

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended: September 30, 2023

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 001-39101

Baudax Bio, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

490 Lapp Road, Malvern, Pennsylvania

(Address of principal executive offices)

47-4639500
(I.R.S. Employer
Identification No.)

19355

(Zip Code)

(484) 395-2440

(Registrant's telephone number, including area code)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on Which Registered</u>
Common Stock, par value \$0.01	BXRX	Nasdaq Capital Market*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 17, 2023, there were 43,593,082 shares of common stock, par value \$0.01 per share, outstanding.

*As previously reported, November 16, 2023, the registrant's common stock has been suspended from trading on the Nasdaq Capital Market. The registrant expects that its shares will be delisted from the Nasdaq Capital Market after the Nasdaq Stock Market LLC

files a Form25-NSE with the SEC and the registrant's common stock will no longer be registered pursuant to Section 12(b) of the Act following the effectiveness of such filing. The registrant's common stock is currently being quoted on the OTC Pink Open Market under the symbol "BXRX".

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, or Quarterly Report, contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this Quarterly Report regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will,” “would,” “could,” “should,” “potential,” “seek,” “evaluate,” “pursue,” “continue,” “design,” “impact,” “affect,” “forecast,” “target,” “outlook,” “initiative,” “objective,” “designed,” “priorities,” “goal,” or the negative of such terms and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which might not even be anticipated.

These forward-looking statements in this Quarterly Report include, among other things, statements about:

- our estimates regarding expenses, revenue, capital requirements and timing and availability of and the need for additional financing;
- our ability to continue as a going concern for the next twelve months;
- whether our cash resources will be sufficient to fund our continuing operations;
- our ability to operate under significant indebtedness;
- the suspension and anticipated delisting of our common stock from the Nasdaq Capital Market;
- our ability to obtain regulatory approval for any product candidates that we may develop, and any related restrictions, limitations, or warnings in the label of any approved product candidates;
- our ability to successfully market, commercialize and achieve broad market acceptance for any of our product candidates once approved;
- our ability and that of our third-party manufacturers to successfully transfer or scale-up our clinical and commercial manufacturing processes for our product candidates;
- the results, timing and outcome of our clinical trials of our product candidates, and any future clinical trials and preclinical studies;
- our ability to source materials needed for our product candidates, optimize formulations for stability and other characteristics;
- our relationships with licensors, collaborators, other third parties and our employees;
- our ability to successfully integrate the operations of our recent acquisition, TeraImmune, Inc., or TeraImmune, and realize anticipated benefits of the acquisition of TeraImmune;
- the effects of changes in our effective tax rate due to changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, tax impacts and net operating loss utilization related to the separation from Societal CDMO’s acute care business and transfer of such assets to us, or the Separation, and changes in the tax laws;
- our ability to comply with the regulatory schemes applicable to our business and other regulatory developments in the United States and foreign countries;
- the performance of third-parties upon which we depend, including third-parties involved with clinical trial execution, and third-party suppliers, manufacturers, supply chain and logistics providers;
- our ability to obtain and maintain patent protection and defend our intellectual property rights against third-parties;
- our ability to obtain regulatory exclusivity periods for our products post approval, or our ability to obtain orphan drug status for certain of our product candidates;
- our ability to develop relationships with potential collaborators and development partners;
- our ability to defend any material litigation filed against us and avoid liabilities resulting from any material litigation;
- our ability to recruit or retain key scientific, technical, and management personnel or to retain our executive officers;
- our ability to raise future financing for continued development of our business and our product candidates and to meet any required debt payments, and any milestone payments we may owe;

- the volatility of capital markets and other macroeconomic factors, including inflationary pressures, banking instability issues, geopolitical tensions or the outbreak of hostilities or war;
- our ability to operate under leverage and comply with associated lending covenants; to pay existing required interest and principal amortization payments when due; and/or to obtain acceptable refinancing alternatives; and
- our expectations regarding continuing effects of the COVID-19 pandemic, including manufacturing and supply chain interruptions, adverse effects on healthcare systems and disruption of the global economy, and the overall impact of the COVID-19 pandemic on our business, financial condition and results of operations.

Any forward-looking statements that we make in this Quarterly Report speak only as of the date of such statement, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this Quarterly Report or to reflect the occurrence of unanticipated events. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

You should also read carefully the factors described in the “Risk Factors” included in Part II, Item 1A of this Quarterly Report and Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on February 23, 2023, or the 2022 Annual Report, to better understand significant risks and uncertainties inherent in our business and underlying any forward-looking statements. As a result of these factors, actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements in this Quarterly Report and you should not place undue reliance on any forward-looking statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BAUDAX BIO, INC.
Consolidated Balance Sheets
(Unaudited)

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

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 363	\$ 5,259
Prepaid expenses and other current assets	975	303
Current assets of discontinued operation	—	785
Total current assets	1,338	6,347
Property and equipment, net	3,671	9
Right-of-use asset, net	2,877	854
Intangible asset	3,900	—
Goodwill	8,797	2,127
Non-current assets of discontinued operation	—	695
Total assets	<u>\$ 20,583</u>	<u>\$ 10,032</u>
Liabilities, Non-Voting Convertible Preferred Stock and Shareholders' Deficit		
Current liabilities:		
Accounts payable	\$ 7,822	\$ 3,198
Accrued expenses and other current liabilities	3,652	2,133
Current portion of long-term debt, net	4,228	5,600
Current portion of operating lease liability	341	231
Contingent consideration	83	—
Convertible bond payable	1,000	—
Derivative instrument	1,659	—
Other current liabilities	266	—
Current liabilities of discontinued operation	—	10,298
Total current liabilities	19,051	21,460
Long-term debt, net	—	1,519
Long-term operating lease liability	2,528	585
Deferred tax liability	202	—
Other long-term liabilities	—	13
Non-current liabilities of discontinued operation	—	10,697
Total liabilities	21,781	34,274
Commitments and contingencies (Note 12)		
Mezzanine equity:		
Series X non-voting convertible preferred stock, \$0.01 par value, Authorized, 27,090 shares; issued and outstanding 20,066 shares at September 30, 2023	9,040	—
Shareholders' deficit:		
Preferred stock, \$0.01 par value. Authorized, 10,000,000 shares; shares issued and outstanding, 36,267 at September 30, 2023 and 0 December 31, 2022	—	—
Common stock, \$0.01 par value. Authorized, 190,000,000 shares; issued and outstanding, 12,164,753 shares at September 30, 2023 and 1,623,913 shares at December 31, 2022	122	16
Additional paid-in capital	178,940	166,646
Accumulated deficit	(189,300)	(190,904)
Total shareholders' deficit	(10,238)	(24,242)
Total liabilities, non-voting convertible preferred stock and shareholders' deficit	<u>\$ 20,583</u>	<u>\$ 10,032</u>

See accompanying notes to unaudited consolidated financial statements.

BAUDAX BIO, INC.
Consolidated Statements of Operations
(Unaudited)

(amounts in thousands, except share and per share data)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating expenses:				
Research and development	\$ 1,901	\$ 622	\$ 6,597	\$ 2,196
General and administrative	3,639	2,953	7,664	12,785
Change in fair value of warrants and derivatives	(3,587)	—	(717)	(7)
Change in contingent consideration valuation	(177)	—	(35)	—
Total operating expenses	1,776	3,575	13,509	14,974
Operating loss from continuing operations	(1,776)	(3,575)	(13,509)	(14,974)
Other expense:				
Other expense, net	(115)	(512)	(3,069)	(1,652)
Net loss from continuing operations	\$ (1,891)	\$ (4,087)	\$ (16,578)	\$ (16,626)
Income (loss) on discontinued operation	(43)	(25,120)	18,673	(32,920)
Net income (loss)	<u>\$ (1,934)</u>	<u>\$ (29,207)</u>	<u>\$ 2,095</u>	<u>\$ (49,546)</u>
Per share information:				
Net loss per share from continuing operations, basic and diluted	\$ (0.29)	\$ (13.81)	\$ (3.36)	\$ (86.53)
Net income (loss) per share from discontinued operations, basic and diluted	\$ (0.01)	\$ (84.89)	\$ 3.69	\$ (171.34)
Net income (loss) per share, basic and diluted	\$ (0.30)	\$ (98.70)	\$ 0.33	\$ (257.87)
Weighted average common shares outstanding, basic and diluted	<u>7,993,522</u>	<u>295,903</u>	<u>5,065,759</u>	<u>192,135</u>

See accompanying notes to unaudited consolidated financial statements.

BAUDAX BIO, INC.
Consolidated Statements of Non-voting Convertible Preferred Stock and Shareholders' Deficit
(Unaudited)

For the Nine Months Ended September 30, 2023

(amounts in thousands, except share data)	Series X Convertible Preferred Stock		Preferred Stock		Common Stock		Additional	Accumulat	Total
	Shares	Amount	Shares	Amount	Shares	Amount	paid-in capital	ed Deficit	
Balance, December 31, 2022	—	\$ —	—	\$ —	1,623,913	\$ 16	\$ 6	(190,904)	\$ (24,242)
Stock-based compensation expense	—	—	—	—	—	—	194	—	194
Issuance of common stock and warrants for public offering, net	—	—	—	—	—	—	(55)	—	(55)
Issuance of shares pursuant to vesting of restricted stock units, net of shares withheld for income taxes	—	—	—	—	2	—	—	—	—
Exercise of warrants	—	—	—	—	961,787	10	4,318	—	4,328
Issuance of warrants for MAM debt amendment	—	—	—	—	—	—	1,058	—	1,058
Net income	—	—	—	—	—	—	—	11,404	11,404
Balance, March 31, 2023	—	\$ —	—	\$ —	2,585,702	\$ 26	\$ 1	(179,500)	\$ (7,313)
Stock-based compensation expense	—	—	—	—	—	—	208	—	208
Issuance of common stock and warrants for public offering, net	—	—	—	—	3,478,262	35	3,222	—	3,257
Issuance of Series X convertible preferred stock upon acquisition of TeraImmune	20,066	9,040	—	—	—	—	—	—	—
Issuance of common stock upon acquisition of TeraImmune	—	—	—	—	897,903	9	535	—	544
Net loss	—	—	—	—	—	—	—	(7,375)	(7,375)
Balance, June 30, 2023	20,066	\$ 9,040	—	\$ —	6,961,867	\$ 70	\$ 6	(186,875)	\$ (10,679)
Stock-based compensation expense	—	—	—	—	—	—	253	—	253
Issuance of common stock and warrants for registered direct offering, net	—	—	—	—	3,401,787	34	1,577	—	1,611
Sale of common stock under equity line of credit, net of transaction costs	—	—	—	—	1,794,170	18	493	—	511
Issuance of shares pursuant to vesting of restricted stock units, net of shares withheld for income taxes	—	—	—	—	6,929	—	—	—	—
Deemed dividend on warrant modification	—	—	—	—	—	—	455	(455)	—
Stock dividend	—	—	36,267	—	—	—	36	(36)	—
Net income	—	—	—	—	—	—	—	(1,934)	(1,934)
Balance, September 30, 2023	20,066	\$ 9,040	36,267	\$ —	12,164,753	\$ 122	\$ 0	(189,300)	\$ (10,238)

See accompanying notes to unaudited consolidated financial statements

BAUDAX BIO, INC.
Consolidated Statements of Shareholders' (Deficit) Equity
(Unaudited)

For the Nine Months Ended September 30, 2022

(amounts in thousands, except share data)	Preferred Stock		Common Stock		Additional paid-in capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount			
Balance, December 31, 2021	8,289	\$ —	70,181	\$ 1	\$ 145,314	\$ (132,089)	\$ 13,226
Stock-based compensation expense	—	—	—	—	521	—	521
Issuance of common stock and warrants for registered direct offerings, net	—	—	—	—	(13)	—	(13)
Issuance of common stock and warrants for public offering, net	—	—	87,719	1	8,817	—	8,818
Issuance of shares pursuant to vesting of restricted stock units, net of shares withheld for income taxes	—	—	56	—	—	—	—
Conversion of preferred stock	(8,289)	—	2,368	—	—	—	—
Net loss	—	—	—	—	—	(12,809)	(12,809)
Balance, March 31, 2022	<u>—</u>	<u>\$ —</u>	<u>160,324</u>	<u>\$ 2</u>	<u>\$ 154,639</u>	<u>\$ (144,898)</u>	<u>\$ 9,743</u>
Stock-based compensation expense	—	—	—	—	325	—	325
Issuance of common stock and warrants for registered direct offerings, net	—	—	41,152	—	1,720	—	1,720
Issuance of common stock and warrants for public offering, net	—	—	—	—	(28)	—	(28)
Issuance of shares pursuant to vesting of restricted stock units, net of shares withheld for income taxes	—	—	245	—	—	—	—
Net loss	—	—	—	—	—	(7,531)	(7,531)
Balance, June 30, 2022	<u>—</u>	<u>\$ —</u>	<u>201,721</u>	<u>\$ 2</u>	<u>\$ 156,656</u>	<u>\$ (152,429)</u>	<u>\$ 4,229</u>
Stock-based compensation expense	—	—	—	—	874	—	874
Issuance of common stock and warrants for registered direct offerings, net	—	—	—	—	(38)	—	(38)
Issuance of shares pursuant to vesting of restricted stock units, net of shares withheld for income taxes	—	—	4,289	—	(29)	—	(29)
Stock dividend	20,004	—	—	—	20	(20)	—
Net income	—	—	—	—	—	(29,207)	(29,207)
Balance, September 30, 2022	<u>20,004</u>	<u>\$ —</u>	<u>206,010</u>	<u>\$ 2</u>	<u>\$ 157,483</u>	<u>\$ (181,656)</u>	<u>\$ (24,171)</u>

See accompanying notes to unaudited consolidated financial statements.

BAUDAX BIO, INC.
Consolidated Statements of Cash Flows
(Unaudited)

(amounts in thousands)	For the Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ 2,095	\$ (49,546)
(Income) loss on discontinued operation	(18,673)	32,920
Adjustments to reconcile net income (loss) from continuing operations to net cash used in operating activities from continuing operations:		
Stock-based compensation	642	1,062
Non-cash interest expense	297	652
Depreciation expense	135	38
Non-cash loss on retirement of fixed assets	5	(86)
Loss on extinguishment of debt	2,196	—
Change in fair value of warrants and derivatives	(717)	(7)
Right-of-use asset	111	—
Change in contingent consideration valuation	(35)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(404)	923
Accounts payable, accrued expenses and other liabilities	4,750	947
Operating lease liability	(82)	—
Net cash used in operating activities, continuing operations	(9,680)	(13,097)
Cash flows from investing activities:		
Cash acquired in acquisition of TeraImmune	142	—
Purchase of property and equipment	(21)	—
Net cash provided by investing activities, continuing operations	121	—
Cash flows from financing activities:		
Payment of deferred financing costs	(291)	—
Proceeds from public offering, net of transaction costs	3,494	14,270
Proceeds from registered direct offerings, net of transaction costs	1,712	1,762
Payments on long-term debt	(4,050)	(1,112)
Proceeds from warrant exercises	4,328	69
Proceeds from equity line of credit, net of transaction costs	313	—
Payments of withholdings on shares withheld for income taxes	—	(3)
Net cash provided by financing activities, continuing operations	5,506	14,986
Net (decrease) increase in cash and cash equivalents from continuing operations	(4,053)	1,889
Discontinued operation:		
Cash flows used in operating activities	(843)	(10,913)
Cash flows used in investing activities	—	(20)
Cash flows used in financing activities	—	(1,200)
Net decrease in cash and cash equivalents from discontinued operations	(843)	(12,133)
Cash and cash equivalents, beginning of period	5,259	15,891
Cash and cash equivalents, end of period	\$ 363	\$ 5,647
Deferred financing costs included in accounts payable	\$ 168	\$ —
Acquisition of TeraImmune through issuance of Series X convertible preferred stock and common stock	\$ 9,584	\$ —
Offering costs included in accounts payable and accrued expenses	\$ 1,053	\$ 213

See accompanying notes to unaudited consolidated financial statements.

(1) Background

Business

Baudax Bio, Inc. (“Baudax Bio” or the “Company”) is a biotechnology company focused on developing T cell receptor (“TCR”) therapies utilizing human regulatory T cells (“Tregs”), as well as a portfolio of clinical stage Neuromuscular Blocking Agents (“NMBs”) and an associated reversal agent. The Company’s TCR Treg programs primarily focus on immune modulating therapies for orphan diseases or complications associated with such diseases, as well as the treatment of autoimmune disorders. The Company believes that its TCR Treg programs have the potential to provide valuable therapeutic options to patients suffering from diseases for which there are limited treatment options and significant unmet need, as well as to prescribers and payers in these markets.

On June 29, 2023, the Company acquired TeraImmune, Inc. (“TeraImmune”), a Delaware corporation (the “Acquisition”). TeraImmune was a privately-held biotechnology company focused on discovery and development of novel Treg-based cell therapies for autoimmune diseases. TeraImmune’s proprietary and patented technology platforms include a method for expansion of the Treg without losing its function and stability, as well as a method to target specific receptors including TCRs, Chimeric Antigen Receptors (“CARs”) and B cell Antigen Receptors (“BARs”). TeraImmune has also in-licensed through an exclusive, sublicensable, royalty-bearing license, a patent family covering methods of producing T cell populations enriched for regulatory T cells and cell culture compositions from U.S. Department of Health and Human Services, as represented by National Institute of Allergy and Infectious Diseases of the National Institutes of Health. In addition, TeraImmune has developed Treg manufacturing procedures in accordance with regulatory guidance from the U.S. Food and Drug Administration (“FDA”). In June 2022, TeraImmune’s Investigational New Drug (“IND”) application to commence clinical trials of a Factor VIII (“FVIII”) TCR-Treg treatment for Hemophilia A with inhibitors was cleared by the FDA. For additional information on the Acquisition, see Note 5.

The Company also holds exclusive global rights to two new molecular entities, which are centrally acting neuromuscular blocking agents (“NMBs”), BX1000, an intermediate duration of action NMB that recently completed a successful Phase II clinical trial, and BX2000, an ultra-short acting NMB currently undergoing a Phase I clinical trial. A proprietary blockade reversal agent, BX3000, is currently being evaluated in preclinical studies intended to support an IND filing in 2023. BX3000 is an agent that is expected to rapidly reverse BX1000 and BX2000 blockade. All three agents are licensed from Cornell University. The Company believes these agents, when an NMB and BX3000 are administered in succession, allow for a rapid onset of centrally acting neuromuscular blockade, followed by a rapid reversal of the neuromuscular blockade with BX3000. These novel agents have the potential to meaningfully reduce time to onset and reversal of blockade and improve the reliability of onset and offset of neuromuscular blockade. This can potentially reduce time in operating rooms or post operative suites (PACU), resulting in potential clinical and cost advantages, as well as valuable cost savings for hospitals and ambulatory surgical centers and has the potential for an improved clinical profile in terms of safety.

