No securities regulatory authority in Canada or any other jurisdiction has expressed an opinion about, or passed upon the fairness or merits of, the transaction described in this document, the securities offered pursuant to such transaction or the adequacy of the information contained in this document and it is an offense to claim otherwise.

NOTICE OF MEETING

AND

MANAGEMENT INFORMATION CIRCULAR

FOR THE

SPECIAL MEETING OF SHAREHOLDERS OF

APPILI THERAPEUTICS INC.

TO BE HELD ON

November 6, 2024

Dated as of October 4, 2024

The disinterested members of the Board of Directors of Appili Therapeutics Inc. UNANIMOUSLY recommend that shareholders vote FOR the Arrangement Resolution

These materials are important and require your immediate attention. They require shareholders of Appili Therapeutics Inc. to make an important decision. If you are in doubt as to how to make such decision, please contact your financial, legal or other professional advisor. If you have any questions or require more information with regard to the transactions described herein or procedures for voting, please contact Appili Therapeutics Inc. at Info@AppiliTherapeutics.com.

October 4, 2024

Dear Company Shareholder:

You are invited to attend an special meeting of shareholders (the "**Meeting**") of Appili Therapeutics Inc. (the "**Company**" or "**Appili**") scheduled to be held virtually via a live teleconference hosted through the facilities of Chorus Call (as more particularly described in the accompanying notice of special meeting and management proxy circular (the "**Circular**")) on November 6, 2024 at 11:00 a.m. (Toronto time).

At the Meeting, you will be asked to vote on, and if thought advisable approve a plan of arrangement (the "**Arrangement**") under Section 182 of the *Business Corporations Act* (Ontario) based on an arrangement agreement between the Company, Aditxt Inc. ("**Aditxt**") and Adivir, Inc. (the "**Buyer**"), a wholly-owned subsidiary of Aditxt, dated April 1, 2024, as amended on July 1, 2024, July 17, 2024 and August 20, 2024 (the "**Arrangement Agreement**") pursuant to which the Buyer will acquire all of the issued and outstanding Class A common shares of the Company (the "**Company Shares**").

If the Arrangement becomes effective, and subject to a certain election in favour of the Company as set out in the accompanying Circular, shareholders of Appili ("**Company Shareholders**") will ultimately be entitled to US$0.0467 in cash (less any applicable withholding taxes) and 0.0000686251 of a share of common stock of Aditxt (each whole share, an "**Aditxt Share**"), subject to adjustment in accordance with the Arrangement Agreement, for each Company Share held (collectively, the "**Consideration**").

The accompanying notice of special meeting and Circular describes the Arrangement and other information relating to the Meeting and includes certain additional information to assist you in considering how to vote on the resolutions authorizing the Arrangement (the "**Arrangement Resolution**") to be approved by the Company Shareholders. This information is important and you are urged to read this information carefully and, if you require assistance, to consult with your financial, legal, tax and other professional advisors.

After consultation with its financial and legal advisors, and after careful consideration of, among other factors, the fairness opinion of BDO Canada LLP provided to the independent special committee (the "**Company Special Committee**") of the board directors of the Company (the "**Company Board**"), and to the Company Board, and on the unanimous recommendation of the Company Special Committee, the disinterested members of the Company Board have unanimously: (i) determined the Arrangement is in the best interests of the Company and the Consideration is fair, from a financial point of view, to the Company Shareholders; (ii) recommended to the Company Shareholders that they vote in favour of the Arrangement Resolution at the Meeting; (iii) approved the Arrangement; and (iv) approved the Arrangement Agreement and authorized the consummation of the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement.

Each Company Shareholder is entitled to one vote for each Company Share held as of close of business on October 2, 2024, being the record date for the Meeting (the "**Record Date**").

