissory Notes and Convertible Preferred Stock

Series A Convertible Preferred Stock

In October 2020, the Company entered into a securities purchase agreement ("Series A Agreement") with certain investors to sell up to 19,498,328 shares of Series A Convertible Preferred Stock which included up to 9,028,486 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share and up to 10,469,842 shares of Series A-2 Convertible Preferred Stock at $6.0401 per share. The Series A Agreement contemplated an initial closing which occurred in October 2020 and an interim closing ("Interim Closing"), which occurred in November 2020. The Series A Agreement also contemplated two tranche closings, for Convertible Preferred Stock to be purchased at a stated price per share, contingent upon certain closing conditions, unless waived by the holders of 67% of the outstanding shares of Convertible Preferred Stock (the "Requisite Holders").

At the initial closing in October 2020, the Company issued 6,741,915 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share for gross cash proceeds of $32.6 million less issuance costs of $313,000, resulting in net proceeds of $32.3 million. In addition, at the initial closing, the Company issued 1,900,507 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share in consideration of the cancellation of $9.2 million in notes issued under a note purchase agreement entered into by the Company and noteholders in 2020.

At the Interim Closing, the Company issued 51,737 shares of Series A-1 Convertible Preferred Stock at a price of $4.8321 per share for gross cash proceeds of $250,000. In addition, at the Interim Closing, the Company issued 334,327 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share in consideration of the cancellation of $1.6 million in notes issued under a note purchase agreement entered into by the Company and noteholders in 2019.

On June 25, 2021, the Series A Agreement was amended to: (i) add an additional purchaser for purposes of the Second Tranche closing initially outlined in the Series A Agreement, (ii) provide that the shares issued at the Second Tranche closing will be shares of Series A-1 Convertible Preferred Stock instead of Series A-2 Convertible Preferred Stock and will be issued at a price per share of $4.8321 and (iii) increase the authorized issuance of the Series A Convertible Preferred Stock to 21,023,162 shares, which included up to 15,788,241 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share and up to 5,234,921 shares of Series A-2 Convertible Preferred Stock at $6.0401 per share.

On July 1, 2021, the Company obtained approval from the Requisite Holders to waive the conditions to the Second Tranche closing and closed the Second Tranche of the Series A Convertible Preferred Stock financing. At the Second Tranche closing, the Company issued 6,759,754 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share for gross cash proceeds of $32.6 million, less issuance costs of $78,000, as well as payment in service of $44,373, resulting in net proceeds of $32.5 million. An investor elected not to participate in the Second Tranche closing, resulting in 1,055,441 shares of Series A-1 Convertible Preferred Stock automatically converting into 1,055,441 shares of common stock at $4.8321 per share, or $5.1 million, in accordance with the Company's Amended and Restated Certificate of Incorporation.

On February 24, 2022, the Company and the Requisite Holders entered into the second amendment to the Series A Agreement to increase the authorized issuance of the Series A Convertible Preferred Stock to 27,900,000 shares, which included up to 14,732,800 shares of Series A-1 Convertible Preferred Stock at $4.8321 per share and 13,087,248 shares of Series A-2 Convertible Preferred Stock at $2.4161 per share. Concurrently, on February 24, 2022, the Company obtained approval from the Requisite Holders to waive the conditions to the Third Tranche closing and closed the Third Tranche of the Series A Convertible Preferred Stock financing. At the Third Tranche closing, the Company issued 13,087,248 shares of Series A-2 Convertible Preferred Stock at $2.4161 per share for gross cash proceeds of $31.6 million, less issuance costs of $47,571, resulting in net proceeds of $31.5 million.

9. Common Stock

The Company is authorized to issue up to 43,000,000 shares of common stock, of which 6,406,278 shares were issued and outstanding at September 30, 2022.