In mid-2020, the Company launched its first commercial product, ANJESO, in the United States. ANJESO was the first and only 24-hour, intravenous, or IV, analgesia agent. The Company discontinued commercial sales of ANJESO in December 2022 and further withdrew its New Drug Application (“NDA”) related to ANJESO in late March 2023. See Note 4 for discussion on the discontinued operation related to our ANJESO commercial business.

The Company has determined that it operates in a single segment involved in innovative products predominantly for orphan and rare diseases.

Reverse Stock Splits

On February 16, 2022, the Company effected a reverse split of shares of the Company’s common stock on a 1-for-35 basis (the “Reverse Stock Split”). On December 1, 2022, the Company effected a second reverse split of shares of the Company’s common stock on a 1-for-40 basis (the “December Reverse Stock Split”). All issued and outstanding shares of common stock, warrants, common stock options, and unvested restricted stock units and the related per share amounts contained in the financial statements have been retroactively adjusted to reflect these reverse stock splits for all periods presented. The par value and authorized shares of common stock were not adjusted as a result of the reverse stock splits. Additionally, the authorized, issued and outstanding shares of preferred stock and their related per share amount, other than the conversion price per share, was not adjusted as a result of the reverse stock splits.

BAUDAX BIO, INC.
Notes to the Consolidated Financial Statements
(amounts in thousands, except share and per share data)
(Unaudited)

(2) Development Activity Risks, Liquidity and Going Concern

The Company has incurred operating losses since inception and has negative cash flows, working capital and equity, including an accumulated deficit of \$189,300, as of September 30, 2023.

Additionally, TeraImmune failed to pay its Convertible Bond Agreement, dated March 22, 2022, with EoFlow Co., Ltd. (the “5% Convertible Term Loan”), on the stated maturity date of November 30, 2022. The Company is offering conversion of the notes with an outstanding balance, including accrued interest, of \$1,239 at September 30, 2023, into shares of the Company’s common stock or by providing the noteholders with a repayment plan. This debt was part of the liabilities assumed by the Company in connection with the acquisition of TeraImmune (see Notes 5 and 11).

The Company has raised funds from debt and equity transactions and will be required to raise additional funds to continue to operate as a standalone entity. In order to fund development activities, and clinical and pre-clinical testing, the Company will require significant additional funding. The Company could delay clinical trial activity or reduce funding of specific programs in order to reduce cash needs. Insufficient funds may cause the Company to delay, reduce the scope of or eliminate one or more of its development, future commercialization, or expansion activities. The Company may raise such funds, if available, through debt financings, bank or other loans, through strategic research and development, licensing (including out-licensing) and/or marketing arrangements or through public or private sales of equity or debt securities from time to time. Financing may not be available on acceptable terms, or at all, and failure to raise capital when needed could materially adversely impact the Company’s growth plans and its financial condition or results of operations and ability to continue as a going concern. Additional debt or equity financing, if available, may be dilutive to holders of the Company’s common stock and may involve significant cash payment obligations and covenants that restrict the Company’s ability to operate its business.

The Company’s management assesses the Company’s ability to continue as a going concern for one year after the date the consolidated financial statements are issued. Based on the Company’s available cash and cash equivalents as of September 30, 2023, management has concluded that substantial doubt exists about the Company’s ability to continue as a going concern for one year from the date these financial statements are issued. The Company expects to seek additional funding to sustain its future operations and while the Company has successfully raised capital in the past, the ability to raise capital in future periods is not assured. The Company is not expected to be able to maintain its minimum liquidity covenant over the next twelve months without additional inflows of funds or capital financing. The consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates continuity of operations, the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(3) Summary of Significant Accounting Principles

(a) Basis of Presentation and Principles of Consolidation

The accompanying unaudited consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), for interim financial information and with the instructions of Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and notes required by U.S. GAAP for complete annual financial statements. In the opinion of management, the accompanying unaudited consolidated financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the financial statements) considered necessary to present fairly the Company’s results for the interim periods. The Consolidated Balance Sheet as of December 31, 2022 has been derived from audited financial statements. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2023. The Company’s consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

The accompanying unaudited interim consolidated financial statements should be read in conjunction with the annual audited financial statements and related notes as of and for the year ended December 31, 2022 included in the Company’s Form 10-K.

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(b) Use of Estimates

The preparation of unaudited consolidated financial statements and the notes to the unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from such estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents represent cash in banks and highly liquid short-term investments that have maturities of three months or less when acquired to be cash equivalents. These highly liquid short-term investments are both readily convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value because of the changes in interest rates.

(d) Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows: three to seven years for furniture and office equipment; three years for computer and software; three to seven years for manufacturing equipment; and the shorter of the remaining lease term or useful life for leasehold improvements. Repairs and maintenance costs are expensed as incurred.

(e) Business Combinations

In accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC"), Topic 805, "Business Combinations," ("ASC 805"), the Company allocates the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. Valuations are performed to assist in determining the fair values of assets acquired and liabilities assumed, which requires management to make significant estimates and assumptions, in particular with respect to intangible assets. Management makes estimates of fair value based upon assumptions believed to be reasonable. These estimates are based in part on historical experience and information obtained from management of the acquired companies and expectations of future cash flows. Transaction costs associated with the transaction are expensed as incurred. In-process research and development ("IPR&D") is the value assigned to those projects for which the related products have not received regulatory approval and have no alternative future use. Determining the portion of the purchase price allocated to IPR&D requires the Company to make significant estimates. In a business combination, the Company capitalizes IPR&D as an intangible asset.

(f) Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired by the Company. Goodwill is not amortized but assessed for impairment on an annual basis or more frequently if impairment indicators exist. The impairment model prescribes a one-step method for determining impairment.

The one-step quantitative test calculates the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company has one reporting unit.

The Company's intangible asset was acquired through the Acquisition and is classified as an IPR&D asset. Intangible assets related to IPR&D are considered indefinite-lived intangible assets and are assessed for impairment annually or more frequently if impairment indicators exist. If the associated research and development effort is abandoned, the related assets will be written-off, and the Company will record a noncash impairment loss on its Consolidated Statements of Operations. For those compounds that reach commercialization, the IPR&D assets will be amortized over their estimated useful lives. The impairment test for indefinite-lived intangible assets is a one-step test that compares the fair value of the intangible asset to its carrying value. If the carrying value exceeds its fair value, an impairment loss is recognized in an amount equal to the excess.

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The Company performs its annual goodwill and indefinite-lived intangible asset impairment tests as of November 30th, or whenever an event or change in circumstances occurs that would require reassessment of the recoverability of those assets. In performing the evaluation, the Company assesses qualitative factors such as overall financial performance of its reporting unit, anticipated changes in industry and market conditions, including recent tax reform, intellectual property protection, and competitive environments. The Company performed a goodwill impairment test as of September 30, 2023 after identifying indicators of impairment. There was no impairment to goodwill based on the Company's analysis as of September 30, 2023.

(g) Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents. The Company manages its cash and cash equivalents based on established guidelines relative to diversification and maturities to maintain safety and liquidity.

(h) Research and Development

Research and development costs for the Company's proprietary products candidates are charged to expense as incurred. Research and development expenses consist of internal costs and funds incurred internally or paid to third parties for the provision of services for pre-commercialization and manufacturing scale-up activities, drug development, pre-clinical activities, clinical trials, statistical analysis, report writing and regulatory filing fees and compliance costs. At the end of the reporting period, the Company compares payments made to third-party service providers to the estimated progress toward completion of the research or development project. Such estimates are subject to change as additional information becomes available. Depending on the timing of payments to the service providers and the progress that the Company estimates has been made as a result of the service provided, the Company may record net prepaid or accrued expenses relating to these costs.

Upfront and milestone payments made to third parties who perform research and development services on the Company's behalf are expensed as services are rendered. Costs incurred in obtaining product technology licenses are charged to research and development expense as acquired in-process research and development ("IPR&D") if the technology licensed has not reached technological feasibility and has no alternative future use.

(i) Stock-Based Awards

Share-based compensation included in the unaudited consolidated financial statements is based upon the Baudax Bio, Inc. 2019 Equity Incentive Plan (the "Baudax Bio 2019 Plan") and the TeraImmune 2019 Equity Incentive Plan (the "TeraImmune 2019 Plan"). These plans include grants of stock options, time-based vesting restricted stock units ("RSUs") and performance-based RSUs. The Company measures employee stock-based awards at grant-date fair value and recognizes employee compensation expense on a straight-line basis over the vesting period of the award. The Company accounts for forfeitures as they occur.

Determining the appropriate fair value of stock options requires the input of subjective assumptions, including the expected life of the option and expected stock price volatility. The Company uses the Black-Scholes option pricing model to value its stock option awards. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors change and/or management uses different assumptions, stock-based compensation expense could be materially different for future awards.

The expected life of stock options was estimated using the "simplified method," as the Company has limited historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for its stock options grants. The simplified method is based on the average of the vesting tranches and the contractual life of each grant. For stock price volatility, the Company uses an average of its peer group's volatility in order to estimate future stock price trends. The risk-free interest rate is based on U.S. Treasury notes with a term approximating the expected life of the option. The Company has never declared or paid cash dividends and has no plans to do so in the foreseeable future, therefore the dividend yield is zero.

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(j) Redeemable Preferred Stock

The Company applies ASC 480 when determining the classification and measurement of its preferred stock. Preferred shares subject to mandatory redemption are classified as liability instruments and are measured at fair value. Conditionally redeemable preferred shares, including preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control, and consisting of Series X Non-Voting Convertible Preferred Stock ("Series X Preferred Stock") are classified as temporary equity as of September 30, 2023. At all other times, preferred shares are classified as stockholders' equity.

(k) Equity-method Investment

The Company uses the equity method of accounting for equity investments if the investment provides the ability to exercise significant influence, but not control, over operating and financial policies of the investee. The Company's proportionate share of the net income or loss of these investees is included in the Company's statements of operations. Judgment regarding the level of influence over each equity method investment includes considering key factors such as the Company's ownership interest, legal form of the investee, representation on the board of directors, participation in policy-making decisions and material intra-entity transactions.

The Company's equity-method investment includes its investment in TeraImmune Therapeutics, Co., Ltd., ("TIT"). The carrying value of the Company's investment in TIT is recorded in equity method investments in the consolidated balance sheet and is immaterial as of September 30, 2023.

(l) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is recorded to the extent it is more likely than not that some portion or all of the deferred tax assets will not be realized. Because of the Company's history of losses as a standalone entity, a full valuation allowance is recorded against deferred tax assets in all periods presented.

Unrecognized income tax benefits represent income tax positions taken on income tax returns that have not been recognized in the consolidated financial statements. The Company recognizes the benefit of an income tax position only if it is more likely than not (greater than 50%) that the tax position will be sustained upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit is recognized. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company does not anticipate significant changes in the amount of unrecognized income tax benefits over the next year.

Under the Tax Reform Act of 1986, as amended (the "Act"), the utilization of a corporation's net operating loss is limited following a greater than 50% change in ownership during a three-year period. Any unused annual limitation may be carried forward to future years for the balance of the carryforward period. The Company is evaluating whether the Acquisition triggered an ownership change under these rules.

(m) Net Income (Loss) Per Common Share

Net loss per common share is computed using the two-class method required due to the participating nature of the Series X Preferred Stock. Although the shares of the Series X Preferred Stock are participating securities, such securities do not participate in net losses and therefore do not impact the Company's net loss from continuing operations per share calculation as of September 30, 2023.

Basic net loss per common share is determined by dividing net loss attributable to common shareholders by the weighted average common shares outstanding during the period. Diluted net loss per common share is determined using the weighted average common shares outstanding during the period plus the weighted average number of shares of common shares that would be issued assuming exercise or conversion of all potentially dilutive instruments. The Company uses income from continuing operations as the control number in determining whether potential common shares are dilutive or antidilutive. The same number of potential common shares used in computing the diluted per-share amount for income from continuing operations is used in computing all other reported diluted per-share amounts even if those amounts will be antidilutive to

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their respective basic per-share amounts. Outstanding warrants, common stock options, unvested restricted stock units and convertible redeemable preferred shares are excluded from the calculation of diluted net loss per share when their effect would be anti-dilutive.

For purposes of calculating basic and diluted loss per common share, the denominator includes the weighted average common shares outstanding, the weighted average common stock equivalents for warrants priced at par value, or \$0.01, as the underlying common shares will be issued for little cash consideration and the conditions for the issuance of the underlying common shares are met when such warrants are issued, and, with regard to diluted loss per common share, the number of common stock equivalents if the inclusion of such common stock equivalents would be dilutive.

The following table sets forth the computation of basic and diluted income (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Basic and Diluted Income (Loss) Per Share				
Net loss from continuing operations	\$ (1,891)	\$ (4,087)	\$ (16,577)	\$ (16,626)
Deemed dividend	\$ (455)	\$ —	\$ (455)	\$ —
Net loss attributable from continuing operations to common shareholders	\$ (2,346)	\$ (4,087)	\$ (17,032)	\$ (16,626)
Net income (loss) from discontinued operation	\$ (43)	\$ (25,120)	\$ 18,673	\$ (32,920)
Net income (loss) attributable to common shareholders	\$ (2,389)	\$ (29,207)	\$ 1,641	\$ (49,546)
Net loss per share from continuing operations	\$ (0.29)	\$ (13.81)	\$ (3.36)	\$ (86.53)
Net income (loss) per share from discontinued operation	\$ (0.01)	\$ (84.89)	\$ 3.69	\$ (171.34)
Net income (loss) per share of common stock, basic and diluted	\$ (0.30)	\$ (98.70)	\$ 0.33	\$ (257.87)
Weighted average common shares outstanding, basic and diluted	7,993,522	295,903	5,065,759	192,135

The following potentially dilutive securities have been excluded from the computations of diluted weighted average shares outstanding as they would be anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Options and restricted stock units outstanding	977,491	606,652	977,491	606,652
Warrants	13,239,805	31,298,007	13,239,805	31,298,007
Series X Preferred Stock	20,066,208	—	20,066,208	—

Amounts in the table above reflect the common stock equivalents of the noted instruments.

(n) Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the FASB and rules are issued by the SEC that the Company has or will adopt as of a specified date. Unless otherwise noted, management does not believe that any other recently issued accounting pronouncements issued by the FASB or guidance issued by the SEC had, or is expected to have a material impact on the Company's present or future consolidated financials.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," or ASU 2016-13. ASU 2016-13 requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires consideration of a range of reasonable information to estimate credit losses on certain types of financial instruments, including trade receivables and available-for-sale debt

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securities. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including those interim periods within those fiscal years. The Company adopted this guidance as of January 1, 2023 and noted no impact to the Company or its disclosures.

4) Discontinued Operations

In March 2023, the Company entered into an Asset Transfer Agreement with Alkermes Pharma Ireland Limited (“Alkermes”) (the “Transfer Agreement”). Under the terms of the Transfer Agreement, the Company transferred the rights to certain patents, trademarks, equipment, data and other rights related to ANJESO (the “Assets”) to Alkermes. The Company also withdrew the New Drug Application (“NDA”) related to ANJESO and agreed, if elected by Alkermes at a later date, to transfer such withdrawn NDA to Alkermes at no additional cost.

Additionally, under the Transfer Agreement, the Company granted Alkermes a non-exclusive, perpetual and irrevocable, royalty-free and fully paid-up worldwide license, to the additional intellectual property owned by the Company necessary to or useful to exploit ANJESO. In consideration of the transfer of the Assets, the parties agreed to the termination of (i) the Purchase and Sale Agreement, dated March 7, 2015 by and among Alkermes, the Company and the other parties thereto (as amended, the “PSA”), (ii) the Asset Transfer and License Agreement, dated April 10, 2015 by and among Alkermes, the Company and the other parties thereto (as amended, the “ATLA”); and (iii) the Development, Manufacturing and Supply Agreement, dated as of July 10, 2015 by and between the Company and Alkermes (as amended, the “Manufacturing Agreement”) between the parties related to ANJESO (the PSA, ATLA and Manufacturing Agreement, collectively, the “ANJESO Agreements”). In connection with the termination of the ANJESO Agreements, no further payments of any kind pursuant to the ANJESO Agreements are payable by the Company to Alkermes.

The accounting requirements for reporting the abandonment of ANJESO as a discontinued operation were met when the agreements with Alkermes were executed. Accordingly, the accompanying consolidated financial statements for all periods presented reflect this business as a discontinued operation.

The historical consolidated balance sheet and statements of operations of the Company and the related notes to the consolidated financial statements have been presented as discontinued operations in the consolidated financial statements and prior periods have been recast. Discontinued operations include results of the Company’s commercial business except for certain corporate overhead costs, which are included in continuing operations.

There were no assets or liabilities of discontinued operations as of September 30, 2023. The following table shows amounts included in assets and liabilities of discontinued operations, respectively, on the Company’s Consolidated Balance Sheet at December 31, 2022:

	December 31, 2022
Current assets of discontinued operation:	
Accounts receivable, net	\$ 336
Prepaid expenses and other current assets	449
Total current assets of discontinued operation	785
Non-current assets of discontinued operation:	
Property and equipment, net	695
Total non-current assets of discontinued operation	695
Total assets of discontinued operation	\$ 1,480
Current liabilities of discontinued operation:	
Accounts payable	\$ 730
Accrued expenses and other current liabilities	365
Current portion of contingent consideration	9,203
Total current liabilities of discontinued operation	10,298
Non-current liabilities of discontinued operation:	
Long-term portion of contingent consideration	10,697
Total non-current liabilities of discontinued operation	10,697
Total liabilities of discontinued operation	\$ 20,995

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The results of operations from discontinued operations for the three and nine months ended September 30, 2023 and 2022, have been reflected as discontinued operations in the consolidated statements of operations and consist of the following:

	For the Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue, net	\$ —	\$ 238	\$ 16	\$ 959
Operating expenses:				
Cost of sales	43	1,208	552	2,217
Research and development	—	23	—	654
Selling, general and administrative	—	855	—	9,242
Amortization of intangible assets	—	644	—	1,932
Change in contingent consideration valuation	—	1,222	(19,900)	(1,254)
Loss on impairment of property and equipment	—	3,663	485	3,662
Impairment of Intangible Asset	—	17,746	—	17,746
Total operating expenses	43	25,361	(18,863)	34,199
Operating gain (loss) from discontinued operation	(43)	(25,123)	18,879	(33,240)
Other expense:				
Other expense, net	—	3	(206)	320
Net income (loss) from discontinued operation	\$ (43)	\$ (25,120)	\$ 18,673	\$ (32,920)

The Company sold ANJESO in the U.S. through a single third-party logistics provider (“3PL”), which took title to and control of the goods, and was considered the customer. The Company recognized revenue from ANJESO product sales at the point the title to the product is transferred to the customer and the customer obtains control of the product. The transaction price that was recognized as revenue for products includes an estimate of variable consideration for reserves, which result from discounts, returns, chargebacks, rebates, and other allowances that were offered within contracts between the Company and end-user customers, wholesalers, group purchasing organizations and other indirect customers. The Company’s payment terms were generally between thirty to ninety days.