In order for the Arrangement to be effective, the Arrangement Resolution must be approved by the affirmative vote of at least: (i) two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting and entitled to vote thereat on the Arrangement Resolution; and (ii) a simple majority of the votes cast on the Arrangement Resolution by the

Company Shareholders present or represented by proxy at the Meeting, excluding the votes cast in respect of any Company Shares held by persons whose votes may not be included under the minority approval requirements for a business combination under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), as further described in the accompanying Circular.

The Arrangement is also subject to certain other conditions, including the approval of the Ontario Superior Court of Justice (Commercial List), stock exchange approvals and Aditxt completing an equity or debt financing with minimum gross proceeds of at least US$20,000,000.

All of Appili's directors and officers, and certain other Company Shareholders, have entered into support and voting agreements with Aditxt to vote in favour of the Arrangement. As of the Record Date, this represents approximately 11.9% of the voting rights attached to all of the outstanding Company Shares (and less than 1% of the Company Shares which are entitled to vote under the minority approval requirements for a business combination under MI 61-101).

Your vote is important regardless of the number of Company Shares you own and you are urged to submit your proxy well in advance of the voting deadline in order to have your voice heard. Even if you are a registered Company Shareholder and plan to attend the Meeting virtually, we encourage you to take the time now to follow the instructions on the enclosed form of proxy so that your Company Shares can be voted at the Meeting in accordance with your instructions. We encourage you to use the internet voting option to ensure your vote is received prior to the voting deadline. Alternatively, you can complete, sign, date and return the enclosed form by mail or facsimile. If you hold your Company Shares through a broker, trustee, financial institution or other intermediary, you are a Non-Registered Company Shareholder and you will receive instructions from such intermediary, or on the intermediary's behalf, as to how to vote your Company Shares. We encourage Non-Registered Company Shareholders to carefully follow such instructions so that your Company Shares can be voted at the Meeting.

If you have any questions or require assistance with voting your proxy, please contact Appili at Info@AppiliTherapeutics.com**.**

It is expected that the Arrangement will be completed as soon as possible after receipt of the applicable shareholder, court and stock exchange approvals and the satisfaction or waiver of all other conditions in the Arrangement Agreement. However, it is not possible to state with certainty when or if closing of the Arrangement will occur.

If you are a registered holder of Company Shares, please complete the accompanying letter of transmittal (the "**Letter of Transmittal**") in accordance with the instructions included therein, sign, date and return it to the depositary, Computershare Investor Services Inc., in the envelope provided, together with the certificate(s) or direct registration system ("**DRS**") statement(s) representing your Company Shares and any other required documents. The Letter of Transmittal contains complete instructions on how to exchange the certificate(s) or DRS statement(s) representing your Company Shares for the Consideration under the Arrangement. You will not receive your Consideration under the Arrangement until after the Arrangement is completed and you have returned your properly completed documents, including the Letter of Transmittal, and the certificate(s) or DRS statement(s) representing your Company Shares to Computershare Investor Services Inc. in accordance with the instructions contained in the Letter of Transmittal.

If your Company Shares are not registered in your name but are held through an intermediary, you should contact your intermediary to arrange for the intermediary to complete the necessary transmittal documents

and to ensure you receive the Consideration which you are entitled to receive in exchange for your Company Shares held through such intermediary if the Arrangement is completed.

On behalf of the Company Board, I would like to express our gratitude for your support as we move forward to execute on this transformative transaction for Appili Therapeutics Inc.

Sincerely,

On behalf of the directors of Appili Therapeutics Inc.,

(Signed) "Armand Balboni"
Armand Balboni
Chair of the Board

APPILI THERAPEUTICS INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the special meeting (the "**Meeting**") of holders (the "**Company Shareholders**") of Class A common shares ("**Company Shares**") of Appili Therapeutics Inc. (the "**Company**" or "**Appili**") will be held virtually via a live teleconference hosted through the facilities of Chorus Call at 11:00 a.m. (Toronto time), on November 6, 2024:

1. to consider pursuant to an interim order of the Ontario Superior Court of Justice (Commercial List) dated October 1, 2024 (the "**Interim Order**") and, if thought advisable, to pass, with or without amendment, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix B to the Circular, to approve a plan of arrangement (as may be amended from time to time, the "**Arrangement**") pursuant to Section 182 of the *Business Corporations Act* ("**OBCA**"); and

2. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

Particulars of the Arrangement are set forth in the Circular. The board of directors of the Company has fixed the close of business on October 2, 2024, as the record date for the determination of the Company Shareholders entitled to receive notice of, and to vote at, the Meeting. Only Company Shareholders whose names have been entered in the register of shareholders as of the close of business on October 2, 2024 will be entitled to receive notice of, and to vote at, the Meeting.

Company Shareholders are entitled to vote at the Meeting either on their own behalf or by proxy, as described in the Circular under the heading "*General Proxy Information*". Only Registered Company Shareholders, or the persons appointed as their proxies, are entitled to vote at the Meeting. For information on how to vote Company Shares held through an intermediary, see "GENERAL PROXY INFORMATION **-** *Non-Registered Company Shareholders*" **in the accompanying Circular.**

Whether or not you are able to attend the Meeting, you are encouraged to provide voting instructions on the enclosed form of proxy as soon as possible. The Company's transfer agent, Computershare Investor Services Inc., must receive your proxy no later than November 4, 2024 at 11:00 a.m. (Toronto time), or, if the Meeting is adjourned or postponed, no later than two (2) Business Days before any adjourned or postponed Meeting. You must send your proxy to the Company's transfer agent by either using the envelope provided or by mailing the proxy to Appili Therapeutics Inc. c/o Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1. You may vote on the internet by going to investorvote.com and following the instructions. You will need your control number located on the form of proxy. If you wish to vote on the internet, you must do so no later than two (2) days prior to the Meeting on November 4, 2024 at 11:00 a.m. (Toronto time).

If you are a Non-Registered Company Shareholder (for example, if you hold Company Shares in an account with an intermediary), you should follow the voting procedures described in the form of proxy or voting instruction form provided by your intermediary or call your intermediary for information as to how you can vote your Company Shares. Note that the deadlines set by your intermediary for submitting your form of proxy or voting instruction form may be earlier than the dates described above. Computershare must receive your voting instructions from your intermediary no later than the proxy deadline which is November 4, 2024 at 11:00 a.m. (Toronto time).

Late proxies may be accepted or rejected by the Chairperson of the Meeting ("Chairperson") at his or her sole discretion. The Chairperson is under no obligation to accept or reject any particular late proxy. The time limit for the deposit of proxies may be waived or extended by the Chairperson of the Meeting at his or her discretion, without notice.

Company Shareholders are directed to read the Circular carefully and in full to evaluate the matters for consideration at the Meeting.

Registered Company Shareholders have the right to dissent with respect to the Arrangement Resolution. If the Arrangement Resolution becomes effective, registered Company Shareholders who validly dissent pursuant to the Interim Order will be entitled to be paid the fair value of their Company Shares in accordance with the provisions of Section 185 of the OBCA, as modified by the Interim Order and the Arrangement. A Company Shareholder's right to dissent is more particularly described in the Circular under the heading "*Dissenting Shareholders' Rights*" and the relevant text of the OBCA with respect to the Arrangement Resolution is set forth in Appendix F to the Circular and a copy of the Interim Order is attached to the Circular as Appendix D.

Please refer to the Circular for a description of the right to dissent in respect of the Arrangement Resolution.

Failure to strictly comply with the requirements set forth in Section 185 of the OBCA (as modified by the Interim Order and the Arrangement), may result in the loss of any right to dissent. Persons who are beneficial owners of Company Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the Registered Company Shareholders are entitled to dissent. Accordingly, a beneficial owner of Company Shares desiring to exercise the right to dissent must make arrangements for the Company Shares beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Company or, alternatively, make arrangements for the registered holder of such Company Shares to dissent on behalf of the holder.

DATED at Toronto, Ontario this October 4, 2024.