The holders of the Company's common stock are entitled to one vote for each share of common stock held, subject to certain limitations pertaining to the Convertible Preferred Stock. Common stockholders are entitled to receive dividends, as may be declared by the Board of Directors, subject to the preferential dividend rights of Convertible Preferred Stock. No dividends were declared or paid during the nine months ended September 30, 2022. In the event of any voluntary or involuntary liquidation, dissolution, winding up of the Company or deemed liquidation event, the holders of shares of common stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders after payment shall be made to the holders of the Convertible Preferred Stock.

The Company has reserved shares of common stock for the conversion or exercise of the following securities:

	September 30, 2022	December 31, 2021
Conversion of Series A-1 and A-2 Convertible Preferred Stock	27,820,048	14,732,800
Vesting of restricted stock	816,950	1,511,052
Exercise of stock options	7,572,634	3,893,769
Total	36,209,632	20,137,621

10. Stock-Based Compensation

Equity Incentive Plan

In 2019, the Company's Board of Directors adopted the 2019 Equity Incentive Plan (the "2019 Plan"), under which the Company may grant options and restricted stock to its employees and certain non-employees. The 2019 Plan was amended in July 2021, in connection with the Second Tranche closing, to increase the number of shares of common stock authorized and reserved for issuance under the 2019 Plan from 3,103,085 shares to 5,006,242 shares. The 2019 Plan was also amended in February 2022, in connection with the Third Tranche closing, to increase the number of shares of common stock authorized and reserved for issuance under the 2019 Plan from 5,006,242 shares to 8,688,053 shares.

The Company may grant options to purchase authorized but unissued shares of the Company's common stock. Options granted under the 2019 Plan include incentive stock options that can be granted only to the Company's employees and non-statutory stock options that can be granted to the Company's employees, consultants, advisors, and directors. The 2019 Plan also permits the Company to issue restricted stock awards.

Option awards are granted with an exercise price equal to the fair value of the Company’s common stock at the date of grant. No grant may have a term in excess of ten years. Options granted under the 2019 Plan are exercisable in whole or in part at any time subsequent to vesting, subject to continued service to the Company.

Stock Options

For the nine months ended September 30, 2022, the Company granted 91,512 stock options under the 2019 Plan. The weighted-average grant-date exercise price of the stock options granted during the nine months ended September 30, 2022 was $0.56.

The following table summarizes total stock compensation by department for the nine months ended September 30, 2022:

	Nine Months Ended September 30, 2022
Research and development	$ 447,821
General and administrative	164,909
Total	$ 612,730

Restricted Stock

A summary of the Company’s non-vested restricted common stock shares activity for the nine months ended September 30, 2022 is presented below:

	Shares
December 31, 2021	1,511,052
Granted	—
Vested	(694,102)
September 30, 2022	816,950

11. Commitments and Contingencies

Operating Leases

On December 12, 2019, the Company entered into an operating lease which commenced on May 1, 2020, for office and laboratory space in Florida, which expires in April of 2025. The Company has the right to extend the lease for two additional five-year periods at a market rate as determined by the landlord and agreed to by the Company.

On January 1, 2021, the Company entered into an additional operating lease for office and laboratory space in Florida, which expires in December 2022. The Company has the right to extend the lease for an additional twelve-month period at a market rate as determined by the landlord and agreed to by the Company. The Company is expecting to use the option to extend the lease by an additional one-year period, until December 31, 2023.

On August 1, 2021, the Company entered into another operating lease for laboratory space in Florida, which expires in December 2022. The Company has the right to extend the lease for three additional one-year periods at a market rental rate as determined by the landlord and agreed to by the Company. The Company is expecting to use the option to extend the lease by an additional one-year period, until December 31, 2023.

On January 10, 2022, the Company entered an operating lease which commenced on April 4, 2022, for office and laboratory space in Florida, which expires in October 2032. The Company has the right to extend the lease for two additional five-year periods at a market rate as determined by the landlord and agreed to by the Company.