Historically, the Company’s intangible asset was classified as an asset resulting from R&D activities. The Company determined the useful life of its asset resulting from R&D activities to be approximately 10 years, which was based on the remaining patent life, and was amortized on a straight-line basis. The Company performed an impairment test as of December 31, 2022 after identifying indicators of impairment, such as a decline in share price, the termination of the dedicated commercial team, sustained impacts of COVID-19 on the market and the discontinuation of commercialization of ANJESO, and based on the quantitative analysis an impairment loss of \$19,681 was recorded during the year ended December 31, 2022, eliminating the remaining carrying value of the intangible asset.

On April 10, 2015, Societal CDMO, Inc. (“Societal CDMO”), formerly Recro Pharma, Inc., completed the acquisition of a manufacturing facility in Gainesville, Georgia and the licensing and commercialization rights to injectable meloxicam (the “Alkermes Transaction”). Pursuant to the purchase and sale agreement and subsequent amendment with Alkermes, as amended, governing the Alkermes Transaction, the Company agreed to pay to Alkermes up to an additional \$140,000 in milestone payments including \$60,000 upon regulatory approval payable over a seven-year period, as well as net sales milestones related to injectable meloxicam and royalties on future product sales of injectable meloxicam.

Historically, the contingent consideration consisted of four separate components. The first component was (i) a \$5,000 payment made in the first quarter of 2019 and (ii) a \$5,000 payment made in the second quarter of 2019. The second components became payable upon regulatory approval in February 2020 and included (i) a \$5,000 payment, which was paid in three installments during 2020 and 2021, and (ii) \$45,000 payable in seven equal annual payments of approximately \$6,400 beginning on the first anniversary of such approval, of which the first payment was made in the first quarter of 2021. The Company paid \$1,200 of the second payment in 2022. The third component consisted of three potential payments, based on the achievement of specified annual revenue targets. The fourth component consists of a royalty payment between 10% and 12% (subject to a 30% reduction when no longer covered by patent) for a defined term on future injectable meloxicam net sales, which was paid quarterly. In connection with the Transfer Agreement, the Company was relieved of its milestone payments previously owed to Alkermes in connection with the transaction and in the first quarter of 2023 reversed its contingent consideration balance, which was \$19,900.

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Additionally as part of the Transfer Agreement, the Company wrote off its inventory balance as of March 31, 2023, which was fully reserved for as of December 31, 2022, and the remaining property and equipment balance related to equipment at the Alkermes facility that was transferred as part of the Transfer Agreement of \$485.

(5) Business Acquisition

On June 29, 2023 ("Effective Date"), the Company acquired TeraImmune, Inc., in accordance with the terms of the Agreement and Plan of Merger (the "Merger Agreement"). Under the terms of the Merger Agreement, at the closing of the Acquisition the Company issued to the common stockholders of TeraImmune (the "Target Stockholders") an aggregate of 1,212,185 shares of common stock of Baudax Bio and 27,089,719 shares of Series X Preferred Stock, each share of which is convertible into 1,000 shares of common stock (subject to certain conditions as described below), of which 314,282 of common stock and 7,024 of preferred stock are classified as escrow shares at Closing. Under the terms of the Merger Agreement, all options to purchase or acquire shares of TeraImmune held by continuing employees (as defined in the Merger Agreement) were assumed by the Company and converted into options to purchase shares of common stock and Series X Preferred Stock on the same terms and conditions as applied to such options and restricted stock awards immediately prior to the Acquisition. Following the closing of the Acquisition, the Company had 6,961,867 shares of common stock issued and outstanding.

Pursuant to the Merger Agreement, the Company held a special meeting of shareholders (the "Special Meeting") to submit (i) the approval of the conversion of the Series X Preferred Stock into shares of common stock in accordance with Nasdaq Listing Rule 5635(a) and (ii) the approval to effect a reverse stock split of all of the Company's issued and outstanding shares of common stock, among other matters, to its shareholders for their consideration. The special meeting was held on October 12, 2023 and shareholders approved both the conversion of the Series X Preferred Stock into shares of common stock in accordance with Nasdaq Listing Rule 5635(a) and the reverse stock split of all of the Company's issued and outstanding shares of common stock, among other matters.

The Company incurred transaction costs of \$575 for the three and nine months ended September 30, 2023, which are included in the Company's condensed consolidated statement of operations.

The transaction was accounted for under the acquisition method of accounting with Baudax Bio as the acquirer under the guidance of ASC 810-10, "Consolidation". Under the acquisition method, the total purchase price of the acquisition is allocated to the net identifiable tangible and intangible assets acquired and liabilities assumed based on the fair values as of the date of such acquisition. The preliminary fair value of the consideration totaled approximately \$9,702, summarized as follows:

	Amount
Common stock issued to TeraImmune's stockholders	\$ 476
Series X Convertible Preferred Stock issued to TeraImmune stockholders	9,040
Contingent consideration	118
Stock options and restricted stock allocated to total consideration paid	68
Total consideration paid	<u>\$ 9,702</u>

The Series X Preferred Shares are measured at fair value by taking the common stock equivalents at the Company's closing stock price on the Effective Date and discounting the value by 15% for a lack of marketability.

The Company recorded the assets acquired and liabilities assumed as of the date of the Acquisition based on the information available at that date. The following table presents the preliminary allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed as of the Acquisition date:

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Assets acquired:	As Initially Reported	Measurement Period Adjustments	As Adjusted
Cash and cash equivalents	\$ 142	\$ —	\$ 142
Prepaid expenses and other current assets	52	—	52
Property and equipment, net	3,781	—	3,781
Goodwill	7,109	(439)	6,670
In-process research and development assets	3,500	400	3,900
Operating lease right-of-use assets	2,135	—	2,135
Total assets	\$ 16,719	\$ (39)	\$ 16,680
Liabilities assumed:			
Accounts payable	\$ 515	\$ (39)	\$ 476
Accrued expenses and other current liabilities	789	—	789
Convertible bond payable	1,000	—	1,000
Deferred tax liability	202	—	202
Operating lease liabilities	2,135	—	2,135
Derivative instrument	2,376	—	2,376
Total liabilities assumed	\$ 7,017	\$ (39)	\$ 6,978
Net assets acquired	\$ 9,702	\$ —	\$ 9,702

The above allocation of the purchase price is based upon certain preliminary valuations and other analyses that have not been completed as of the date of this filing. Any changes in the estimated fair values of the net assets recorded for this business combination upon the finalization of more detailed analyses of the facts and circumstances that existed at the date of the transaction will change the allocation of the purchase price. As such, the purchase price allocations for the acquisition are preliminary estimates, which are subject to change within the measurement period.

The Company determined the estimated fair values for the IPR&D assets as of the Acquisition Date using the income approach. This is a valuation technique that provides an estimate of fair value of the asset, based on the market participant's expectations of the cash flows that the asset are forecasted to generate. The cash flows were discounted at a rate commensurate with the level of risk associated with its projected cash flows. The Company believes the assumptions are representative of those a market participant would use in estimating fair value.

The fair value of IPR&D was capitalized as of the Acquisition date and accounted for as indefinite-lived intangible assets until completion or disposition of the assets or abandonment of the associated research and development efforts. Upon successful completion of the development efforts, the useful lives of the IPR&D assets will be determined based on the anticipated period of regulatory exclusivity and will be amortized within operating expenses. Until that time, the IPR&D assets will be subject to impairment testing and will not be amortized. The goodwill recorded related to the Acquisition is the excess of the fair value of the consideration transferred by the acquirer over the fair value of the net identifiable assets acquired and liabilities assumed at the date of such acquisition. The goodwill recorded is not deductible for tax purposes.

The Convertible bond payable with an outstanding balance and accrued interest of \$1,239 (see note 11) and the shares held by an investor in TIT were not converted into Baudax Bio shares upon the closing of the Merger (collectively "Unconverted Securities"). The Unconverted Shares are convertible into the Escrow Shares of 314,282 common shares and 7,024 preferred shares and are not included in issued and outstanding shares. Based on the Merger Agreement, if the Escrow Shares remain undistributed twelve months from the Closing Date ("Escrow End Date"), these Escrow Shares will be distributed on a pro rata basis to the holders of TeraImmune common stock as of immediately prior to the Merger. The Company accounts for the Escrows Shares and the potential distribution to the TeraImmune common stockholders as contingent consideration. The contingent consideration is liability classified at the time of acquisition and again as of September 30, 2023, as the underlying securities to be issued are substantially comprised of the Company's Series X Preferred Stock. Contingent consideration is recorded at its estimated fair value at each reporting period using a probability weighted method using management's estimates, level 3 observable inputs, and the likelihood of 3% and 5% for the TIT investor and bondholder, respectively, that the Escrow Shares will not be issued to the holders of the Unconverted Securities on or prior to the Escrow End Date. Changes in fair value of contingent consideration are recorded within the accompanying consolidated statements of operations.

The derivative instrument represents the obligation of the Company to issue shares of its Series X Preferred Stock and common stock, at the option of the investor in TIT. The derivative liability is recorded at its estimated fair value at each reporting period using a probability weighted method using management's estimates and are level 3 observable inputs. Changes in fair value of derivative liability are recorded within the accompanying consolidated statements of operations.

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Pro Forma Financial Information

The following unaudited pro forma financial information reflects the consolidated results of operations of the Company as if the Acquisition had taken place on January 1, 2023. The pro forma financial information is not necessarily indicative of the results of operations as they would have been had the transactions been effected on the assumed date:

	Nine Months Ended September 30, 2023	
Operating expenses	\$	15,146
Loss from operations		(15,146)
Net loss from continuing operations		(18,082)
Net income		592

Nonrecurring pro forma transaction costs directly attributable to the Acquisition were \$575 for the three and nine months ended September 30, 2023 and have been deducted from the net loss presented above.

(6) Fair Value of Financial Instruments

The Company follows a three-level fair value hierarchy for fair value measurement recognition and disclosure purposes for its financial assets and financial liabilities that are remeasured and reported at fair value each reporting period. The Company measures certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents, warrants, and contingent consideration. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and financial liabilities and their placement within the fair value hierarchy. Categorization is based on a three-tier valuation hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs that are other than quoted prices in active markets for identical assets and liabilities, inputs that are quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are either directly or indirectly observable; and
- Level 3: Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company has classified assets and liabilities measured at fair value on a recurring basis as follows:

	Fair value measurements at reporting date using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
At September 30, 2023:			
Assets:			
Cash equivalents (See Note 7)			
Money market mutual funds	\$ 53	\$ —	\$ —
Total cash equivalents	\$ 53	\$ —	\$ —
Liabilities:			
Derivative liability	\$ —	\$ —	\$ 1,659
Contingent consideration (See Note 5)	—	—	83
	\$ —	\$ —	\$ 1,742
At December 31, 2022:			
Assets:			
Cash equivalents (See Note 7)			
Money market mutual funds	\$ 2,241	\$ —	\$ —
Total cash equivalents	\$ 2,241	\$ —	\$ —

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As of September 30, 2023, the financial assets and liabilities recorded on the Consolidated Balance Sheets that are not measured at fair value on a recurring basis include accounts payable and accrued expenses, which approximate fair value due to the short-term nature of these instruments. The fair value of debt, where a quoted market price is not available, is evaluated based on, among other factors, interest rates currently available to the Company for debt with similar terms, remaining payments and considerations of the Company's creditworthiness. The Company determined that the recorded book value of debt approximated fair value at September 30, 2023 due to the fact that the debt arrangements reflect market terms from recent transactions.

The reconciliation of liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3) is as follows:

	Contingent Consideration and Derivative Liability	
Balance at December 31, 2022	\$	—
Acquisition of contingent consideration and derivative liability		2,494
Remeasurement		(752)
Total at September 30, 2023	\$	<u>1,742</u>
Current portion as of September 30, 2023	\$	1,742
Long-term portion as of September 30, 2023		—

See Note 5 for discussion on contingent consideration.

(7) Cash Equivalents

The following is a summary of cash equivalents:

Description	Amortized Cost	September 30, 2023 Gross Unrealized		Estimated Fair Value
		Gain	Loss	
Money market mutual funds	\$ 53	\$ —	\$ —	\$ 53
Total cash equivalents	<u>\$ 53</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 53</u>

Description	Amortized Cost	December 31, 2022 Gross Unrealized		Estimated Fair Value
		Gain	Loss	
Money market mutual funds	\$ 2,241	\$ —	\$ —	\$ 2,241
Total cash equivalents	<u>\$ 2,241</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,241</u>

As of September 30, 2023 and December 31, 2022, the Company's cash equivalents had maturities of one month.

(8) Property, Plant and Equipment

Property, plant and equipment consists of the following:

	September 30, 2023	December 31, 2022
Building and improvements	\$ 3,366	\$ 166
Furniture, office and computer equipment	292	306
Manufacturing and laboratory equipment	532	—
	4,190	472
Less: accumulated depreciation and amortization	519	463
Property and equipment, net	<u>\$ 3,671</u>	<u>\$ 9</u>

Depreciation and amortization expense for the three and nine months ended September 30, 2023 was \$131 and \$135, respectively. Depreciation expense for the three and nine months ended September 30, 2022 was \$9 and \$38, respectively.

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(9) Leases

The Company is a party to various operating leases in (i) Malvern, Pennsylvania, (ii) Dublin, Ireland and (iii) Germantown, Maryland for office and lab space and office equipment.

The Company determines if an arrangement is a lease at inception or upon acquisition of previous arrangements through a merger. The arrangement is a lease if it conveys the right to the Company to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Lease terms vary based on the nature of operations. All leased facilities recorded on the unaudited consolidated balance sheet are classified as operating leases with remaining lease terms between 4 and 8 years. Most leases contain specific renewal options where notice to renew must be provided in advance of lease expiration or automatic renewals where no advance notice is required. Periods covered by an option to extend the lease were included in the non-cancellable lease term when exercise of the option was determined to be reasonably certain. Costs determined to be variable and not based on an index or rate were not included in the measurement of operating lease liabilities. As most leases do not provide an implicit rate, the Company's effective interest rate was used to discount its lease liabilities.

The Company's leases with an initial term of twelve months or less that do not have a purchase option or extension that is reasonably certain to be exercised are not included in the right of use asset or lease liability on the Consolidated Balance Sheets. Lease expense is recognized on a straight-line basis over the lease term.

As of September 30, 2023, undiscounted future lease payments for non-cancellable operating leases are as follows:

	Lease payments	
Remainder of 2023	\$	168
2024		690
2025		702
2026		724
2027		745
2028 and thereafter		1,897
Total lease payments		4,926
Less imputed interest		(2,057)
Total operating lease liability	\$	<u>2,869</u>

As of September 30, 2023, the weighted average remaining lease term was 7 years and the weighted average discount rate was 17%.

The components of the Company's lease cost were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease cost	\$ 171	\$ 70	\$ 311	\$ 215
Short-term lease cost	-	33	36	106
Total lease cost	<u>\$ 171</u>	<u>\$ 103</u>	<u>\$ 347</u>	<u>\$ 321</u>

Cash paid for amounts included in the measurement of lease liabilities, which is included in operating cash flows, was \$431 and \$254 for the nine months ended September 30, 2023 and 2022, respectively.

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(10) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	September 30, 2023	December 31, 2022
Payroll and related costs	\$ 1,016	\$ 656
Professional and consulting fees	1,562	789
Other research and development costs	636	593
Interest payable	314	94
Other	124	1
	<u>\$ 3,652</u>	<u>\$ 2,133</u>

(11) Debt

Credit Agreement

The following table summarizes the components of the carrying value of the Company's credit agreement:

	September 30, 2023	December 31, 2022
Credit Agreement	\$ 10,000	\$ 10,000
Payment of principal	(6,294)	(2,244)
Unamortized deferred issuance costs	—	(828)
Accrued amendment fee	284	—
Exit fee accretion	238	191
Total debt	<u>\$ 4,228</u>	<u>\$ 7,119</u>
Current portion	\$ 4,228	\$ 5,600
Long-term portion, net	—	1,519

On May 29, 2020 (the “Credit Agreement Closing Date”), the Company entered into a \$50,000 Credit Agreement (the “Credit Agreement”) by and among the Company, Wilmington Trust, National Association, in its capacity as the agent (“Agent”), and MAM Eagle Lender, LLC, as the lender (together with any other lenders under the Credit Agreement from time to time, collectively, the “Lenders”). The Credit Agreement provides for a term loan in the original principal amount of \$10,000 (the “Tranche One Loans”) funded on the Credit Agreement Closing Date. Pursuant to the terms of the Credit Agreement, there are four additional tranches of term loans, in an aggregate original principal amount of \$40,000 (the “Tranche Two Loans”, “Tranche Three Loans”, “Tranche Four Loans” and the “Tranche Five Loans”, and collectively with the Tranche One Loans, the “Term Loans” and each a “Term Loan”). As of September 30, 2023, no funds have been drawn from the additional tranches and are not expected to be drawn in the future.

The Term Loans will bear interest at a per annum rate equal to 13.5%, with monthly, interest-only payments until the date that is three years prior to the Maturity Date (as defined below) (the “Amortization Date”). The maturity date of the Credit Agreement is May 29, 2025, but may be extended to May 29, 2026 provided that the EBITDA (as defined in the Credit Agreement) for the consecutive twelve-month period ending on or immediately prior to May 29, 2022 is greater than \$10,000 (such date, “Maturity Date”), which the Company did not achieve. Beginning on the Amortization Date, the Company was obligated to pay amortization payments (in addition to the interest stated above) on such date and each month thereafter in equal month installments of principal based on an amortization schedule of thirty-six months. Any unpaid principal amount of the Term Loans is due and payable on the Maturity Date.

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Subject to certain exceptions, the Company is required to make mandatory prepayments of the Term Loans, with the proceeds of asset sales, extraordinary receipts, debt issuances and specified other events. The Company may make voluntary prepayments in whole or in part, subject to a prepayment premium equal to (i) with respect to any prepayment paid on or prior to the third anniversary of the Tranche One Loan (or, in the case of each of the Tranche Two Loans, Tranche Three Loans, Tranche Four Loans or Tranche Five Loans, the third anniversary of the date each such loan is funded), the remaining scheduled payments of interest that would have accrued on the Term Loans being prepaid, repaid or accelerated, but that remained unpaid, in no event to be less than 5.0% of the principal amount of the Term Loan being prepaid, and (ii) with respect to any prepayment paid after the third but prior to the fourth anniversary of the Tranche One Loan (or, in the case of each of the Tranche Two Loans, Tranche Three Loans, Tranche Four Loans or Tranche Five Loans, the fourth anniversary of the date each such loan is funded), 3.0% of the principal amount of the Term Loan being prepaid. In addition, an exit fee will be due and payable upon prepayment or repayment of the Term Loans (including, without limitation, on the Maturity Date) equal to the lesser of 2.5% of the sum of the aggregate principal amount of the Term Loans advanced or approved to be advanced by the Lenders and \$700; provided that such exit fee will be equal to \$700 if fee is paid in conjunction with a change of control that occurs in connection with the payoff or within 6 months thereof. As of September 30, 2023, the Company will have to pay a 2.5% exit fee, which is \$250 at the current outstanding loan balance and is being accreted to the carrying amount of the debt using the effective interest method over the term of the loan.