BY ORDER OF THE BOARD

(Signed) "Armand Balboni"

Armand Balboni
Chair of Board

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

APPILI THERAPEUTICS INC.

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the "**Circular**") and accompanying forms of proxy are furnished in connection with the solicitation of proxies by the management of Appili Therapeutics Inc. (the "**Company**" or "**Appili**") for use at the special meeting of shareholders (the "**Meeting**") to be held virtually via a live teleconference hosted through the facilities of Chorus Call on November 6, 2024, commencing at 11:00 a.m. (Toronto time) and at any adjournment or postponement thereof, for the purposes set forth in the notice of special meeting (the "**Notice of Meeting**").

All summaries of, and references to, the Plan of Arrangement, the Arrangement Resolution, the Arrangement Agreement or the BDO Fairness Opinion in this Circular are qualified in their entirety by reference to the complete text of these documents, each of which is either included as an appendix to this Circular or filed, or will be filed, under the Company's profile on SEDAR+ at www.sedarplus.ca. Company Shareholders are urged to carefully read the full text of these documents.

GENERAL MATTERS

Defined Terms

In this Circular, unless otherwise indicated or the context otherwise requires, terms defined in Appendix A shall have the meanings attributed thereto. Words importing the singular include the plural and vice versa and words importing gender include all genders.

Information Contained in this Circular

The information contained in this Circular, unless otherwise indicated, is given as of October 4, 2024.

No person has been authorized by the Company to give any information (including any representations) in connection with the matters to be considered at the Meeting other than the information contained in this Circular. This Circular does not constitute an offer to buy, or a solicitation of an offer to acquire, any securities, or a solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or is unlawful. Information contained in this Circular should not be construed as legal, tax or financial advice, and Company Shareholders should consult their own professional advisors concerning the consequences of the Arrangement in their own circumstances.

This Circular and the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement have not been approved or disapproved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of such transactions or upon the accuracy or adequacy of the information contained in this Circular. Any representation to the contrary is unlawful.

Information Contained in this Circular Regarding Aditxt and Evofem

Certain information included or incorporated by reference in this Circular pertaining to Aditxt, Evofem, including, but not limited to, information pertaining to Aditxt and Evofem in Appendix J, has been furnished by Aditxt. Although the Company does not have any knowledge that would indicate that such information is untrue or incomplete, except as required by law, neither the Company nor any of its directors or officers assumes any responsibility for the accuracy or completeness of such information, or for the failure by Aditxt to disclose events or information that may affect the completeness or accuracy of such information.

For further information regarding Aditxt before and after the Arrangement and Evofem, please refer to each of Aditxt's and Evofem's filings with the securities regulatory authorities which may be obtained under Aditxt's profile on EDGAR at www.sec.gov/edgar. See also Appendix J.

Financial Information

All financial statements and financial data derived therefrom included or incorporated by reference in this Circular pertaining to Appili (other than pro forma financial statements) have been prepared in accordance with IFRS as issued by the International Accounting Standards Board, and (if audited) are audited in accordance with Canadian generally accepted auditing standards. All financial statements and financial data derived therefrom included or incorporated by reference in this Circular pertaining to Aditxt and Evofem have been prepared and presented in accordance with U.S. GAAP and (if audited) audited in accordance with the standards of the Public Company Accounting Oversight Board. Certain measurements set forth in the consolidated financial statements of Aditxt and Evofem, as calculated in accordance with U.S. GAAP, may have different values than if such measurements were calculated in accordance with IFRS. If you have any questions in respect of such potential measurement differences, please contact your financial, tax and/or other professional advisors.

Pro forma financial information included in this Circular is for informational purposes only and is unaudited. All unaudited pro forma financial information contained in this Circular has been derived from underlying financial statements prepared and adjusted in accordance with U.S. GAAP to illustrate the effect of the Arrangement. The pro forma financial information set forth in this Circular should not be considered to be what the actual financial position or other results of operation would have necessarily been had Appili and Aditxt operated as a single combined company as, at, or for the periods stated.