On January 17, 2022, the Company entered into an operating lease which commenced on February 16, 2022, for office and laboratory space in North Carolina, which expires in February 2024. The Company has the right to extend the lease for one additional two-year period at a market rate as determined by the landlord and agreed to by the Company.

The following table is a summary of the components of net lease cost for the nine months ended September 30, 2022:

	Nine Months Ended September 30, 2022
Operating lease cost	$ 729,938
Short-term lease costs	4,805
Variable lease costs	110,911
Total lease cost	$ 845,654

Supplemental cash flow information related to leases for the nine months ended September 30, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows paid for operating leases	$ 584,806
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$2,788,661

As of September 30, 2022, the Company's operating leases were measured using a weighted-average incremental borrowing rate of 8.7% over a weighted-average remaining lease term of 7.3 years.

The total operating lease liabilities are presented on the Company's condensed balance sheet based on maturity dates. $1.1 million of the total operating liabilities is classified under "operating lease liabilities, current" for the portion due within twelve months, and $2.7 million is classified under "operating lease liabilities, non-current". Rent expense for the nine months ended September 30, 2021 under ASC 840, Leases was $0.65 million.

The Company's future minimum lease payments as of September 30, 2022, are as follows:

Remainder of 2022	$ 294,426
2023	1,157,079
2024	674,354
2025	463,888
2026	379,679
Thereafter	2,334,472
Total lease payments	5,303,898
Less: imputed interest	(1,497,041)
Total lease liabilities	$ 3,806,857

12. Related Party Transactions

The Company has a related party relationship with a university and a research foundation. The research foundation is a separate corporation that manages intellectual property that arises from the research activities of the university faculty and staff. The Company's two Founders, who also serve on the Board of Directors of the Company, are employed by the university, own 5,000,000 shares of the Company's common stock and are compensated as consultants by the Company. The Founders were both paid $75,000 by the Company in the nine months ended September 30, 2022 and $75,000 by the Company in the nine months ended September 30, 2021 pursuant to their consulting agreements with the Company. These amounts were recorded on the condensed statements of operations and comprehensive loss for the nine months ended September 30, 2022 and 2021, accordingly.

As discussed in Note 7, "License Agreements," in the audited financial statements for the year ended December 31, 2021, and notes thereto, included in the Solid Form 8-K, the Company has entered into multiple licensing agreements with the university and a research foundation and recorded $105,000 and $1,850,000 of research and development net expense in the condensed statements of operations and comprehensive loss for the nine months ended September 30, 2022 and 2021, accordingly. Additionally, the condensed financial statements as of December 31, 2021 include a liability with respect to the first milestone payment of $50,000 related to the license that was paid during the period ended September 30, 2022.

13. Restructuring

On June 27, 2022, the Company announced a restructuring (the "Restructuring") to extend its cash runway while furthering the development of its pipeline. The Restructuring was completed in connection with a challenging economic environment and changes to the Company's Friedreich's ataxia program. As part of the Restructuring, the Company reduced its workforce by approximately 47%, or 33 full-time employees, resulting in restructuring charges of approximately $0.3 million. The reduction in force was completed by the end of July 2022.

14. Subsequent Events

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the condensed financial statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through the date the condensed financial statements were available to be issued. The Company is not aware of any material subsequent events other than as disclosed below.

Operating Lease Termination

On October 21, 2022, the Company terminated the lease agreement with Laser Investment Group, LLC that was executed on January 10, 2022, as discussed in Note 11. The Company paid a $2.0 million termination fee to relieve all of its remaining obligations under the lease.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Introduction

On September 29, 2022, Solid Biosciences Inc. (the "Company" or "Solid") entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Company, Greenland Merger Sub LLC, a Delaware limited liability corporation and a wholly owned subsidiary of the Company ("Transitory Subsidiary"), and AavantiBio, Inc., a Delaware corporation ("AavantiBio"). The Merger Agreement provided for the acquisition of AavantiBio by the Company through the merger of Transitory Subsidiary into AavantiBio, with AavantiBio surviving as a wholly owned subsidiary of the Company (the "Acquisition"). The Acquisition was completed on December 2, 2022. In connection with the Acquisition, on September 29, 2022, the Company entered into securities purchase agreements (the "Securities Purchase Agreement") with several accredited investors pursuant to which Solid agreed to issue and sell to the investors in a private placement (the "Private Placement") an aggregate of 10,638,290 shares of Solid's common stock, at a price per share of $7.05. The Private Placement closed immediately following the closing of the Acquisition.