The Credit Agreement contains certain usual and customary affirmative and negative covenants, as well as financial covenants including a minimum liquidity requirement of \$5,000 at all times (the "Minimum Liquidity Covenant") and minimum EBITDA levels that the Company may need to satisfy on a quarterly basis beginning in September 2021, subject to borrowing levels. As of September 30, 2023, the Company was in compliance with the Minimum Liquidity Covenant as the minimum EBITDA criteria is not applicable until additional tranches are drawn. As of September 30, 2023, borrowings under the Credit Agreement are classified based on their schedule maturities.

In connection with the Credit Agreement, the Company issued a warrant to MAM Eagle Lender, LLC to purchase 376 shares of the Company's common stock, at an exercise price equal to \$6,426.00 per share. See Note 13(c) for additional information. The warrant is exercisable through May 29, 2027.

The Company recorded debt issuance costs for the Credit Agreement of \$1,496 plus the fair value of warrants of \$1,423, which were being amortized using the effective interest method over the term of Credit Agreement prior to the Fifth Amendment, as defined below. Debt issuance cost amortization is included in interest expense within the Consolidated Statements of Operations. The Company recorded debt issuance cost amortization related to the Credit Agreement prior to the Fifth Amendment of \$263 for both the three and nine months ended September 30, 2023. The Company recorded debt issuance cost amortization related to the Credit Agreement of \$209 and \$421 for the three and nine months ended September 30, 2022, respectively.

On August 1, 2022, the Company entered into Amendment No. 1 and Waiver to Credit Agreement, (the "First Amendment"), with MAM Eagle Lender. Pursuant to the terms of the First Amendment, the lenders waived any default under the credit agreement (including the imposition of a default interest rate with respect to the default) resulting from the Company's failure to comply with the Minimum Liquidity Covenant. In addition, the First Amendment, among other items, (i) provided that 30% of any cash proceeds received by the Company from certain potential strategic licensing transactions shall be used to prepay amounts outstanding under the credit agreement; and (ii) decreases the amount of cash the Company is required to maintain pursuant to the Minimum Liquidity Covenant to \$3,000 for a period beginning on August 1, 2022, and ending on August 31, 2022, at which point the amount required pursuant to the Minimum Liquidity Covenant shall increase to \$5,000.

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On October 24, 2022, the Company entered into Amendment No. 2 and Waiver to Credit Agreement, (the "Second Amendment"), with MAM Eagle Lender. Pursuant to the terms of the Second Amendment, the Credit Agreement was amended such that the Company must repay the principal thereunder (i) on the first business day of each month until the Interest Payment Date on December 1, 2022, in equal monthly installments of principal based on an amortization schedule of 36 months, (ii) an additional payment of principal in the amount of \$300 prior to December 31, 2022 and (iii) commencing on the Interest Payment Date on January 2, 2023 and on each Interest Payment Date thereafter until the obligations have been repaid in full, the principal amount of \$500. In addition, the Second Amendment decreased the minimum cash covenant the Company is required to maintain under the Credit Agreement to (i) \$3,000 for the period beginning on October 1, 2022, and ending on November 30, 2022, (ii) \$4,500 for the period beginning on December 1, 2022, and ending on February 28, 2023, and (iii) \$4,000 from and after March 1, 2023. Further, the Company agreed that prior to December 31, 2022, it shall not, without the prior written consent of the Lenders, make or permit any payment under its agreements with Alkermes. In consideration for the Second Amendment, the Company agreed to pay the Agent an amendment fee of \$5 and the Lender an amendment fee of \$200.

On December 1, 2022, the Company entered into Amendment No. 3 to Credit Agreement with MAM Eagle Lender (the "Third Amendment"). Pursuant to the terms of the Third Amendment, the Third Amendment decreased the minimum cash covenant the Company is required to maintain under the credit agreement to (a) from October 1, 2022 to December 6, 2022 to not be less than \$3,000 at any time, (b) from December 7, 2022 to February 28, 2023 to not be less than \$4,500, and (c) from and after March 1, 2023 to not be less than \$4,000.

In January 2023, the Company entered into Amendment No. 4 to Credit Agreement with MAM Eagle Lender (the "Fourth Amendment"). Pursuant to the terms of the Fourth Amendment, the Credit Agreement was amended such that the Company agreed to make (i) a payment of principal in the amount of \$500 on January 3, 2023, (ii) a payment of principal in the amount of \$300 on February 1, 2023 and March 1, 2023, and (iii) on the interest payment date on April 3, 2023 and on each interest payment date thereafter until the obligations are repaid in full, a payment in the principal amount of \$500. In addition, the Fourth Amendment decreased the Minimum Liquidity Covenant to (i) \$3,000 for the period beginning on October 1, 2022, and ending on December 6, 2022, (ii) \$4,500 for the period beginning on December 7, 2022, and ending on January 10, 2023, (iii) \$2,225 for the period beginning on January 11, 2023, and ending on February 28, 2023, and (iv) \$3,000 from and after March 1, 2023. Further, the Company agreed that prior to April 30, 2023, it will not, without the prior written consent of MAM Eagle Lender, make or permit any payment under its agreements with Alkermes.

On March 29, 2023, the Company entered into Amendment No. 5 and Consent to Credit Agreement, (the "Fifth Amendment") whereby MAM Eagle Lender consented to the transactions contemplated by the Transfer Agreement (as defined above) and agreed to release and discharge any liens granted or held by the lenders in respect of the assets discussed in the Transfer Agreement. The parties also agreed to, among other things, amend the Minimum Liquidity Covenant to require that the Company maintains \$2,500 of liquidity at all times. In connection with Fifth Amendment, the Company issued warrants to MAM Eagle Lender to purchase an aggregate of 785,026 shares of the Company's common stock, par value \$0.01 per share at an exercise price equal to \$1.8951 per share.

In connection with the Acquisition, the Company entered into a Forbearance Agreement, dated as of June 29, 2023, by and among the Company, the Lenders and the Agent, solely in its capacity as administrative and collateral agent for the Lenders (the "Forbearance Agreement"), pursuant to which the Lenders agreed to forbear their rights to exercise any rights and remedies with respect to any default under the Credit Agreement, resulting from the Acquisition, for a period of up to 30 days following the closing of the Acquisition. On July 30, 2023, the parties entered into Amendment No. 1 to the Forbearance Agreement and Amendment No. 6 to Credit Agreement, whereby such deadline was extended until October 31, 2023. On October 31, 2023, the parties entered into Amendment No. 2 to the Forbearance Agreement and Amendment No. 8 to Credit Agreement to extend such deadline until March 31, 2024.

On August 31, 2023, the Company entered into Amendment No. 7 to Credit Agreement with MAM Eagle Lender, (the "Seventh Amendment"). Pursuant to the Seventh Amendment, the Lenders agreed to, among other things, defer certain loan amortization payments and waive the Minimum Liquidity Covenant until December 31, 2023.

As a result of Fifth Amendment, the Company performed a cash flow analysis to determine if the terms of the amended agreement were substantially different from those of the previous debt agreement. Due to the amendment fee and the fair value of the warrants issued, the Company concluded the terms are substantially changed in accordance with ASC 470-50, *Debt – Modifications and Extinguishments*. ASC 470-50 requires accounting for the Fifth Amendment as a debt extinguishment and not a debt modification. The Company recorded a loss on debt extinguishment of \$2,196 in the first quarter of 2023, which represents the difference between the net carrying value of the existing debt and the reacquisition

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cost of the amended terms of the Credit Agreement and is attributable to unamortized debt issuance costs, the fair value of the warrants issued in connection with the Fifth Amendment and the Fifth Amendment fee.

Based on the terms of the amended agreement, as of September 30, 2023, the effective interest rate was 19.30%, which takes into consideration the accretion of the exit fee.

As a result of the liquidity conditions discussed in Note 2, the Company is not expected to be able to comply with the Minimum Liquidity Covenant, as amended, over the next twelve months without additional capital financing. If the Company is unable to maintain its Minimum Liquidity Covenant, it is reasonably possible that the Lenders could demand repayment of the borrowings under the Credit Agreement during the next twelve months.

Bond Payable

On March 22, 2022, TeraImmune entered into the 5% Convertible Term Loan pursuant to which it borrowed an aggregate of \$1,000 and accrued interest at a rate of 5% per annum during the period from April 8, 2022 to the maturity date of November 30, 2022, at which date the principal and accrued interest was to be paid in a lump sum. TeraImmune failed to repay the loan on the maturity date and, as a result, the note became subject to a default interest penalty of 20% on the defaulted balance as of November 30, 2022. The bond is convertible into 83,128 shares of common stock and 1,858 Series X Preferred Shares of the Company. Accrued interest of \$239 as of September 30, 2023 is included in the Accrued expenses and other current liabilities line on the balance sheet. See additional discussion in Note 5.

Employee Promissory Notes

In October 2022, TeraImmune entered into promissory note agreements for accrued salaries with its employees (the "Employee Promissory notes"). The Employee Promissory notes deferred the payment of salaries of all TeraImmune employees and management by between 20-50% until such time as defined in the note agreements. The Employee Promissory notes provide that if TeraImmune is unable to repay these notes by December 31, 2022, 5% simple interest would be paid along with the accrued amounts of deferred compensation. As of September 30, 2023, the Employee Promissory notes totaled \$241 and is included in the Accrued expenses and other current liabilities line on the balance sheet.

(12) Commitments and Contingencies

(a) Licenses and Supply Agreements

NMB License

In June 2017, the Company acquired the exclusive global rights to two novel neuromuscular blocking agents ("NMBs") and a proprietary reversal agent from Cornell University ("Cornell"). The NMBs and reversal agent are referred to herein as the NMB Related Compounds. The NMB Related Compounds include one novel intermediate-acting NMB that has initiated Phase I clinical trials and two other agents, a novel short-acting NMB, and a rapid-acting reversal agent specific to these NMBs. The Company is obligated to make: (i) an annual license maintenance fee payment to Cornell in the remaining range of \$70 to \$125 until the first commercial sale of the NMB Related Compounds; and (ii) milestone payments to Cornell upon the achievement of certain milestones, up to a maximum, for each NMB Related Compound, of \$5,000 for U.S. regulatory approval and commercialization milestones and \$3,000 for European regulatory approval and commercialization milestones. The Company is obligated to pay Cornell royalties on net sales of the NMB Related Compound at a rate ranging from low to mid-single digits, depending on the applicable NMB Related Compounds and whether there is a valid patent claim in the applicable country, subject to an annual minimum royalty amount. Further, the Company reimburses Cornell for its ongoing patent costs related to prosecution and maintenance of the patents related to the Cornell patents for the NMB Related Compounds. Through September 30, 2023, no such milestones have been achieved.

HA FVIII TCR Agreement

On August 5, 2019, TeraImmune entered into an exclusive worldwide license agreement (the "HA FVIII TCR Agreement") with the Henry M. Jackson Foundation for the Advancement of Military Medicine, Inc. ("HJF") for certain technologies used to create FVIII specific TCR or BAR expressing Tregs for human uses. Pursuant to the FVIII TCR Agreement, TeraImmune has a license royalty fee and annual royalties of \$50 due to HJF annually.

BML Agreement

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On August 26, 2019, TeraImmune entered into the non-exclusive Biological Materials License Agreement (“BML Agreement”) with the National Cancer Institute (“NCI”), a part of National Institute for Health (“NIH”), which is part of the U.S. Government Department of Health and Human Services. This agreement allows TeraImmune to use the pMSGV1 vector for the production of T cell products transduced with the retroviral vectors. Pursuant to the BMLA Agreement, TeraImmune has a license execution fee and annual royalties of \$11 due to NIH annually.

HA ODN Agreement

On June 18, 2020, TeraImmune entered into an exclusive license agreement (the “HA ODN Agreement”) with National Institute of Allergy and Infectious Diseases (“NIAID”), a part of NIH. This license agreement allows TeraImmune to use the rights of patent for producing T cell populations enriched for stable regulatory Tregs aimed at developing Treg cell therapy for patients with hemophilia A who have inhibitory anti-FVIII auto-antibodies. Pursuant to the HA ODN Agreement, TeraImmune has a license royalty fee and annual royalties of \$60 due to NIAID annually. The HA ODN Agreement also requires the payment of milestones and royalties upon the achievement of certain regulatory and commercialization milestones.

iTreg Agreement

On November 11, 2020, TeraImmune entered into an exclusive worldwide license agreement (the “iTreg Agreement”) with HJF for technology used for producing methods of induced regulatory T cells (“iTreg”) and the use of such technology in humans. The license was pending the status of provisional filing on the signing date, and TeraImmune agreed to take responsibility for the maintenance and prosecution of the Patent Rights in consultation with HJF on all strategic global filing and prosecution decisions.

(b) Purchase Commitments

As of September 30, 2023, the Company had outstanding non-cancelable and cancelable purchase commitments in the aggregate amount of \$64 primarily related to goods and services from development activities.

(13) Capital Structure

(a) Common Stock

On November 21, 2019, the Company separated from Societal CDMO as a result of a special dividend distribution of all the outstanding shares of its common stock to Societal CDMO shareholders. On the distribution date, each Societal CDMO shareholder received one share of Baudax Bio’s common stock for every two and one-half shares of Societal CDMO common stock held of record at the close of business on November 15, 2019. Upon the distribution, 6,712 shares of common stock were issued.

The Company is authorized to issue 190,000,000 shares of common stock, with a par value of \$0.01 per share.

On March 1, 2022, the Company closed an underwritten public offering of 45,791 shares of its common stock, pre-funded warrants to purchase 41,929 shares of common stock at an exercise price of \$0.40 per share and warrants to purchase 87,719 shares of common stock at an exercise price of \$130.00 per share, as well as up to 13,158 additional shares of common stock and/or additional warrants to purchase up to 13,158 shares of common stock, which may be purchased pursuant to a 30-day option to purchase additional securities granted to H.C. Wainwright & Co., LLC (the “Underwriter”) by the Company. The public offering price for each share of common stock and accompanying warrant to purchase one share of common stock was \$114.00, and the public offering price for each pre-funded warrant and accompanying warrant was \$113.60. As compensation to the Underwriter, the Company agreed to pay to the Underwriter a cash fee of 7.0% of the gross proceeds, plus a cash management fee equal to 1.0% of the gross proceeds and reimbursement of certain expenses and legal fees. The Company also issued to designees of the Underwriter warrants to purchase 5,263 shares of common stock at an exercise price of \$142.50 per share. On February 28, 2022, the Underwriter partially exercised its option to purchase an additional 2,847 warrants. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses, was \$8,791.

On May 17, 2022, the Company entered into a securities purchase agreement with institutional investors named therein, pursuant to which the Company agreed to issue and sell, in a registered direct offering (the “May 2022 Offering”), 41,152 shares of the Company’s common stock, par value \$0.01 per share, and, in a concurrent private placement, warrants

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exercisable for up to an aggregate of 41,152 shares of Common Stock at a combined offering price of \$48.60 per share and associated warrant. The warrants have an exercise price of \$43.60 per share. Each warrant is exercisable for one share of common stock and was exercisable immediately upon issuance. The warrants will have a term of five years from the issuance date. As compensation to H.C. Wainwright & Co., LLC as placement agent in connection with the offering, the Company agreed to pay to the placement agent a cash fee of 7.0% of the aggregate gross proceeds raised in the offering, plus a management fee equal to 1.0% of the gross proceeds raised in the offering and certain expenses. The Company also issued to designees of the placement agent warrants to purchase up to 6.0% of the aggregate number of shares of common stock sold in the transactions, or warrants to purchase up to 2,469 shares of common stock. The placement agent warrants have substantially the same terms as the warrants, except that the placement agent warrants have an exercise price equal to 125% of the offering price per share (or \$60.75 per share). The placement agent warrants will expire on May 17, 2027. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses, was \$1,720.

On September 1, 2022, the Company closed a best efforts public offering of: (i) 188,872 shares of its common stock, par value \$0.01 per share and accompanying Series A-1 warrants ("Series A-1 warrants") to purchase 188,872 shares of Common stock and Series A-2 warrants ("Series A-2 warrants", and together with the Series A-1 warrants, "Series A warrants") to purchase 188,872 shares of Common Stock, at a combined public offering price of \$21.00 per share and Series A warrants and (ii) Series B pre-funded warrants ("Series B pre-funded warrants") to purchase 106,607 shares of Common Stock and accompanying Series A-1 warrants to purchase 106,607 shares of Common Stock and Series A-2 warrants to purchase 106,607 shares of Common stock at a combined public offering price of \$20.60 per Series B pre-funded warrant and Series A warrants, which is equal to the public offering price per share of Common Stock and accompanying Series A warrants less the \$0.01 per share exercise price of each such Series B pre-funded warrant. The Series A warrants have an exercise price of \$21.00 per share of Common Stock. The Series A-1 warrants are exercisable upon issuance and will expire five years from the date of issuance. The Series A-2 warrants are exercisable upon issuance and will expire thirteen months from the date of issuance. The exercise price of the Series A warrants is subject to adjustment for stock splits, reverse splits, and similar capital transactions as described in the Series A warrants. Subject to certain ownership limitations, the Series B pre-funded warrants are immediately exercisable and were exercised at a nominal consideration of \$0.40 per share of Common Stock upon the closing of the transaction. As compensation to H.C. Wainwright & Co., LLC, as the exclusive placement agent in connection with the Offering, the Company paid a cash fee of 7.0% of the aggregate gross proceeds raised in the offering, plus a management fee equal to 1.0% of the gross proceeds raised in the offering, and reimbursement of certain expenses and legal fees. The Company also issued to designees of the placement agent warrants to purchase up to 17,728 shares of common stock. The placement agent warrants have substantially the same terms as the Series A warrants, except that the placement agent warrants have an exercise price equal to \$26.25 per share and expire on August 29, 2027. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses, was \$5,044.

On December 6, 2022 the Company closed a best efforts public offering of: (i) 54,787 shares of its common stock, par value \$0.01 per share and accompanying Series A-3 warrants to purchase 54,787 shares of common stock and Series A-4 warrants to purchase 54,787 shares of common stock, at a combined public offering price of \$4.795 per share and accompanying series A warrants and (ii) series C pre-funded warrants to purchase 988,000 shares of common stock and accompanying series A-3 warrants to purchase 988,000 shares of common stock and series A-4 warrants to purchase 988,000 shares of common stock at a combined public offering price of \$4.785 per series C pre-funded warrant and accompanying series A warrants, which was equal to the public offering price per share of common stock and accompanying series A warrants less the \$0.01 per share exercise price of each such series C pre-funded warrant. The series A warrants have an exercise price of \$4.50 per share of common stock. The series A-3 warrants are exercisable upon issuance and will expire on December 6, 2027. The series A-4 warrants are exercisable upon issuance and will expire on January 8, 2024. The exercise price of the series A warrants is subject to adjustment for stock splits, reverse splits, and similar capital transactions as described in the Series A Warrants. The Series C prefunded warrants have been exercised in full as of December 31, 2022. As compensation to H.C. Wainwright & Co., LLC as the exclusive placement agent in connection with the offering, the Company paid the placement agent a cash fee of 7.0% of the aggregate gross proceeds raised in the offering, plus a management fee equal to 1.0% of the gross proceeds raised in the offering, and reimbursement of certain expenses and legal fees. The Company also issued to designees of the placement agent warrants to purchase up to 62,567 shares of common stock. The Placement Agent Warrants have substantially the same terms as the series A warrants, except that the placement agent warrants have an exercise price equal to \$5.99375 per share and expire on December 2, 2027. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses, was \$3,916.