The following unaudited pro forma condensed combined financial information is presented to illustrate the estimated effect of the acquisition by the Company of 100% of the issued and outstanding shares of AavantiBio pursuant to the terms of the Merger Agreement for a purchase price of approximately $9.2 million (the "Purchase Price") as discussed in Note 2.

It is anticipated that the Acquisition will be accounted for as a business combination in which the Company, as the accounting acquirer, will record the assets acquired and liabilities assumed of AavantiBio at their fair values as of the acquisition date. As discussed in Note 2 below, the estimated fair values of the assets acquired and liabilities assumed by the Company are preliminary and there can be no assurance that such finalization will not result in material changes to the unaudited pro forma condensed combined financial information presented. Additionally, the pro forma presentation of the Private Placement presented herein is also preliminary. Actual results will differ from the unaudited pro forma condensed combined financial information provided herein once the Company has completed a detailed analysis. There can be no assurance that such finalization of the items above will not result in material changes to the unaudited pro forma condensed combined financial information presented.

Assumptions and estimates underlying the unaudited pro forma adjustments set forth in the unaudited pro forma condensed combined financial statements are described in the accompanying notes. The unaudited pro forma adjustments represent management's estimates based on information available as of the date of these unaudited pro forma condensed combined financial statements and are subject to change as additional information becomes available and analyses are performed.

The unaudited pro forma condensed combined balance sheet as of September 30, 2022 gives effect to the Acquisition as if it took place on September 30, 2022 and combines the historical balance sheets of Solid and AavantiBio as of such date. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2022 and for the year ended December 31, 2021 give effect to the Acquisition as if it took place as of January 1, 2021 and such statements combine the historical results of Solid and AavantiBio for each period. The historical financial statements of Solid and AavantiBio have been adjusted to give pro forma effect to events that are reasonable and supportable at the date hereof.

The unaudited pro forma condensed combined financial information does not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the integration of the two companies, if any. The unaudited pro forma condensed combined financial information is preliminary and has been prepared for informational purposes only and is not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had the Company acquired AavantiBio during the specified periods.

The unaudited pro forma condensed combined financial information, including the notes thereto, should be read in conjunction with the separate Solid historical financial statements and management's discussion and analysis of financial condition and results of operations included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission on March 14, 2022 and the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2022 filed with the Securities and Exchange Commission on November 10, 2022. The unaudited pro forma condensed combined financial information, including the notes thereto, should also be read in conjunction with the separate AavantiBio historical financial statements included in the Company's Current Report on Form 8-K (Exhibit No. 99.3) filed with the Securities and Exchange Commission on December 5, 2022 and the AavantiBio management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2021 included in the Company's Definitive Proxy Statement filed with the Securities and Exchange Commission on November 7, 2022.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET (in thousands, except share and per share data) As of September 30, 2022