On May 1, 2023 the Company closed a best efforts public offering of: (i) 1,326,175 shares of its common stock, par value \$0.01 per share and accompanying Series A-5 warrants to purchase 1,326,175 shares of Common stock and Series A-6 warrants to purchase 1,326,175 shares of common stock, at a combined public offering price of \$1.15 per share and

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accompanying Series A warrants and (ii) Series D pre-funded warrants to purchase 2,152,087 shares of common stock and accompanying Series A-5 warrants to purchase 2,152,087 shares of common stock and Series A-6 warrants to purchase 2,152,087 shares of common stock at a combined public offering price of \$1.14 per Series D pre-funded warrant and accompanying Series A warrants, which is equal to the public offering price per share of Common Stock and accompanying Series A warrants less the \$0.01 per share exercise price of each such Series D pre-funded warrant. The Series A warrants have an exercise price of \$1.15 per share of common stock. The Series A-5 warrants are exercisable upon issuance and will expire on May 1, 2028. The Series A-6 warrants are exercisable upon issuance and will expire on November 1, 2024. Subject to certain ownership limitations described in the Series D pre-funded warrants, the Series D pre-funded warrants were immediately exercisable and were fully exercised at a nominal consideration of \$0.01 per share of common stock upon closing. As compensation to H.C. Wainwright & Co., LLC, as the exclusive placement agent in connection with the offering, the Company paid the placement agent a cash fee of 7.0% of the aggregate gross proceeds raised in the offering, plus a management fee equal to 1.0% of the gross proceeds raised in the offering, and reimbursement of certain expenses and legal fees. The Company also issued to designees of the placement agent warrants to purchase up to 208,696 shares of common stock. These warrants have substantially the same terms as the Series A warrants, except that the placement agent warrants have an exercise price equal to \$1.4375 per share and expire on April 26, 2028. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses, was \$3,257.

On August 16, 2023, the Company, entered into a securities purchase agreement with institutional investors named therein pursuant to which the Company agreed to issue and sell, in a registered direct offering, (the "August 2023 Offering"), 2,006,544 shares of the Company's common stock, par value \$0.01 per share and 1,395,243 Series E pre-funded warrants to purchase 1,395,243 shares of common stock, at an offering price of \$0.56 per share and \$0.55 per Series E Pre-Funded Warrant. In a concurrent private placement, the Company agreed to issue and sell to the investors unregistered Series A-7 warrants to purchase up to 3,401,787 shares of common stock. The Series A-7 warrants have an initial exercise price of \$0.56 per share and are exercisable until October 12, 2028. Upon the Company effecting a reverse stock split, the exercise price of the Series A-7 warrants will be reduced to the lowest daily volume weighted average price of the common stock during the five trading days following such Reverse Stock Split, and the number of shares issuable upon exercise of the Series A-7 warrants will be increased such that the aggregate exercise price payable as a result of the adjustment is equal to the aggregate exercise price payable prior to the adjustment. Net proceeds to the Company, after deducting underwriting discounts and commissions and offering expenses, was \$1,611.

On August 23, 2023, the Company entered into a purchase agreement (the "ELOC Purchase Agreement") with Alumni Capital LP ("Alumni Capital"). Pursuant to the ELOC Purchase Agreement, the Company may sell to Alumni Capital up to \$50,000 (the "Investment Amount"), of shares (the "Purchase Notice Shares") of the Company's common stock, par value \$0.01 per share (the "Common Stock"), from time to time during the term of the ELOC Purchase Agreement. In consideration for Alumni Capital's execution and delivery of the ELOC Purchase Agreement, the Company (i) issued 579,710 shares to Alumni Capital on September 25, 2023; (ii) issued 750,000 shares to Alumni Capital on October 13, 2023; (iii) issued 750,000 shares to Alumni Capital on October 18, 2023; and (iv) agreed to issue 818,840 shares to Alumni Capital within one business day after the earlier of (a) December 1, 2023 or (b) the day in which the Company' trading volume exceeds 5,000,000 shares of common stock, provided such day is after November 1, 2023 (collectively, the "Commitment Shares").

Pursuant to the ELOC Purchase Agreement, until December 31, 2024, the Company may, at its discretion, direct Alumni Capital to purchase on any single business day on which the closing price of its common stock on The Nasdaq Capital Market is equal to or greater than \$0.25 for no amount less than \$100 in shares of common stock and no greater than \$1,000 in shares of common stock (\$2,000 for the initial purchase thereunder), unless waived upon mutual discretion between the Company and Alumni Capital, up to an amount no greater than \$5,000. The purchase price in respect of any purchase notice shall equal the lowest traded price of the common stock during the five business days prior to the closing of any purchase thereunder, multiplied by 90%.

The ELOC Purchase Agreement also prohibits the Company from directing Alumni Capital to purchase any shares of common stock if those shares, when aggregated with all other shares of common stock then beneficially owned by Alumni Capital and its affiliates, would result in Alumni Capital and its affiliates having beneficial ownership, at any single point in time, of more than 9.99% of the then total outstanding shares of common stock. The Company may terminate the ELOC Purchase Agreement at any time, without any cost or penalty, upon written notice to Alumni Capital. The ELOC Purchase Agreement does not include any of the following: (i) limitations on the Company's use of amounts it receives as the purchase price for shares of common stock sold to Alumni Capital; (ii) financial or business covenants; (iii)

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restrictions on future financings (other than restrictions on its ability to enter into other equity line of credit transactions or transactions that are similar thereto); (iv) rights of first refusal; or (v) participation rights or penalties.

The Company's net proceeds under the ELOC Purchase Agreement for the nine months ended September 30, 2023 were \$313, as \$200 of common stock was issued to pay the commitment fee and recorded as a prepaid asset.

(b) Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, with a par value of \$0.01 per share. As of September 30, 2023, there were 36,267 shares of Preferred Stock issued and outstanding.

On September 19, 2022, the board of directors of the Company declared a dividend of one one-thousandth (1/1,000th) of a share of Series B Preferred Stock, par value \$0.01 per share ("Series B Preferred Stock"), for each outstanding share of the Company's common stock, par value \$0.01 per share to shareholders of record on September 29, 2022 (the "Record Date"). The shares of Series B Preferred Stock were distributed to such recipients on October 3, 2022. Each share of Series B Preferred Stock entitles the holder thereof to 1,000,000 votes per share. The outstanding shares of Series B Preferred Stock vote together with the outstanding shares of Common Stock of the Company as a single class exclusively with respect to (1) any proposal to adopt an amendment to the Company's Amended and Restated Articles of Incorporation, as amended, to reclassify the outstanding shares of common stock into a smaller number of shares of common stock at a ratio specified in or determined in accordance with the terms of such amendment (the "Reverse Stock Split") and (2) any proposal to adjourn any meeting of shareholders called for the purpose of voting on the Reverse Stock Split. The Series B Preferred Stock will not be entitled to vote on any other matter, except to the extent required under the Pennsylvania Business Corporation Law.

In September 2022, 20,003.745 shares of Series B Preferred Stock were declared as a stock dividend and issued on October 3, 2022. On November 3, 2022, all of the outstanding shares of Series B Preferred Stock were redeemed for nominal consideration pursuant to the terms of the Series B Preferred Stock.

On August 23, 2023, the board of directors of the Company declared a dividend of one one-thousandth (1/1,000th) of a share of Series C Preferred Stock, par value \$0.01 per share ("Series C Preferred Stock"), for each outstanding share of the Company's common stock, par value \$0.01 per share to shareholders of record on September 5, 2023 (the "Record Date"). The shares of the Series C Preferred Stock were distributed to such recipients on September 7, 2023. Each share of Series C Preferred Stock entitled the holder thereof to 1,000,000 votes per share. The outstanding shares of Series C Preferred Stock voted together with the outstanding shares of common stock of the Company as a single class exclusively with respect to the proposal to effect the Reverse Stock Split at the Company's special meeting of shareholders on October 12, 2023.

On September 7, 2023, 36,267 shares of Series C Preferred Stock were declared as a stock dividend and issued on September 7, 2023. On October 12, 2023, all of the outstanding shares of Series C Preferred Stock were redeemed for nominal consideration pursuant to the terms of the Series C Preferred Stock.

Non-voting Convertible Preferred Stock

In connection with the acquisition of TeraImmune, the Company issued 27,089.719 shares of Series X Preferred Stock (including 7,024 escrow shares). Holders of Series X Preferred Shares are not entitled to vote except for specific corporate matters including (i) changes to the rights and preferences of the Series X Preferred Stock, (ii) issuance of additional Series X Preferred Stock, and (iii) enter into a fundamental transaction such as a sale of the Company. Other key provisions of the Series X Preferred Stock are as follows:

- Conversion - each share of Series X Preferred Stock will convert into 1,000 shares of common stock, subject to beneficial ownership limitations and approval of the common shareholders.
- Dividends - Series X Preferred Stock did not participate in any dividends with common shareholders on an as-converted basis.
- Liquidation - The Series X Preferred Stock ranked on parity with the Company's common stock upon any liquidation, dissolution or winding up of the Company.
- Redemption - In the event the Company did not obtain an affirmative shareholder vote to permit conversion, each holder of Series X Preferred Stock may have elected, at the holder's option, to have the shares of Series X Preferred Stock be redeemed by the Company and equal to the estimated fair value of the Series X Preferred

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Stock share at the time of redemption. Due to this redemption feature, the Series X Preferred Stock was classified within temporary equity on the consolidated balance sheet at September 30, 2023.

On October 12, 2023, the shareholders approved the conversion of the Series X preferred stock and on November 14, 2023 the 27,089,719 outstanding shares of Series X Preferred Stock converted into 27,089,719 shares of common stock.

(c) Warrants

On May 29, 2020, in connection with the Credit Agreement, the Company issued a warrant to MAM Eagle Lender, LLC to purchase 376 shares of common stock, at an exercise price equal to \$6,426.00 per share (see Note 11).

On October 19, 2020, the Company entered into Warrant Exchange Agreements (each, an “Exchange Agreement”) with certain holders (each, a “Holder”) of the Company’s outstanding March Series A Warrants and March Series B Warrants. Pursuant to the Exchange Agreements, the Holders, at their election, agreed to a cashless exchange of either all of their March Series A Warrants or March Series B Warrants, in each case for 0.2 shares of the Company’s common stock per warrant (rounded up to the nearest whole share) (the “Exchange”). The Company issued 848 shares of its common stock to the participating Holders as a result of the Exchange.

As a result of the Exchange, pursuant to certain price adjustment provisions in the warrants, the exercise price of each of the March Series A Warrants or March Series B Warrants (including warrants held by holders not participating in the Exchange) that were not exchanged were adjusted to \$1.8951, for each share of common stock underlying such warrant. Pursuant to the Exchange Agreements, any outstanding warrant held by a Holder participating in the Exchange (i) was amended to remove certain anti-dilution and variable pricing protections and (ii) in the case of March Series A Warrants not exchanged by a participating Holder, was amended to adjust the expiration date of such March Series A Warrants to April 26, 2021 (which is the expiration date of the March Series B Warrants). The March Series A and Series B warrants were liability classified prior to the Exchange because they contained anti-dilution provisions that did not meet the standard definition of anti-dilution provisions. The Company recorded a mark-to-market adjustment to record the March Series A and Series B warrant at their fair values immediately prior to the Exchange and then reclassified the remaining balance of \$21,858 to equity as a result of the issuance of shares and the removal of the anti-dilution and variable pricing protections in the Exchange.

On January 21, 2021, the Company entered into an agreement with an institutional investor, pursuant to which the Company agreed to issue and sell, in an offering (the “January Offering”), warrants exercisable for an aggregate of 7,358 shares of common stock of the Company (the “January Warrants”) at an offering price of \$175.00 per warrant in exchange for the exercise of the institutional investor’s existing December Series A warrants that were issued to them on December 21, 2020, at an exercise price of \$1,652.00 per warrant. The January Warrants have an exercise price of \$2,240.00 per share.

As compensation to the Placement Agent, in connection with the January Offering, the Company agreed to pay to the Placement Agent a cash fee of 6.0% of the aggregate gross proceeds raised in the January Offering (including the proceeds relating to the exercise of the December Series A Warrants), plus a management fee equal to 1.0% of the gross proceeds raised in the January Offering (including the proceeds relating to the exercise of the December Series A Warrants) and reimbursement of certain expenses and legal fees. The Company also issued to designees of the Placement Agent warrants to purchase 441 shares of common stock (the “January Placement Agent Warrants”) at an exercise price of \$2,800.00 per share.

On August 24, 2022, the Company entered into warrant amendment agreements (the “Warrant Amendment Agreements”) with certain holders of the Company’s (i) Series A Warrants to purchase 7,234 shares of common stock with an exercise price of \$1,680.00 per share, (ii) Warrants to purchase 7,358 shares of common stock with an exercise price of \$2,240.00 per share, (iii) Warrants to purchase 10,021 shares of common stock with an exercise price of \$1,260.00 per share, (iv) Warrants to purchase 9,062 shares of common stock with an exercise price of \$448.00 per share, and (v) Warrants to purchase 88,615 shares of common stock with an exercise price of \$130.00 per share (the “Existing Warrants”). Under the Warrant Amendment Agreements, the Company agreed to amend the Existing Warrants by lowering the exercise price of the Existing Warrants to \$23.92 per share. The warrant modification resulted in an increase in the fair value of warrants of \$1,151. Subsequent to the warrant amendment, the Company issued 2,875 shares of common stock upon exercise of a portion of the amended warrants for net proceeds of \$69.

On December 2, 2022, the Company entered into a warrant amendment agreement (the “December Warrant Amendment Agreement”) with a certain holder of the Company’s (i) warrants to purchase 7,234 shares of common stock with an exercise

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price of \$23.92 per share, (ii) warrants to purchase 7,358 shares of common stock with an exercise price of \$23.92 per share, (iii) warrants to purchase 6,013 shares of common stock with an exercise price of \$23.92 per share, (iv) Warrants to purchase 5,143 shares of common stock with an exercise price of \$23.92 per share, (v) warrants to purchase 48,246 shares of common stock with an exercise price of \$23.92 per share, (vi) Series A-1 warrants to purchase 14,404 shares of common stock with an exercise price of \$43.60 per share, (vii) Series A-2 warrants to purchase 142,858 shares of common stock with an exercise price of \$21.00 per share and (viii) warrants to purchase 142,858 shares of common stock with an exercise price of \$21.00 per share (collectively, the “December Existing Warrants”). Under the December Warrant Amendment Agreement, the Company (i) agreed to amend the December Existing Warrants by lowering the exercise price of the December Existing Warrants to \$4.50 per share and (ii) amend the expiration date of the December Existing Warrants to December 6, 2027, in each case effective on December 6, 2022. The warrant modification resulted in an increase in the fair value of warrants of \$746.

In January 2023, the Company issued 961,787 shares of common stock upon the exercise of warrants for proceeds of \$4,328.

In March 2023, in connection with Amendment No. 5, the Company issued warrants to MAM Eagle Lender to purchase an aggregate of 785,026 shares of the Company’s common stock, par value \$0.01 per share at an exercise price equal to \$1.8951 per share.

In August 2023, the Company amended the terms of its Series A-5 warrants to purchase 3,478,262 shares of the Company’s common stock and Series A-6 warrants to purchase 3,478,262 shares of the Company’s common stock. The exercise price of the Series A-5 warrants was lowered from \$1.15 per share of common stock to \$0.56 per share of common stock, and the exercise price of the Series A-6 warrants was lowered from \$1.15 per share of common stock to \$0.56 per share of common stock. The expiration date of the Series A-5 warrants was extended to August 21, 2028, and the expiration date of the Series A-6 warrants was extended to February 21, 2025. The warrant modification resulted in a increase in the fair value of warrants of \$455 and is recorded as a deemed dividend to holders of the warrants.

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As of September 30, 2023, the Company had the following warrants outstanding to purchase shares of the Company's common stock:

	Number of Shares		Exercise Price per Share	Expiration Date
March Series A Warrants (non-participating holders)	15	\$	0.56	March 26, 2025
MAM Eagle Lender Warrant	376	\$	6,426.00	May 29, 2027
November Series A Warrants	7,234	\$	4.50	December 6, 2027
November Placement Warrants	433	\$	2,073.75	November 24, 2025
December Placement Warrants	441	\$	2,038.75	December 18, 2025
January Warrants	7,358	\$	4.50	December 6, 2027
January Placement Warrants	441	\$	2,800.00	January 21, 2026
February Placement Warrants	471	\$	2,800.00	February 8, 2026
May Warrants	4,008	\$	23.924	June 1, 2027
May Warrants, repriced	6,013	\$	4.50	December 6, 2027
May Placement Warrants	601	\$	1,487.50	May 31, 2026
December 2021 Warrants	3,918	\$	23.924	June 27, 2027
December 2021 Warrants, repriced	5,143	\$	4.50	December 6, 2027
December 2021 Placement Agent Warrants	724	\$	448.00	December 27, 2026
March 2022 Warrants	1,952	\$	130.00	March 1, 2027
March 2022 Warrants, repriced	37,492	\$	23.924	March 1, 2027
March 2022A Warrants, repriced	48,246	\$	4.50	December 6, 2027
March 2022 Underwriter Warrants	5,263	\$	142.50	February 24, 2027
May 2022 Warrants	26,748	\$	43.60	May 19, 2027
May 2022 Warrants, repriced	14,404	\$	4.50	December 6, 2027
May 2022 Placement Agent Warrants	2,469	\$	60.752	May 17, 2027
August 2022 Series A-1 Warrants	152,612	\$	21.00	September 1, 2027
August 2022 Series A-1 Warrants, repriced	142,858	\$	4.50	December 6, 2027
August 2022 Series A-2 Warrants	152,612	\$	21.00	October 2, 2023
August 2022 Series A-2 Warrants, repriced	142,858	\$	4.50	December 6, 2027
August 2022 Placement Agent Warrants	17,728	\$	26.25	August 29, 2027
December 2022 Series A-3 Warrants	1,042,787	\$	4.50	December 6, 2027
December 2022 Placement Agent Warrants	62,567	\$	5.99375	December 2, 2027
MAM Eagle Lender Amendment No. 5 Warrant	785,026	\$	1.89510	March 29, 2033
April 2023 Series A-5 Warrants	3,478,262	\$	0.56	August 21, 2028
April 2023 Series A-6 Warrants	3,478,262	\$	0.56	February 21, 2025
April 2023 Placement Agent Warrants	208,696	\$	1.43750	April 26, 2028
August 2023 Series A-7 Warrants	3,401,787	\$	0.56	October 12, 2028

With the exception of the March Series A Warrants to purchase 15 shares of common stock related to the public offering and held by non-participating investors in the Exchange that are liability classified as they contain antidilution provisions that do not meet the standard definition of antidilution provisions, the remaining warrants outstanding are equity classified. As of September 30, 2023 the liability warrants had a nominal fair value.