	As of September 30, 2022		Transaction Accounting Adjustments				As of September 30, 2022
	Solid Biosciences Inc. (Historical)	AavantiBio, Inc. (Historical)	Acquisition		Private Placement		Pro Forma Condensed Combined
ASSETS							
Current assets:							
Cash and cash equivalents	$ 48,790	$ 37,609	$ —		$ 72,800	**D**	$ 159,199
Available-for-sale securities	93,367	—	—				93,367
Prepaid expenses and other current assets	5,115	434	—				5,549
Restricted cash, current	237	—	—				237
Total current assets	147,509	38,043	—		72,800		258,352
Property and equipment, net	6,266	2,888	—				9,154
Operating lease, right-of-use assets	28,444	3,444	—				31,888
Other non-current assets	422	22	—				444
In-process Research & Development	—	—	6,400	**A**			6,400
Restricted cash	1,833	—	—				1,833
TOTAL ASSETS	184,474	44,397	6,400		72,800		308,071
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)							
Accounts payable	5,150	4,029	—				9,179
Accrued expenses	10,275	1,129	3,568	**E**			16,762
			1,790	**F**			
Operating lease liabilities-ROU-current	1,062	1,120	—				2,182
Finance lease liabilities	353	—	—				353
Deferred revenue - related party	85	—	—				85
Total current liabilities	16,925	6,278	5,358		—		28,561
Operating lease liabilities-ROU-noncurrent	24,274	2,686	—				26,960
Share repurchase liability	—	220	—				220
Derivative liability	—	1,790	(1,790)	**F**			—
Other	—	—	—				—
Total liabilities	41,199	10,974	3,568		—		55,741
COMMITMENTS AND CONTINGENCIES	—	—	—		—		—
TEMPORARY EQUITY							
Preferred stock	—	102,371	(102,371)	**B**	—		—
STOCKHOLDERS' EQUITY							
Common stock	8	1	1	**A**	11	**D**	20
			(1)	**B**			
Additional paid-in capital	691,050	6,539	9,167	**A**	72,789	**D**	773,006
			(6,539)	**B**			
Accumulated other comprehensive loss	(196)	—	—				(196)
Accumulated deficit	(547,587)	(75,488)	30,655	**A**			(520,500)
			75,488	**B**			
			(3,568)	**E**			

	As of September 30, 2022		Transaction Accounting Adjustments		As of September 30, 2022
	Solid Biosciences Inc. (Historical)	AavantiBio, Inc. (Historical)	Acquisition	Private Placement	Pro Forma Condensed Combined
Total stockholders' equity (deficit)	143,275	(68,948)	105,203	72,800	252,330
		—	—		—
Total liabilities, temporary equity and stockholders' equity	$ 184,474	$ 44,397	$ 6,400	$ 72,800	$ 308,071

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

The pro forma adjustments included in the unaudited pro forma condensed combined balance sheet as of September 30, 2022, are as follows:

(A) Issuance of the Company's common stock as Acquisition consideration, the preliminary purchase price allocation to assets acquired and liabilities assumed, and the resulting recognition of a bargain purchase gain as discussed in Note 2.

(B) Elimination of AavantiBio's historical equity.

(C) There is no tax impact of the acquired In-process Research & Development acquired by the Company as deferred tax liabilities are expected to be offset by existing deferred tax assets.

(D) The sale and issuance in the Private Placement of 10,638,290 shares of the Company's common stock at a price of $7.05 per share, yielding approximately $72.8 million, net of estimated issuance costs.

(E) Estimated transaction costs to be incurred by the Company subsequent to September 30, 2022.

(F) The derivative liability associated with the payment due upon a change in control will be known upon the closing of the Acquisition and therefore will no longer be accounted for as a derivative. The payment due upon a change in control will be classified as an accrued expense assumed by the Company in the purchase price allocation.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (in thousands, except share and per share data)
For the Nine Months Ended September 30, 2022