(14) Stock-Based Compensation

The Baudax Bio 2019 Equity Incentive Plan

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The Company adopted the Baudax Bio 2019 Plan that allows for the grant of stock options, stock appreciation rights and stock awards for an initial total of 2,142 shares of common stock. On December 1st of each year, pursuant to the “Evergreen” provision of the Baudax Bio 2019 Plan, the number of shares available under the plan shall be increased by an amount equal to 5% of the outstanding common stock on December 1st of that year or such lower amount as determined by the Board of Directors. The total number of shares authorized for issuance under the Baudax Bio 2019 Plan as of September 30, 2023 is 31,581 shares. As of September 30, 2023, 19,220 shares are available for future grants under the Baudax Bio 2019 Plan.

Stock Options:

Stock options are exercisable generally for a period of 10 years from the date of grant and generally vest over four years. There were no options granted during the nine months ended September 30, 2023 or 2022.

The following table summarizes Baudax Bio stock option activity during the nine months ended September 30, 2023:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual life
Balance, December 31, 2022	1,939	\$ 3,509.06	6.5 years
Expired/forfeited/cancelled	(402)	\$ 3,891.09	
Balance, September 30, 2023	<u>1,537</u>	\$ 3,412.09	7.4 years
Vested	1,268	\$ 3,523.09	7.3 years
Vested and expected to vest	1,537	\$ 3,412.09	7.4 years

Included in the table above are 28 stock options outstanding as of September 30, 2023 that were granted outside of the plan. The grants were made pursuant to the Nasdaq inducement grant exception in accordance with Nasdaq Listing Rule 5635(c)(4).

Restricted Stock Units (RSUs):

The following table summarizes Baudax Bio RSUs activity during the nine months ended September 30, 2023:

	Number of shares	Weighted average grant date fair value
Balance, December 31, 2022	10,611	\$ 88.19
Granted	—	—
Vested and settled	(7,558)	3.41
Expired/forfeited/cancelled	(386)	1,318.71
Balance, September 30, 2023	<u>2,667</u>	\$ 150.34
Expected to vest	2,667	

Included in the table above are 2 shares of time-based RSUs outstanding as of September 30, 2023 that were granted outside of the plan. The grants were made pursuant to the Nasdaq inducement grant exception in accordance with Nasdaq Listing Rule 5635(c)(4).

Stock-Based Compensation Expense:

Stock-based compensation expense from continuing operations for the nine months ended September 30, 2023 and 2022 was \$595 and \$1,062, respectively.

As of September 30, 2023, there was \$240 of unrecognized compensation expense related to unvested options and time-based RSUs that are expected to vest and will be expensed over a weighted average period of 0.6 years.

The aggregate intrinsic value represents the total amount by which the fair value of the common stock subject to options exceeds the exercise price of the related options. As of September 30, 2023, there was no aggregate intrinsic value of the vested and unvested options.

The TeraImmune 2019 Equity Plan

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In 2019, TeraImmune adopted the TeraImmune 2019 Stock Option and Restricted Stock Plan (the “TeraImmune 2019 Plan”) that provides for the granting of incentive stock options, non-statutory stock options and restricted stock awards. As of September 30, 2023, there were no shares available for future issuance. The TeraImmune 2019 Plan was assumed by the Company through the Merger Agreement. Under the terms of the Merger Agreement, all options to purchase or acquire shares of TeraImmune held by continuing employees (as defined in the Merger Agreement) were assumed by the Company and converted into options to purchase shares of common stock and Series X Preferred Stock on the same terms and conditions as applied to such options and restricted stock awards immediately prior to the Acquisition.

Stock Options:

Options generally vest and become exercisable over two years and expire seven years from the date of grant. The weighted average grant-date fair value of the options awarded to employees during the nine months ended September 30, 2023 was \$0.24. Under the TeraImmune 2019 Plan, the fair value of the options was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	September 30, 2023
Expected option life	5.6 years
Expected volatility	105%
Risk-free interest rate	4.38%
Expected dividend yield	—

The following table summarizes the stock option activity during the nine months ended September 30, 2023:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual life
Balance, December 31, 2022	—	\$ —	—
Granted	973,287	\$ 2.37	5.6 years
Expired/forfeited/cancelled	—	\$ —	
Balance, September 30, 2023	<u>973,287</u>	\$ 2.37	5.4 years
Vested	275,370	\$ 2.22	4.1 years
Vested and expected to vest	973,287	\$ 2.37	5.4 years

Stock-Based Compensation Expense:

Stock-based compensation expense from continuing operations for the nine months ended September 30, 2023 was \$47.

As of September 30, 2023, there was \$116 of unrecognized compensation expense related to unvested options that are expected to vest and will be expensed over a weighted average period of 2.1 years.

The aggregate intrinsic value represents the total amount by which the fair value of the common stock subject to options exceeds the exercise price of the related options. As of September 30, 2023, there was no aggregate intrinsic value of the vested and unvested options.

(15) Retirement Plan

The Company has a voluntary 401(k) Savings Plan (the “401(k) Plan”) in which all employees are eligible to participate. The Company’s policy is to match 100% of the employee contributions up to a maximum of 5% of employee compensation. Total Company contributions to the 401(k) plan for the three months ended September 30, 2023 and 2022 were \$19 and \$17, respectively. Total Company contributions to the 401(k) plan for the nine months ended September 30, 2023 and 2022 were \$77 and \$161, respectively.

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

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the interim unaudited financial statements contained in Part I, Item 1 of this Quarterly Report, and the audited financial statements and notes thereto for the year ended December 31, 2022 and the related Management’s Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 23, 2023. As used in this Quarterly Report, unless the context suggests otherwise, “we,” “us,” “our,” the “Company” or “Baudax Bio” refer to Baudax Bio, Inc. and its consolidated subsidiaries.

Overview

We are a biotechnology company focused on developing T cell receptor, or TCR, therapies utilizing human regulatory T cells, or Tregs, as well as having a portfolio of clinical stage Neuromuscular Blocking Agents, or NMBs, and an associated reversal agent. Our TCR Treg programs primarily focus on immune modulating therapies for orphan diseases or complications associated with such diseases, as well as the treatment of autoimmune disorders. We believe that our TCR Treg programs have the potential to provide valuable therapeutic options to patients suffering from diseases for which there are limited treatment options and significant unmet need, as well as to prescribers and payers in these markets.

On June 29, 2023, we acquired TeraImmune, Inc., or TeraImmune, a Delaware corporation. TeraImmune was a privately-held biotechnology company focused on discovery and development of novel Treg-based cell therapies for autoimmune diseases. TeraImmune’s proprietary and patented technology platforms include a method for expansion of the Treg without losing its function and stability, as well as a method to target specific receptors including TCRs, Chimeric Antigen Receptors, or CARs and B cell Antigen Receptors, or BARs. TeraImmune has also in-licensed through an exclusive, sublicensable, royalty-bearing license, a patent family covering methods of producing T cell populations enriched for regulatory T cells and cell culture compositions from U.S. Department of Health and Human Services, as represented by National Institute of Allergy and Infectious Diseases of the National Institutes of Health. In addition, TeraImmune has developed Treg manufacturing procedures in accordance with regulatory guidance from the U.S. Food and Drug Administration, or the FDA.

In June 2022, TeraImmune’s Investigational New Drug, or IND, application to commence clinical trials of a Factor VIII, or FVIII, TCR-Treg treatment for Hemophilia A with inhibitors was cleared by the FDA.

Tregs are designed to recognize and target certain cells through the engagement of target-specific receptors by peptide antigens presented on the surface of the target cell by the major histocompatibility complex. Our proprietary and patented technology platform consists of two approaches: (1) which involves the isolation of natural Tregs, and (2) which involves engineering effector T, or Teff, cells into antigen-specific Tregs. Each approach is intended to recognize and attack antigens while avoiding an attack on healthy cells and tissues. The lead product candidate we acquired in the acquisition with TeraImmune, TI-168, is being developed for the treatment of Hemophilia A with inhibitors, which received IND clearance in 2022. We have in-licensed two patent families relating to TI-168, nucleic acids constructs encoding T cell receptors, methods of producing TI-168, immunosuppressive induced regulatory T cells from the Henry M. Jackson Foundation for the Advancement of Military Medicine, Inc., or HJF, under two worldwide, exclusive, sublicensable royalty-bearing licenses. We also exclusively license a family of pending U.S. and foreign patent applications directed to immunosuppressive induced regulatory T cells and methods of producing these cells, which if issued would expire in 2041 subject to any applicable disclaimer or extensions.

We also hold exclusive global rights to two new molecular entities, which are NMBs, BX1000, an intermediate duration of action NMB that recently completed a successful Phase II clinical trial, and BX2000, an ultra-short acting NMB currently undergoing a Phase I dose escalation clinical trial. A proprietary blockade reversal agent, BX3000, is currently being evaluated in preclinical studies intended to support an IND filing in 2023. BX3000 is an agent that is expected to rapidly reverse BX1000 and BX2000 blockade. All three agents are licensed from Cornell University. We believe these agents, when an NMB and BX3000 are administered in succession, allow for a rapid onset of centrally acting neuromuscular blockade, followed by a rapid reversal of the neuromuscular blockade with BX3000. These novel agents have the potential to meaningfully reduce time to onset and reversal of blockade and improve the reliability of onset and offset of neuromuscular blockade. This can potentially reduce time in operating rooms or post operative units, resulting in potential clinical and cost advantages, as well as valuable cost savings for hospitals and ambulatory surgical centers and has the potential for an improved clinical profile in terms of safety.

In mid-2020, we launched our first commercial product, ANJESO, in the United States. ANJESO was the first and only 24-hour, intravenous, analgesia agent. We discontinued commercial sales of ANJESO in December 2022 and further withdrew its New Drug Application, or NDA, related to ANJESO in late March 2023.

Our costs have consisted primarily of expenses incurred in conducting our manufacturing and commercialization of ANJESO, which was discontinued in December 2022, as well as public company and personnel costs, clinical trials and preclinical studies, regulatory activities, and manufacturing costs for our NMB blocking and reversal agents. We intend to begin a trial of TI-168 in patients with Hemophilia A with inhibitors in 2024.

We expect to incur operating losses for at least the next several years. We expect substantially all of our operating losses to result from costs incurred in connection with our development programs, including our clinical, nonclinical, preclinical and manufacturing related activities. Our expenses over the next several years are expected to primarily relate to developing our product candidates. In addition, we may incur costs associated with the acquisition or in-license of products and successful commercialization of the developed, acquired or in-licensed products.

Business Acquisition

On June 29, 2023, in accordance with the terms of an Agreement and Plan of Merger, or the Merger Agreement, we acquired 100% of the outstanding security interests of TeraImmune in a “stock-for-stock” transaction, or the Acquisition, whereby all TeraImmune outstanding equity interests were exchanged for a combination of shares of our common stock and shares of Series X Non-Voting Convertible Preferred Stock, or Series X Preferred Stock. Under the terms of the Merger Agreement, TeraImmune stockholders, or Target Stockholders, received (i) 1,212,185 shares of our common stock and (ii) 27,089,719 shares of Series X Preferred Stock, of which 314,282 of common stock and 7,024 of preferred stock are classified as escrow shares at Closing. In addition, all outstanding options to purchase or acquire shares of TeraImmune common stock were assumed by us and converted into restricted stock awards and options to purchase shares of common stock and Series X Preferred Stock on the same terms and conditions as applied to such options and restricted stock awards immediately prior to the Acquisition. Each share of Series X Preferred Stock convert into 1,000 shares of common stock upon conversion and shareholder approval. On a pro forma basis and based upon the number of shares of our common stock and Series X Preferred Stock issued in the Acquisition, our shareholders immediately prior to the Acquisition will own approximately 18% of the combined company (on an as-converted, fully-diluted basis and excluding certain out-of-the-money warrants held by our shareholders) immediately after these transactions. The Acquisition was unanimously approved by our Board of Directors and the Board of Directors of TeraImmune. The closing of the transaction was not subject to the approval of our shareholders.

Pursuant to the Merger Agreement, we agreed to hold a special meeting of shareholders, or the Special Meeting, to submit certain matters to our shareholders for their consideration, including: (i) the approval of the conversion of the Series X Preferred Stock into shares of common stock in accordance with Nasdaq Listing Rule 5635(a), or the Conversion Proposal, and (ii) the approval to effect a reverse stock split of all of our issued and outstanding shares of common stock, or the Reverse Stock Split Proposal, together with the Conversion Proposal, the “Merger Agreement Meeting Proposals”. On October 12, 2023 the shareholders approved both the Conversion Proposal and the Reverse Stock Split Proposal. On November 14, 2023, the 27,089,719 outstanding shares of Series X Preferred Stock converted into 27,089,719 shares of common stock

ANJESO Transfer Agreement

In March 2023, we entered into an Asset Transfer Agreement with Alkermes Pharma Ireland Limited, or Alkermes, or the Transfer Agreement. Under the terms of the Transfer Agreement, we transferred the rights to certain patents, trademarks, equipment, data and other rights related to ANJESO, or the Assets to Alkermes. We also withdrew the New Drug Application, or NDA, related to ANJESO and agreed, if elected by Alkermes at a later date, to transfer such withdrawn NDA to Alkermes at no additional cost.

2022 Reduction in Force

Due to our cash position, in March 2022, we implemented a reduction in workforce by approximately 17 employees related to our continuing operations. The reorganization was substantially completed by the end of the second quarter of 2022 and approximately \$1.7 million of charges were incurred for severance and other related costs. The reduction in force was designed to substantially reduce our operational expenses and conserve cash resources.

Discontinued Operation

Upon executing the Transfer Agreement, we met the criteria for discontinued operations related to our commercial business. Accordingly, the accompanying consolidated financial statements for all periods presented reflect this business as a discontinued operation. Discontinued operations include results of our commercial business except for certain corporate overhead costs, which are included in continuing operations. See Note 4 to the Consolidated Financial Statements included in this Quarterly Report for additional information.

Financial Overview

Revenue

We sold ANJESO in the U.S. through a single third-party logistics provider, or 3PL, which took title to and control of the goods and was considered our customer. We recognized revenue from ANJESO product sales at the point the title to the product is transferred to

the customer and the customer obtained control of the product. The transaction price that was recognized as revenue for products included an estimate of variable consideration for reserves, which result from discounts, returns, chargebacks, rebates and other allowances that were offered within contracts between us and our end-user customers, wholesalers, group purchasing organizations and other indirect customers. In December 2022, we discontinued the commercialization of ANJESO and the majority of expenses associated with the discontinuation were incurred by the end of the first quarter of 2023.

Cost of Sales

Historically, cost of sales included product costs, manufacturing costs, transportation and freight, royalty expense, qualification costs for a secondary manufacturing suite and indirect overhead costs associated with the manufacturing and distribution of ANJESO including supply chain and quality personnel costs. Cost of sales also included period costs related to certain manufacturing services and inventory adjustment charges. We discontinued commercialization of ANJESO in December 2022. We believe there is very modest inventory held at the wholesaler level and accepted product returns until June 30, 2023, which have been recorded as of September 30, 2023.

Research and Development Expenses

Research and development expenses have consisted primarily of costs incurred in connection with the NMB portfolio and in previous years, the FDA required pediatric development of ANJESO activities. These expenses consist primarily of:

- expenses incurred under agreements with investigative sites, consultants and other service providers that conduct or support our clinical and pre-clinical trials;
- the cost of acquiring and manufacturing clinical trial drug supply and related manufacturing services;
- costs related to facilities, depreciation and other allocated expenses;
- costs associated with regulatory activities and responses to the FDA; and
- salaries and related costs for personnel in research and development and pre-commercial regulatory functions.

The majority of our external research and development costs have related to clinical trials, manufacturing of drug supply for pre-commercial products, analysis and testing of product candidates and patent costs. We expense costs related to clinical inventory and pre-commercial inventory until we receive approval from the FDA to market a product, at which time we commence capitalization of costs relating to that product to inventory. Costs related to facilities, depreciation and support are not charged to specific programs. Subsequent to regulatory approval of ANJESO and prior to the withdrawal of the NDA, we allocated or recategorized certain personnel and overhead expenses related to medical affairs, supply chain, quality and regulatory support functions that had previously been recorded within research and development, to cost of sales or selling, general and administrative expenses in support of the commercialization of ANJESO. Pre-commercial activities directly utilizing personnel and overhead expenses from the medical affairs, supply chain, quality and regulatory support function continue to be recorded within research and development.

The development of our other product candidates is highly uncertain and subject to a number of risks, including, but not limited to:

- the costs, timing and outcome of regulatory review of a product candidate;
- the duration of clinical trials, which varies substantially according to the type, complexity and novelty of the product candidate;
- substantial requirements on the introduction of pharmaceutical products imposed by the FDA and comparable agencies in foreign countries, which require lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures;
- the possibility that data obtained from pre-clinical and clinical activities at any step in the testing process may be adverse and lead to discontinuation or redirection of development activity or may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval;
- risk involved with development of manufacturing processes, FDA pre-approval inspection practices and successful completion of manufacturing batches for clinical development and other regulatory purposes;
- the emergence of competing technologies and products, including obtaining and maintaining patent protections, and other adverse market developments, which could impede our commercial efforts; and
- the other risks disclosed in the sections titled “Risk Factors” of our 2022 Annual Report and this Quarterly Report.

Development timelines, probability of success and development costs vary widely. As a result of the uncertainties discussed above, we will assess our product candidate's commercial potential and our available capital resources. As a result of these uncertainties surrounding the timing and outcome of any approval, we are currently unable to estimate precisely when, if ever, any of our product candidates will generate revenues and cash flows.

We expect our research and development costs to relate to the development and commercialization scale-up of our Treg-based cell therapy portfolio and NMB product candidate portfolio. We may elect to seek collaborative relationships in order to provide us with a diversified revenue stream and to help facilitate the development and commercialization of our product candidate pipeline.

Selling, General and Administrative Expenses

Selling, general and administrative expenses have historically consisted of sales and marketing expenses related to ANJESO and general and administrative expenses.

Sales and marketing expenses primarily consisted of compensation and benefits for our sales force and personnel that supported our sales and marketing efforts as well as third party consulting costs for the promotion and sale of ANJESO. In addition, sales and marketing expenses included expenses related to communicating the clinical and economic benefits of ANJESO and educational programs for our indirect customers.

General and administrative expenses consist principally of salaries and related costs for personnel in executive, finance and information technology functions, and additionally in the prior year, the commercial portion of the medical affairs and regulatory functions. General and administrative expenses also include public company costs, directors and officer's insurance, professional fees for legal, including patent-related expenses, consulting, auditing, and tax services.

Interest Expense

Interest expense for the periods presented primarily includes interest expense incurred on our Credit Agreement with MAM Eagle Lender, the amortization of related financing costs, and in the current year the resulting loss on extinguishment of debt from Amendment No. 5 of the Credit Agreement.

Income Taxation

We maintained a valuation allowance against our deferred tax assets as of September 30, 2023 and December 31, 2022.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

	Three Months Ended September 30,	
	2023	2022
	(amounts in thousands)	
Operating expenses:		
Research and development	\$ 1,901	\$ 622
General and administrative	3,639	2,953
Change in fair value of warrants and derivatives	(3,587)	—
Change in contingent consideration valuation	(177)	—
Total operating expenses	1,776	3,575
Operating loss from continuing operations	(1,776)	(3,575)
Other expense:		
Other expense, net	(115)	(512)
Net loss from continuing operations	(1,891)	(4,087)
Loss on discontinued operation	(43)	(25,120)
Net loss	<u>\$ (1,934)</u>	<u>\$ (29,207)</u>

Research and Development. Our research and development expenses were \$1.9 million and \$0.6 million for the three months ended September 30, 2023 and 2022, respectively. The increase of \$1.3 million was a result of an increase in clinical trials costs associated with our NMB and with our Treg portfolios related to our acquisition of TeraImmune.

General and Administrative. Our general and administrative expenses were \$3.6 million and \$3.0 million for the three months ended September 30, 2023 and 2022, respectively. The net increase of \$0.6 million was a result of an increase of \$1.0 million in public company costs as well as an increase of \$0.2 million associated with our recent acquisition of TeraImmune and its facility, offset by a

reduction in personnel costs of \$0.3 million related to our reduction in headcount in 2022 and a decrease in consulting costs of \$0.3 million.

Change in Fair Value of Warrants and Derivatives. Our derivative liability is our obligation to issue shares of our common stock upon the conversion of the Series X Preferred Stock and is revalued at each reporting period. The fair value decreased by \$3.6 million for the three months ended September 30, 2023 as a result of an decrease in our share price.

Change in Contingent Consideration valuation. Our contingent consideration is related to shares held in escrow as a result of the Merger and is revalued at each reporting period. The fair value decreased by \$0.2 million for the three months ended September 30, 2023 as a result of a decrease in our share price.

Other Expense, net. Other expense was \$0.1 million and \$0.5 million for the three months ended September 30, 2023 and 2022, respectively. The decrease in other expense of \$0.4 million was primarily related to a decrease of \$0.3 million in the amortization of financing costs and a decrease of \$0.1 million in interest expense related to our Credit Agreement with MAM Eagle Lender due to the reduction in principal balance.

Loss on discontinued operations. Loss from discontinued operations for the three months ended September 30, 2023 and 2022 was \$0.1 million and \$25.1 million, respectively, which relates to our discontinued commercial business of ANJESO. The decrease in loss from the discontinued operation of \$25.0 million was primarily the result of a decrease of \$23.0 million in expense related to the change in fair value of contingent consideration, a decrease of \$1.0 million in reduced selling expenses due to the discontinuation of commercialization of ANJESO, and a decrease of \$1.0 million in amortization expense.

Comparison of the Nine Months Ended September 30, 2023 and 2022

	Nine Months Ended September 30,	
	2023	2022
	(amounts in thousands)	
Operating expenses:		
Research and development	6,597	2,196
General and administrative	7,664	12,785
Change in fair value of warrants and derivatives	(717)	(7)
Change in contingent consideration valuation	(35)	—
Total operating expenses	13,509	14,974
Operating loss from continuing operations	(13,509)	(14,974)
Other expense:		
Other expense, net	(3,069)	(1,652)
Net loss from continuing operations	(16,578)	(16,626)
Income (loss) on discontinued operation	18,673	(32,920)
Net income (loss)	<u>\$ 2,095</u>	<u>\$ (49,546)</u>

Research and Development. Our research and development expenses were \$6.6 million and \$2.2 million for the nine months ended September 30, 2023 and 2022, respectively. The increase of \$4.4 million was primarily due to an increase in operational expenses associated with our NMB program, including clinical and preclinical trials costs of \$2.8 million and an increase in general expenses, including consulting, recent acquisition of personnel and other outside service expenses of \$1.6 million.

General and Administrative. Our general and administrative expenses were \$7.7 million and \$12.8 million for the nine months ended September 30, 2023 and 2022, respectively. The decrease of \$5.1 million was primarily a result of a reduction in personnel costs of \$4.1 million, a decrease in consulting expenses of \$1.2 million, a decrease in legal expenses of \$0.2 million, offset by an increase of \$0.3 million in facility, legal and other expenses.

Change in Fair Value of Warrants and Derivatives. Our derivative liability is our obligation to issue shares of our common stock upon the conversion of the Series X Preferred Stock and is revalued at each reporting period. The fair value decreased by \$0.7 million for the nine months ended September 30, 2023 as a result of an decrease in our share price.

Change in Contingent Consideration valuation. Our contingent consideration is related to shares held in escrow as a result of the Merger and is revalued at each reporting period. The fair value decreased by \$0.1 million for the nine months ended September 30, 2023 as a result of an decrease in our share price.

Other Expense, net. Other expense was \$3.1 million and \$1.7 million for the nine months ended September 30, 2023 and 2022, respectively. The increase in other expense of \$1.4 million was primarily due to the loss on extinguishment of debt as a result of the fifth amendment to the MAM credit agreement of \$2.1 million, partially offset by a decrease in financing expenses also related to our MAM credit agreement of \$0.3 million.

Income (loss) on discontinued operations. Income from discontinued operations for the nine months ended September 30, 2023 was \$18.7 million, compared to a loss from discontinued operation for the nine months ended September 30, 2022 of \$33.2 million, an increase in income of \$51.6 million, which relates to our discontinued commercial business of ANJESO. The increase in income from the discontinued operation was primarily the result of a decrease of \$18.6 million in expense related to the change in fair value of contingent consideration, a decrease of \$10.2 million in reduced selling expenses due to the discontinuation of commercialization of ANJESO, and a decrease of \$1.9 million in amortization expense, and a decrease of \$20.9 million in expense related to the impairment of property and equipment in 2023 related to ANJESO.

Liquidity and Capital Resources

As of September 30, 2023, we had \$0.4 million in cash and cash equivalents.

We anticipate that our principal uses of cash in the future will be primarily to fund our operations, pipeline development activities, working capital needs, and other general corporate purposes.

We expect to seek additional funding to sustain our future operations and while we have successfully raised capital in the past, the ability to raise capital in future periods is not assured. Based on our available cash as of September 30, 2023, we will need to raise additional capital in the next twelve months to continue as a going concern.

On August 23, 2023 we entered into a purchase agreement, or the ELOC Purchase Agreement, with Alumni Capital LP, or Alumni Capital. Pursuant to the ELOC Purchase Agreement, we may sell to Alumni Capital up to \$50.0 million, or the Investment Amount, of shares, or the Purchase Notice Shares, of our common stock from time to time during the term of the ELOC Purchase Agreement. In consideration for Alumni Capital's execution and delivery of the ELOC Purchase Agreement, we issued 579,710 shares to Alumni Capital on September 25, 2023; (ii) issued 750,000 shares to Alumni Capital on October 13, 2023; (iii) issued 750,000 shares to Alumni Capital on October 18, 2023; and (iv) agreed to issue 818,840 shares to Alumni Capital within one business day after the earlier of (a) December 1, 2023 or (b) the day in which the Company's trading volume exceeds 5,000,000 shares of common stock, provided such day is after November 1, 2023, or collectively, the "Commitment Shares").

Pursuant to the ELOC Purchase Agreement, until December 31, 2024, we may, at our discretion, direct Alumni Capital to purchase on any single business day on which the closing price of our common stock on The Nasdaq Capital Market is equal to or greater than \$0.25 for no amount less than \$100,000 in shares of common stock and no greater than \$1.0 million in shares of common stock (\$2.0 million for the initial purchase thereunder), unless waived upon mutual discretion between us and Alumni Capital, up to an amount no greater than \$5.0 million. The purchase price in respect of any purchase notice shall equal the lowest traded price of our common stock during the five business days prior to the closing of any purchase thereunder, multiplied by 90%. Our net proceeds under the ELOC Purchase Agreement for the nine months ended September 30, 2023 were \$0.3 million.

On August 16, 2023, we, entered into a securities purchase agreement with institutional investors named therein pursuant to which we agreed to issue and sell, in a registered direct offering, 2,006,544 shares of our common stock, par value \$0.01 per share and 1,395,243 Series E pre-funded warrants to purchase 1,395,243 shares of common stock, at an offering price of \$0.56 per share and \$0.55 per Series E Pre-Funded Warrant. In a concurrent private placement, we agreed to issue and sell to such investors unregistered Series A-7 warrants to purchase up to 3,401,787 shares of common stock. The Series A-7 warrants have an initial exercise price of \$0.56 per share and are exercisable until October 12, 2028. The exercise price of the Series A-7 warrants was reduced upon the Reverse Stock Split, to \$[], which was the lowest daily volume weighted average price of the common stock during the five trading days following such Reverse Stock Split, and the number of shares issuable upon exercise of the Series A-7 warrants was increased such that the aggregate exercise price payable as a result of the adjustment is equal to the aggregate exercise price payable prior to the adjustment. Net proceeds to us, after deducting underwriting discounts and commissions and offering expenses, was \$1.6 million.

On May 1, 2023 we closed a best efforts public offering of: (i) 1,326,175 shares of our common stock, par value \$0.01 per share and accompanying Series A-5 warrants to purchase 1,326,175 shares of Common stock and Series A-6 warrants to purchase 1,326,175 shares of common stock, at a combined public offering price of \$1.15 per share and accompanying Series A warrants and (ii) Series D pre-funded warrants to purchase 2,152,087 shares of common stock and accompanying Series A-5 warrants to purchase 2,152,087 shares of common stock and Series A-6 warrants to purchase 2,152,087 shares of common stock at a combined public offering price of \$1.14 per Series D pre-funded warrant and accompanying Series A warrants, which is equal to the public offering price per share of Common Stock and accompanying Series A warrants less the \$0.01 per share exercise price of each such Series D pre-funded warrant. The Series A warrants have an exercise price of \$1.15 per share of common stock. The Series A-5 warrants are exercisable upon issuance and expire on May 1, 2028. The Series A-6 warrants are exercisable upon issuance and expire on November 1, 2024. Subject to certain ownership limitations described in the Series D pre-funded warrants, the Series D pre-funded warrants were immediately exercisable and were fully exercised at a nominal consideration of \$0.01 per share of common stock shortly after closing. As compensation to H.C. Wainwright & Co., LLC, as the exclusive placement agent in connection with the offering, we paid the placement agent a cash fee of 7.0% of the aggregate gross proceeds raised in the offering, plus a management fee equal to 1.0% of the gross proceeds raised in the

offering, and reimbursement of certain expenses and legal fees. We also issued to designees of the placement agent warrants to purchase up to 208,696 shares of common stock. These warrants have substantially the same terms as the Series A warrants, except that the placement agent warrants have an exercise price equal to \$1.4375 per share and expire on April 26, 2028. Net proceeds after deducting underwriting discounts and commissions and offering expenses, was \$3.3 million.

On December 6, 2022 we closed a best efforts public offering of: (i) 54,787 shares of our common stock, par value \$0.01 per share and accompanying Series A-3 warrants to purchase 54,787 shares of common stock and Series A-4 warrants to purchase 54,787 shares of common stock, at a combined public offering price of \$4.795 per share and accompanying series A warrants and (ii) series C pre-funded warrants to purchase 988,000 shares of common stock and accompanying series A-3 warrants to purchase 988,000 shares of common stock and series A-4 warrants to purchase 988,000 shares of common stock at a combined public offering price of \$4.785 per series C pre-funded warrant and accompanying series A warrants, which was equal to the public offering price per share of common stock and accompanying series A warrants less the \$0.01 per share exercise price of each such series C pre-funded warrant. The series A warrants have an exercise price of \$4.50 per share of common stock. The series A-3 warrants are exercisable upon issuance and expire on December 6, 2027. The series A-4 warrants are exercisable upon issuance and expire on January 8, 2024. The exercise price of the series A warrants is subject to adjustment for stock splits, reverse splits, and similar capital transactions as described in the Series A Warrants. The Series C pre-funded warrants have been exercised in full as of December 31, 2022. As compensation to H.C. Wainwright & Co., LLC as the exclusive placement agent in connection with the offering, we paid the placement agent a cash fee of 7.0% of the aggregate gross proceeds raised in the offering, plus a management fee equal to 1.0% of the gross proceeds raised in the offering, and reimbursement of certain expenses and legal fees. We also issued to designees of the placement agent warrants to purchase up to 62,567 shares of common stock. The Placement Agent Warrants have substantially the same terms as the series A warrants, except that the placement agent warrants have an exercise price equal to \$5.99375 per share and expire on December 2, 2027. Net proceeds after deducting underwriting discounts and commissions and offering expenses, was \$4.0 million.

On September 1, 2022, we closed a best efforts public offering of: (i) 188,872 shares of its common stock, par value \$0.01 per share and accompanying Series A-1 warrants to purchase 188,872 shares of Common stock and Series A-2 warrants, and together with the Series A-1 warrants to purchase 188,872 shares of Common Stock, at a combined public offering price of \$21.00 per share and Series A warrants and (ii) Series B pre-funded warrants to purchase 106,607 shares of Common Stock and accompanying Series A-1 warrants to purchase 106,607 shares of Common Stock and Series A-2 warrants to purchase 106,607 shares of Common stock at a combined public offering price of \$20.60 per Series B pre-funded warrant and Series A warrants, which is equal to the public offering price per share of Common Stock and accompanying Series A warrants less the \$0.01 per share exercise price of each such Series B pre-funded warrant. The Series A warrants have an exercise price of \$21.00 per share of Common Stock. The Series A-1 warrants are exercisable upon issuance and will expire five years from the date of issuance. The Series A-2 warrants are exercisable upon issuance and will expire thirteen months from the date of issuance. The exercise price of the Series A warrants is subject to adjustment for stock splits, reverse splits, and similar capital transactions as described in the Series A warrants. Subject to certain ownership limitations, the Series B pre-funded warrants were immediately exercisable and were exercised at a nominal consideration of \$0.01 per share of Common Stock upon the closing of the transaction. As compensation to H.C. Wainwright & Co., LLC, as the exclusive placement agent in connection with the Offering, we paid a cash fee of 7.0% of the aggregate gross proceeds raised in the offering, plus a management fee equal to 1.0% of the gross proceeds raised in the offering, and reimbursement of certain expenses and legal fees. We also issued to designees of the placement agent warrants to purchase up to 17,728 shares of common stock. The placement agent warrants have substantially the same terms as the Series A warrants, except that the placement agent warrants have an exercise price equal to \$26.25 per share and expire on August 29, 2027. Net proceeds, after deducting underwriting discounts and commissions and offering expenses, was \$5.0 million.

On May 17, 2022, we closed a registered direct offering of 41,152 shares of our common stock, par value \$0.01 per share, and in a concurrent private placements, warrants exercisable for up to an aggregate of 41,152 shares of common stock at a combined offering price of \$48.60 per share and associated warrant. The warrants have an exercise price of \$43.60 per share. Each warrant is exercisable for one share of common stock and was exercisable immediately upon issuance. The warrants have a term of five years from the issuance date. As compensation to H.C. Wainwright & Co., LLC as placement agent in connection with the offering, we agreed to pay to the placement agent a cash fee of 7.0% of the aggregate gross proceeds raised in the offering, plus a management fee equal to 1.0% of the gross proceeds raised in the offering and certain expenses. We also issued to designees of the placement agent warrants to purchase up to 6.0% of the aggregate number of shares of common stock sold in the transactions, or warrants to purchase up to 2,469 shares of common stock. The placement agent warrants have substantially the same terms as the warrants, except that the placement agent warrants have an exercise price equal to 125% of the offering price per share (or \$60.75 per share). The placement agent warrants will expire on May 17, 2027. Net proceeds, after deducting underwriting discounts and commissions and offering expenses, was \$1.7 million.

On March 1, 2022, we closed an underwritten public offering of 45,791 shares of common stock, pre-funded warrants to purchase 41,929 shares of common stock at an exercise price of \$0.01 per share and warrants to purchase 87,719 shares of common stock at an exercise price of \$130.00 per share, as well as up to 13,158 additional shares of common stock and/or additional warrants to purchase up to 13,158 shares of common stock which may be purchased pursuant to a 30-day option to purchase additional securities granted to H.C. Wainwright & Co., LLC, or the Underwriter, by us. The public offering price for each share of common stock and accompanying warrant to purchase one share of common stock was \$114.00, and the public offering price for each pre-funded warrant and accompanying warrant was \$113.60. As compensation to the Underwriter, we agreed to pay to the Underwriter a cash fee of 7.0% of the gross proceeds, plus a cash management fee equal to 1.0% of the gross proceeds and reimbursement of certain expenses and legal fees. We also issued to designees of the Underwriter warrants to purchase 5,263 shares of common stock at an exercise price of \$142.50

per share. On February 28, 2022, the Underwriter partially exercised its option to purchase an additional 2,847 warrants. Net proceeds, after deducting underwriting discounts and commissions and offering expenses, was \$8.8 million.

On May 29, 2020, we entered in a \$50.0 million Credit Agreement with MAM Eagle Lender, or the Credit Agreement, pursuant to which we have drawn \$10.0 million as of the date of this Quarterly Report and may draw upon four additional tranches of term loans. The Tranche Two Loans in an amount not to exceed \$5.0 million may be drawn upon on or before August 29, 2021 provided that we generate at least \$5.0 million in net revenue in the three consecutive calendar months immediately preceding the date such Tranche Two Loans are funded. The Tranche Two Loans may also be drawn on a subsequent date with the satisfaction of the conditions for the Tranche Three Loans, Tranche Four Loans, or Tranche Five Loans, as applicable, provided that the Tranche Two Loans may not be drawn more than once. The Tranche Three Loans in an amount not to exceed \$5.0 million may be drawn upon on or before November 29, 2021 provided that we generate at least \$10.0 million in net revenue in the three consecutive calendar months immediately preceding such date such Tranche Three Loans are funded. The Tranche Three Loans may also be drawn on a subsequent date with the satisfaction of the conditions for the Tranche Four Loans or Tranche Five Loans, as applicable, provided that the Tranche Three Loans may not be drawn more than once. The Tranche Four Loans in an amount not to exceed \$10.0 million may be drawn upon, subject to the consent of the Lenders, on or before August 29, 2022 provided that we generate at least \$20.0 million in net revenue in the three consecutive calendar months immediately preceding the date such Tranche Four Loans are funded. The Tranche Four Loans may also be drawn on a subsequent date with the satisfaction of the conditions for the Tranche Five Loans provided that the Tranche Four Loans may not be drawn more than once. The Tranche Five Loans in an amount not to exceed \$20.0 million may be drawn upon, subject to the consent of the Lenders, on or before March 1, 2023 provided that we generate at least \$100.0 million in net revenue in the twelve consecutive calendar months immediately preceding the date such Tranche Five Loans are funded.