	For the Nine Months Ended September 30, 2022			For the Nine Months Ended September 30, 2022
	Solid Biosciences Inc. (Historical)	AavantiBio, Inc. (Historical)	Acquisition Accounting Adjustments	Pro Forma Condensed Combined
Revenue	$ 8,094	$ —	$ —	$ 8,094
Operating expenses:				
Research and development	57,130	25,520	—	82,650
General and administrative	21,330	7,624	—	28,954
Restructuring charges	1,520	—	—	1,520
Total operating expenses	79,980	33,144	—	113,124
Loss from operations	(71,886)	(33,144)	—	(105,030)
Other income, net:				
Interest income, net	1,056	—	—	1,056
Changes in fair value of derivative liability	—	1,865	—	1,865
Total other income (expense)	1,056	1,865	—	2,921
Net income (loss)	$ (70,830)	$ (31,279)	$ —	$ (102,109)
Weighted common shares outstanding - basic	7,521,411	N/A	11,992,548	19,513,959
Weighted common shares outstanding - diluted	7,521,411	N/A	11,992,548	19,513,959
Basic and diluted net loss per share	$ (9.42)	N/A		$ (5.23)

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (in thousands, except share and per share data)
For the Year Ended December 31, 2021

	For the Year Ended December 31, 2021				For the Year Ended December 31, 2021
	Solid Biosciences Inc. (Historical)	AavantiBio, Inc. (Historical)	Transaction Accounting Adjustments		Pro Forma Condensed Combined
Revenue	$ 13,620	$ —	$ —		$ 13,620
Operating expenses:					
Research and development	58,739	26,387	—		85,126
General and administrative	27,135	9,172	3,568	**AA**	39,875
Total operating expenses	85,874	—	3,568		125,011
Loss from operations	(72,254)	(35,559)	(3,568)		(111,381)
Other income, net:					
Interest income, net	64	—	—		64
Other income	2	—	30,655	**BB**	30,657
Changes in fair value of derivative liability	—	(1,035)	—		(1,035)
Total other income (expense)	66	(1,035)	30,655		29,686
Net income (loss)	$ (72,188)	$ (36,594)	$ 27,087		$ (81,695)
Weighted common shares outstanding - basic	7,118,024	N/A	11,992,548		19,110,572
Weighted common shares outstanding - diluted	7,118,024	N/A	11,992,548		19,110,572
Basic and diluted net loss per share	$ (10.14)	N/A			$ (4.27)

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations

The pro forma adjustments included in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2021, are as follows:

(AA) Estimated transaction costs to be incurred by the Company subsequent to September 30, 2022.

(BB) Represents the excess of the net assets acquired over the purchase price consideration, or bargain purchase gain as discussed in Note 2.

Note 1. Basis of Pro Forma Presentation

After completion of the Acquisition, the consolidated financial statements of the consolidated entity will be prepared and presented in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The accompanying unaudited pro forma combined financial information was prepared in accordance with Article 11 of the SEC’s Regulation S-X and in accordance with U.S. GAAP and includes as follows:

1. The unaudited pro forma condensed combined balance sheet as of September 30, 2022, combines (i) the unaudited condensed balance sheet of Solid as of September 30, 2022 as filed in the Company’s Quarterly Report on Form 10-Q with the Securities and Exchange Commission on November 10, 2022, as if the Acquisition had been completed on September 30, 2022 and (ii) the unaudited balance sheet of AavantiBio as of September 30, 2022 as filed as an exhibit to the Company’s Current Report on Form 8-K (Exhibit No. 99.3) with the Securities and Exchange Commission on December 5, 2022, and gives effect to the Acquisition as if it took place on September 30, 2022.

2. The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2022 combines (i) the unaudited interim condensed statement of operations of Solid for the nine months ended September 30, 2022 as filed in the Company’s Quarterly Report on Form 10-Q with the Securities Exchange Commission on November 10, 2022, and (ii) the unaudited condensed statement of operations of AavantiBio for the nine months ended September 30, 2022, as filed as an exhibit to the Company’s Current Report on Form 8-K (Exhibit No. 99.3) with the Securities and Exchange Commission on December 5, 2022, and gives effect to the Acquisition as if it took place as of January 1, 2021.

3. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2021 combines (i) the audited statement of operations of Solid for the year ended December 31, 2021 as filed in the Company’s Annual Report on Form 10-K with the Securities and Exchange Commission on March 14, 2022, and (ii) the audited statement of operations of AavantiBio for the year ended December 31, 2021 as filed as an exhibit to the Company’s Current Report on Form 8-K with the Securities and Exchange Commission on December 5, 2022, and gives effect to the Acquisition as if it took place as of January 1, 2021.

At this time, Solid and AavantiBio are not aware of any accounting policy or financial statement classification differences that would have a material impact on the unaudited pro forma condensed combined financial information presented herein.

The Acquisition reflected in the unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting in accordance with Accounting Standards Codification 805, Business Combinations, under U.S. GAAP. Based on the definitions of control, the Acquisition is deemed to be a forward-merger between Solid and AavantiBio with Solid as the accounting acquirer. Under the acquisition method, the total consideration is calculated as described in the Introduction to the unaudited pro forma condensed combined financial information. In accordance with the accounting guidance for business combinations, the assets acquired and the liabilities assumed of AavantiBio will be measured at their estimated fair values. The pro forma financial information has accounted for AavantiBio's assets and liabilities based on their historical amounts other than the acquired in-process research and development ("IPR&D"). The Company engaged a third-party valuation firm to perform an independent valuation of the acquired IPR&D.

The Company's unaudited pro forma Purchase Price allocation includes acquired IPR&D with a preliminary fair value of approximately $6.4 million. Since the identifiable intangible asset represents IPR&D, IPR&D will not be amortized, but instead will be tested for impairment at least annually for events or circumstances that may indicate a possible impairment exists. In the event management determines that the value of IPR&D has been impaired, the Company will incur an impairment charge during the period in which the determination is made.

Intangible Asset	Fair value (in thousands)	Useful Live	Amortization Method
In-process Research & Development	$ 6,400	Indefinite	N/A

The Company adopted ASC 842 Leases on January 1, 2019. The Company reflected the adoption of ASC 842 for AavantiBio within the unaudited pro forma condensed combined financial statements as if AavantiBio had adopted ASC 842 on January 1, 2019.

Note 2. Purchase Consideration and preliminary Purchase Price Allocation

Under the acquisition method of accounting, the identifiable assets acquired and liabilities assumed are recorded at the fair values. The Purchase Price allocation provided in these unaudited pro forma condensed combined financial statements is preliminary and based on estimates of the fair value as of September 30, 2022 and not the actual date of the closing of the Acquisition. The Company has engaged a third-party valuation company to assist it with the valuation of AavantiBio's IPR&D; and for all other assets acquired and liabilities assumed for pro forma purposes, the Company has assumed that their respective books values are a fair representation of their fair values. As the estimated fair values are preliminary, the adjustments to record the assets acquired and liabilities assumed at fair value reflect the best estimate of the Company based on the information currently available and are subject to change once additional analyses are completed. There can be no assurance that such third-party valuation work will not result in material changes from the preliminary accounting treatment included in the accompanying unaudited pro forma condensed combined financial statements.

The aggregate consideration (the "Aggregate Consideration") payable by Solid to the former stockholders of AavantiBio in the Acquisition is defined as being equal to an aggregate of (x) $1,000 in cash and (y) a number of shares of Solid's common stock equal to (a) such number of shares of Solid's common stock (rounded to the nearest whole share) equal to fifteen percent (15%) of outstanding shares of Solid's common stock as of immediately following the closing of the Acquisition (and for the avoidance of doubt, before giving effect to the issuance of any securities in the Private Placement), calculated on a fully diluted basis using the treasury stock method (including, for clarity, calculated by disregarding any then out-of-the-money outstanding stock options or warrants of Solid based on the Solid Closing Stock Price (as defined in the Merger Agreement) and treating any awards or grants that are subject to vesting at such time as being fully vested, settled and outstanding at such time to the extent such awards are not out-of-the-money), less (b) a number of shares of Solid's common stock equal to (i) the amount by which the aggregate amount of closing indebtedness exceeds $3,000,000, divided by (ii) the volume-weighted average price, rounded to four decimal points, of shares of Solid's common stock on Nasdaq (as reported on Bloomberg L.P. under the function) over the five (5) consecutive trading day period ending two (2) full trading days prior to the date of the closing of the Acquisition; provided that in the event of any reclassification, stock split, reverse split, stock dividend (including any dividend or distribution of securities convertible into Solid's capital stock), reorganization, recapitalization or other like change with respect to Solid's capital stock that has a record date after the date of the Merger Agreement and on or before the payment to the holders of AavantiBio's stock of the shares of Solid's common stock comprising the Aggregate Consideration and that is not fully reflected in the calculation of the Aggregate Consideration, the calculation of Aggregate Consideration shall be adjusted, as applicable and appropriate, to fully reflect such event. The Company has calculated the Purchase Price as below:

Purchase Price:

	Amount (in thousands, except share and per share amounts)
Number of shares issued	1,354,258
Value of common shares issued by the Company	$ 6.77
Fair value of consideration transferred	$ 9,168

The price per share of the Company's common stock in the calculation of the Purchase Price set forth herein is based on the closing price of Solid's common stock on the Nasdaq Global Select Market on December 2, 2022, which was $6.77.

The table below represents a preliminary allocation of the total Purchase Price to the AavantiBio assets and liabilities in the Acquisition based on the Company's preliminary estimate of their respective fair values:

Preliminary Allocation of Purchase Consideration:

	Fair value (in thousands)
Assets acquired:	
Cash and cash equivalents	$ 37,609
Prepaid expenses and other current assets	434
Property and equipment	2,888
Operating leases – ROU asset	3,444
Other non-current assets	22
IPR&D	6,400
Total assets acquired	50,797
Liabilities assumed:	
Accounts payable	4,029
Accrued expenses	2,919
Operating lease liabilities-ROU	3,806
Share repurchase liability	220
Total liabilities assumed	10,974
Bargain purchase gain	(30,655)
Fair value of net assets acquired	$ 9,168

The bargain purchase gain represents the estimated preliminary amounts assigned to the fair value of the AavantiBio assets acquired and liabilities assumed exceeding the Purchase Price. Since these amounts are estimates, the final amount of bargain purchase gain recorded may differ materially from the amount presented.

The preliminary fair value of the identifiable intangible assets acquired was estimated using a combination of asset-based and income-based valuation methodologies. The asset-based valuation methodology established a fair value estimate based on the cost of replacing the asset, less amortization from functional use and economic obsolescence, if present and measurable. The income-based valuation methodology utilizes a discounted cash flow technique where the expected future economic benefits of ownership of an asset are discounted back to present value. This valuation technique requires the Company to make certain assumptions about future operating performance and cash flow, and other such variables which are discounted to present value using a discount rate that reflects the risk factors associated with future cash flow, the characteristics of the assets acquired, and the experience of the acquired business. Such valuation methodologies and estimates are subject to change, possibly materially, as additional information becomes available and as additional analyses are performed.

The preliminary unaudited pro forma Purchase Price allocation has been made solely for the purpose of preparing these unaudited pro forma condensed combined financial statements. The amounts allocated to AavantiBio's acquired assets and assumed liabilities could differ materially from the preliminary amounts presented in these unaudited pro forma condensed combined financial statements. A decrease in the fair value of the assets or an increase in the fair value of the liabilities from the preliminary valuations presented would result in a dollar-for-dollar corresponding increase in the amount of the bargain purchase gain that will result from the Acquisition. In addition, if the value of the property and equipment is higher than the amounts included in these unaudited pro forma condensed combined financial statements, it may result in higher depreciation expense than is presented in the unaudited pro forma condensed combined statements of operations. Any such increases could be material and could result in the Company's actual future financial condition and results of operations differing materially from those presented in the unaudited pro forma condensed combined financial statements.