On August 1, 2022, we entered into Amendment No. 1 and Waiver to Credit Agreement, or the First Amendment, with MAM Eagle Lender. Pursuant to the terms of the First Amendment, the lenders waived any default under the Credit Agreement (including the imposition of a default interest rate with respect to the default) resulting from our failure to comply with the minimum cash covenant, or the Minimum Liquidity Covenant, which requires us to maintain at least \$5.0 million in a liquidity account. In addition, the First Amendment, among other items, (i) provided that 30% of any cash proceeds received by us from certain potential strategic licensing transactions shall be used to prepay amounts outstanding under the Credit Agreement; and (ii) decreases the amount of cash we are required to maintain pursuant to the Minimum Liquidity Covenant to \$3.0 million for a period beginning on August 1, 2022, and ending on August 31, 2022, at which point the amount required pursuant to the Minimum Liquidity Covenant shall increase to \$5.0 million.

On October 24, 2022, we entered into Amendment No. 2 and Waiver to Credit Agreement with MAM Eagle Lender, or the Second Amendment. Pursuant to the terms of the Second Amendment, the Credit Agreement is amended such that we agreed to repay the principal thereunder (i) on the first business day of each month until the Interest Payment Date on December 1, 2022, in equal monthly installments of principal based on an amortization schedule of 36 months, (ii) an additional payment of principal in the amount of \$0.3 million prior to December 31, 2022 and (iii) commencing on the Interest Payment Date on January 2, 2023 and on each Interest Payment Date thereafter until the obligations have been repaid in full, the principal amount of \$0.5 million. In addition, the Second Amendment decreased the Minimum Liquidity Covenant to (i) \$3.0 million for the period beginning on October 1, 2022, and ending on November 30, 2022, (ii) \$4.5 million for the period beginning on December 1, 2022, and ending on February 28, 2023, and (iii) \$4.0 million from and after March 1, 2023. Further, we agreed that prior to December 31, 2022, we will not, without the prior written consent of the Lenders, make or permit any payment under its agreements with Alkermes. In consideration for the Second Amendment, we paid the Agent an amendment fee of \$0.01 million and the Lender an amendment fee of \$0.2 million.

On December 1, 2022, we entered into Amendment No. 3 to Credit Agreement with MAM Eagle Lender, or the Third Amendment. Pursuant to the terms of the Third Amendment, the Third Amendment decreased the Minimum Liquidity Covenant to (a) from October 1, 2022 to December 6, 2022 to not be less than \$3.0 million at any time, (b) from December 7, 2022 to February 28, 2023 to not be less than \$4.5 million, and (c) from and after March 1, 2023 to not be less than \$4.0 million.

In January 2023, we entered into Amendment No. 4 to Credit Agreement with MAM Eagle Lender, or the Fourth Amendment. Pursuant to the terms of the Fourth Amendment, the Credit Agreement was amended such that we agreed to make (i) a payment of principal in the amount of \$0.5 million on January 3, 2023, (ii) a payment of principal in the amount of \$0.3 million on February 1, 2023 and March 1, 2023, and (iii) on the interest payment date on April 3, 2023 and on each interest payment date thereafter until the obligations are repaid in full, a payment in the principal amount of \$0.5 million. In addition, the Fourth Amendment decreased the Minimum Liquidity Covenant to (i) \$3.0 million for the period beginning on October 1, 2022, and ending on December 6, 2022, (ii) \$4.5 million for the period beginning on December 7, 2022, and ending on January 10, 2023, (iii) \$2.225 million for the period beginning on January 11, 2023, and ending on February 28, 2023, and (iv) \$3.0 million from and after March 1, 2023. Further, we agreed that prior to April 30, 2023, we will not, without the prior written consent of MAM Eagle Lender, make or permit any payment under our agreements with Alkermes.

On March 29, 2023, we entered into Amendment No. 5 and Consent to Credit Agreement, or the Fifth Amendment, whereby MAM Eagle Lender consented to the transactions contemplated by the Transfer Agreement (as defined above) and agreed to release and discharge any liens granted or held by the lenders in respect of the assets discussed in the Transfer Agreement. The parties also agreed to, among other things, amend the Minimum Liquidity Covenant to require that we maintain \$2.5 million of liquidity at all times.

In connection with the Acquisition, we entered into a Forbearance Agreement, dated as of June 29, 2023, by and among us, the Lenders and the Agent, solely in its capacity as administrative and collateral agent for the Lenders, pursuant to which the Lenders agreed to forbear their rights to exercise any rights and remedies with respect to any default under the Credit Agreement, resulting from the Acquisition, for a period of up to 30 days following the closing of the Acquisition. On July 30, 2023, we entered into Amendment Not. 1 to the Forbearance Agreement and Amendment No. 6 to Credit Agreement, whereby such deadline was extended until October 31, 2023. On October 31, 2023, we entered into Amendment No. 2 to the Forbearance Agreement and Amendment No. 8 to Credit Agreement to extend such deadline until March 31, 2024.

On August 31, 2023, we entered into Amendment No. 7 to Credit Agreement with MAM Eagle Lender, or the Seventh Amendment. Pursuant to the terms of the Seventh Amendment, the Lenders agreed to, among other things, defer certain loan amortization payments and waive the Minimum Liquidity Covenant until December 31, 2023.

Sources and Uses of Cash

Cash used in operations was \$9.7 million and \$13.1 million for the nine months ended September 30, 2023 and 2022, respectively, which represents our operating losses less our non-cash items including: stock-based compensation, non-cash interest expense, depreciation, loss on extinguishment of debt, and changes in warrant valuations, as well as changes in operating assets and liabilities.

Cash provided by investing activities was \$0.2 for the nine months ended September 30, 2023 and was attributable to the acquisition of TeraImmune. There was no cash provided by investing activities for the nine months ended September 30, 2022.

There was \$5.5 million of net cash provided by financing activities in the nine months ended September 30, 2023 consisting of net proceeds of \$4.3 million from warrant exercises, net proceeds of \$3.4 million from a public offering of common stock and warrants, \$1.8 million of net proceeds from a registered direct offering of common stock and concurrent private placement of warrants, and net proceeds of \$0.3 million from our equity line of credit with Alumni Captial, partially offset by \$4.1 million in long-term debt principal payments and \$0.3 million in payments of deferred financing costs. There was \$15.0 million of net cash provided by financing activities for the nine months ended September 30, 2022 consisting primarily of net proceeds of \$14.2 million from public offerings of common stock and warrants and \$1.8 million of net proceeds from a registered direct offering of common stock and concurrent private placement of warrants, partially offset by a payment on long-term debt of \$1.1 million.

Cash used in operations from discontinued operations was \$0.8 million and \$11.2 million for the nine months ended September 30, 2023 and 2022, respectively, which represents our operating losses from discontinued operation less our non-cash items including: stock-based compensation, depreciation, amortization, changes in fair value of contingent consideration, and impairment losses on property and equipment and intangible asset, as well as changes in operating assets and liabilities.

There was no significant cash used in investing activities from discontinued operation for the nine months ended September 30, 2023 and 2022.

There was no cash used in financing activities from discontinued operation in the nine months ended September 30, 2023. There was \$1.2 million of cash used in financing activities from discontinued operation in the nine months ended September 30, 2022 attributable to the payment of contingent consideration of \$1.2 million.

Our future use of operating cash and capital requirements will depend on many forward-looking factors, including the following:

- our relationships with third parties, licensors, collaborators, and our employees;
- our ability to execute our strategic priorities;
- our ability to fund our continuing operations and successfully integrate TeraImmune's technology;
- the scope, progress, results, and costs of development for our product candidates;
- the cost, timing and outcome of regulatory review of our product candidates;
- the cost of manufacturing for our Treg product candidate, acquiring components and other capital equipment for our product candidates;
- the extent to which we in-license, acquire or invest in products, businesses and technologies;
- our ability to raise additional funds through equity or debt financings or the sale of certain assets;
- our ability to regain compliance with the listing requirements of the Nasdaq Capital Market;
- our ability to comply with our debt covenants;
- the extent to which holders of our warrants exercise their warrants resulting in the payment of cash proceeds to us;

- the costs of preparing, submitting and prosecuting patent applications and maintaining, enforcing and defending intellectual property claims; and
- the effect of any changes in our effective tax rate due to changes in the valuation of deferred tax assets and liabilities, tax impacts and net operating loss utilization related to the Separation and changes in tax laws.

We may use existing cash and cash equivalents on hand, debt, equity financing, sale of assets or out-licensing revenue or a combination thereof to fund our operations or product acquisitions. If we increase our debt levels, we might be restricted in our ability to raise additional capital and might be subject to financial and restrictive covenants. Our shareholders may experience dilution as a result of the issuance of additional equity or debt securities. This dilution may be significant depending upon the amount of equity or debt securities that we issue and the prices at which we issue any securities.

Contractual Commitments

The table below reflects our contractual commitments as of September 30, 2023:

Contractual Obligations	Total	Payments Due by Period (in 000s)			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt Obligations (1):					
Credit Agreement	\$ 3,706	\$ 3,706	\$ —	\$ —	\$ —
Interest and Fees on Credit Agreement	806	806	—	—	—
Convertible Bond Payable	1,000	1,000	—	—	—
Interest on Bond Payable	239	239	—	—	—
Purchase Obligations (2):					
Operating Leases (3)	\$ 4,926	\$ 685	\$ 1,417	\$ 1,748	\$ 1,076
Other Long-Term Liabilities:					
Other License Commitments and Milestone payments (4)	16,395	80	315	—	—
Total Contractual Obligations	\$ 27,136	\$ 6,580	\$ 1,732	\$ 1,748	\$ 1,076

(1)Debt obligations consist of principal, an exit fee of 2.5% of that principal, interest on the \$4.3 million outstanding term loan under our Credit Agreement and the unpaid portion of the Fifth Amendment fee. Debt obligations also consists of a principal balance of \$1,000 in convertible bond payable, accrued interest at a rate of 5% per annum during the period from April 8, 2022 to the maturity date of November 30, 2022, and a default interest penalty of 20% on the defaulted balance as of November 30, 2022. In accordance with U.S. GAAP, the future interest obligations are not recorded on our Consolidated Balance Sheet. See Note 11 to the Consolidated Financial Statements included in this Quarterly Report.

(2)These obligations consist of cancelable and non-cancelable purchase commitments related to development activities and other goods or services. In accordance with U.S. GAAP, these obligations are not recorded on our Consolidated Balance Sheets. See Note 12(b) to the Consolidated Financial Statements included in this Quarterly Report.

(3)We are party to certain operating leases for the leased space in (i) Malvern, Pennsylvania (ii) Dublin, Ireland, and (iii) Germantown, Maryland, for which the minimum lease payments are presented. See Note 9 to the Consolidated Financial Statements included in this Quarterly Report.

(4)We license NMBs, from Cornell University pursuant to a license agreement under which we are obligated to make annual license maintenance fee payments, milestone payments and patent cost payments and to pay royalties on net sales of the NMBs. The amount reflects only payment obligations that are fixed and determinable. We are unable to reliably estimate the timing of certain of these payments totaling a maximum of \$16,000 across three compounds because they are dependent on the type and complexity of regulatory filing approvals in the U.S. and Europe and the number of product candidates approved, which have not been established, and as such are only included in the total. In accordance with U.S. GAAP, certain of these obligations are not recorded on our Consolidated Balance Sheets. See 12(a) to the Consolidated Financial Statements included in this Quarterly Report.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are disclosed in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our 2022 Annual Report. As a result of the Acquisition, we believe that the following should be added to our critical accounting policies given the level of judgments and estimates used in preparation of our financial statements:

Indefinite-lived Intangible Assets

Indefinite-lived intangible assets consist of In Process Research & Development ("IPR&D"). We determined the estimated fair values for our IPR&D assets as of the Acquisition Date using the income approach. This is a valuation technique that provides an estimate of fair value of the asset, based on the market participant's expectations of the cash flows that the asset are forecasted to generate. The cash flows are discounted at a rate commensurate with the level of risk associated with its projected cash flows. We believe the assumptions are representative of those a market participant would use in estimating fair value. The fair value of IPR&D was capitalized as of the Acquisition date and accounted for as indefinite-lived intangible assets until completion or disposition of the assets or abandonment of the associated research and development efforts. Upon successful completion of the development efforts, the useful lives of the IPR&D assets will be determined based on the anticipated period of regulatory exclusivity and will be amortized within operating expenses. Until that time, the IPR&D assets will be subject to impairment testing and will not be amortized.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of September 30, 2023. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that the objectives of the control system will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. However, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were not effective due to an identified material weakness in our internal control over financial reporting in the second quarter related to certain technical accounting treatment of the TeraImmune Acquisition related to the lease liability and derivative liability. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Remediation Plan

Management and our Board of Directors are actively engaged in implementing a remediation plan to address the material weakness over the implementation of purchase price accounting related to the Acquisition of TeraImmune. We are enhancing and implementing new processes, controls, and systems to strengthen our internal control over financial reporting, related to technical accounting transaction. Additionally, we have added to and intend to seek additional internal and external resources to aid in our mitigation and increase the level of review over financial reporting and technical accounting.

Changes in Internal Control over Financial Reporting

On June 29, 2023, we completed the Acquisition. Under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company. Based on those guidelines, our assessment of the effectiveness of our internal control over financial reporting will exclude TeraImmune. We are in the process of integrating TeraImmune into our system of internal control over financial reporting.

Other than as set forth above, there has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which would have a material adverse effect on our results of operations, financial condition or cash flows.

Item 1A. Risk Factors.

Other than what is set forth below, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

The potential delisting of our common stock from The Nasdaq Capital Market and our trading on the OTC Pink Open Market is expected to result in a more limited market and lack of liquidity for our securities and may make it more difficult to raise funds on terms acceptable to us, or at all.

On November 14, 2023, we received a determination letter, or the Delisting Notification, stating that the Nasdaq Hearings Panel, or the Panel, has determined to delist our common stock from the Nasdaq Capital Market, and Nasdaq suspended trading in our common stock, as of the opening of trading on November 16, 2023, because we did not demonstrate compliance with the Nasdaq initial listing requirements by or before November 13, 2023.

Pursuant to the Delisting Notification, we have a period of 15 days from the date of the Delisting Notification to submit a written request for a review of the Panel's delisting determination by the Nasdaq Listing and Hearing Review Council, or the Listing Council. Unless we submit a timely request for the Listing Council's review of the Panel's delisting determination, a Form 25-NSE will be filed with SEC, which will remove our common stock from listing and registration on Nasdaq. We do not intend to file an appeal of the Panel's determination. Accordingly, we expect that our common stock will be delisted from Nasdaq after the Form 25-NSE is filed with the SEC. Our common stock is currently trading on the OTC Pink Open Market under the symbol "BXRX."

The trading of our common stock in the OTC Pink Open Market may have an unfavorable impact on our stock price and the liquidity of our stock. The OTC Pink Open Market is a significantly more limited market than Nasdaq. The quotation of our stock in OTC Pink Open Market is expected to result in a less liquid market available for existing and potential stockholders to trade shares of our common stock, could further depress the trading price of our common stock, and could have a long-term adverse impact on our ability to raise capital in the future. There can be no assurance that our securities will be listed on a national securities exchange or a national quotation service in the future.

We may be unsuccessful in obtaining a waiver or amendment to our Credit Agreement with respect to any existing events of default thereunder. The failure to obtain such a waiver or amendment, or otherwise cure any event of default under our Credit Agreement, could allow the lender to take enforcement action against us or certain of its assets, including accelerating the loans and other obligations under the Credit Agreement and taking any other remedial actions permitted under the Credit Agreement or applicable law, which would have a material adverse effect on our business, financial condition and results of operations and could require us to curtail or cease operations.

On May 29, 2020, we entered into the Credit Agreement. In connection with the Acquisition, we entered the Forbearance Agreement, pursuant to which Agent and Lender agreed to forbear from exercising their rights and remedies with respect to certain events of default under the Credit Agreement until March 31, 2024.

There can be no assurance that Agent and Lender will provide us with a waiver of any events of default or agree to amend the Credit Agreement in a timely manner, or on acceptable terms, if at all to the extent any events of default have occurred and are continuing under the Credit Agreement. If we do not obtain an amendment or waiver of such events of default under the Credit Agreement, if any future events of default occur and are continuing or if the Lenders take the position that we have not complied with the terms of the Forbearance Agreement, there can be no assurance that the Lenders will not take action to collect payment of our debt or dispose of collateral securing the obligations under the Credit Agreement, which would harm our business, financial condition and results of operations and could require us to curtail or cease operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a)The following exhibits are filed herewith or incorporated by reference herein:

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
2.1Δ	<u>Agreement and Plan of Merger, dated June 29, 2023, by and among Baudax Bio, Inc., Bounce Merger Sub I, Inc., Bounce Merger Sub II, LLC and TeraImmune, Inc.</u>	Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 5, 2023 (File No. 001-39101).
3.1	<u>Certificate of Designations of Series X Non-Voting Convertible Preferred Stock.</u>	Incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 5, 2023 (File No. 001-39101).
4.1	Form of Series E Pre-funded Warrant.	Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 21, 2023 (File No. 001-39101).
4.2	Form of Series A-7 Common Stock Purchase Warrant	Incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 21, 2023 (File No. 001-39101).
10.2	Amendment No. 1 to Forbearance Agreement and Amendment No. 6 to Credit Agreement, dated as of July 30, 2023, by and among Baudax Bio, Inc, Baudax Bio N.A. LLC, Baudax Bio Limited, Wilmington Trust, National Association, and the Lender party hereto.	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 5, 2023 (File No. 001-39101).
10.3	Amendment No. 7 to Credit Agreement, dated as of August 31, 2023, by and among Baudax Bio, Inc, Baudax Bio N.A. LLC, Baudax Bio Limited, Wilmington Trust, National Association, and the Lender party hereto.	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 5, 2023 (File No. 001-39101).
10.4	Purchase Agreement, dated August 23, 2023, between Baudax Bio, Inc. and Alumni Capital LP	Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed on August 25, 2023 (File No. 001-39101).
31.1	<u>Rule 13a-14(a)/15d-14(a) certification of Principal Executive Officer.</u>	Filed herewith.
31.2	<u>Rule 13a-14(a)/15d-14(a) certification of Principal Financial and Accounting Officer.</u>	Filed herewith.
32.1	<u>Section 1350 certification, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>	Filed herewith.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	Filed herewith.

101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).	Filed herewith.

Δ Schedules have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. Baudax Bio agrees to furnish supplementally a copy of any omitted schedule to the SEC upon its request; provided, however, that Baudax Bio may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedule so furnished.

SIGNATURES

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

BAUDAX BIO, INC.

Date: November 20, 2023

By: /s/ Gerri A. Henwood
Gerri A. Henwood
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 20, 2023

By: /s/ Natalie McAndrew
Natalie McAndrew
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

I, Gerri A. Henwood, certify that:

1. I have reviewed this Quarterly Report of Baudax Bio, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2023

/s/ Gerri A. Henwood
Gerri A. Henwood
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Natalie McAndrew, certify that:

1. I have reviewed this Quarterly Report of Baudax Bio, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 20, 2023

/s/ Natalie McAndrew
Natalie McAndrew
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Baudax Bio, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 20, 2023

/s/ Gerri A. Henwood
Gerri A. Henwood
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Natalie McAndrew
Natalie McAndrew
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)