Aditxt Shares

On October 2, 2024, Aditxt effected a reverse stock split whereby every 40 Aditxt Shares were exchanged for 1 Aditxt Share, with any fractional stock being rounded up to the next higher whole Aditxt Share (the "**Aditxt Reverse Stock Split**"). Under the terms of the Arrangement Agreement and as disclosed in the Company's news release dated April 2, 2024 announcing the entering into of the Arrangement Agreement, each Company Share was contemplated to be acquired in consideration for: (i) 0.002745004 of an Aditxt Share and (ii) US$0.0467, subject to adjustment in accordance with the Arrangement Agreement. As a result of the Aditxt Reverse Stock Split, the consideration to be received for each Company Share is: (i) 0.0000686251 of an Aditxt Share and (ii) US$0.0467, subject to any further adjustment in accordance with the Arrangement Agreement. Unless otherwise indicated, all references to "Aditxt Shares" set forth in this Circular are to the Aditxt Shares after giving effect to the Aditxt Reverse Stock Split.

Currency

Unless otherwise indicated, all references to "$" or "dollars" set forth in this Circular are to the currency of Canada. References to "US$" set forth in this Circular are to the currency of the United States.

The following table sets forth, for the periods indicated, the high, low, average and period-end daily rates of exchange for US$1.00, expressed in Canadian Dollars, posted by the Bank of Canada:

	Nine Month Period Ended September 30, 2024	Nine Month Period Ended September 30, 2023	Year Ended December 31 2023, 2022 and 2021		
	2024 $	2023 $	2023 $	2022 $	2021 $
Highest rate during the period	$1.3858	$1.3807	$1.3875	$1.3856	$1.2942
Lowest rate during the period	$1.3316	$1.3128	$1.3128	$1.2451	$1.2040
Average rate for the period	$1.36.04	$1.3457	$1.3497	$1.3011	$1.2535
Rate at the end of the period	$1.3474	$1.3520	$1.3544	$1.2678	$1.2678

On October 3, 2024 the daily rate of exchange posted by the Bank of Canada for conversion of U.S. Dollars into Canadian Dollars was US$1.00 equals $1.3540.

Unless otherwise indicated, in this Circular, references to U.S. dollars when discussing the aggregate cash and share components of the Consideration are based upon the daily rates of exchange posted by the Bank of Canada for March 29, 2024.

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

THE ARRANGEMENT AND THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OF THE UNITED STATES PASSED UPON THE FAIRNESS OR MERITS OF THE ARRANGEMENT OR UPON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

The following discussion is only a general overview of certain requirements of U.S. Securities Laws relating to the Arrangement that may be applicable to Company Shareholders. Each Company Shareholder is urged to consult such person's professional advisors to determine the U.S. conditions and restrictions applicable to trades in the Consideration Shares issuable pursuant to the Arrangement.

The Consideration Shares to be issued to Company Shareholders in exchange for their Company Shares under the Arrangement have not been and will not be registered under the U.S. Securities Act or registered or qualified under the securities laws of any state of the United States, and are being issued in reliance on the Section 3(a)(10) Exemption and exemptions under the applicable securities laws of the respective U.S. states in which any Company Shareholders reside. The Section 3(a)(10) Exemption exempts from registration a security that is issued in exchange for outstanding securities, claims or property interests where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear (and receive timely and adequate notice thereof), by a court or by a Governmental Entity expressly authorized by law to grant such approval. Such court or Governmental Entity must be advised before the hearing that the issuer will rely on the Section 3(a)(10) Exemption based on the court's or Governmental Entity's approval of the transaction.

The Court issued the Interim Order on October 1, 2024 and, subject to the approval of the Arrangement by the Company Shareholders, a hearing for a Final Order approving the Arrangement is currently expected to take place on or about November 14, 2024 in Toronto, Ontario.

All Company Shareholders are entitled to appear and be heard at this hearing, provided that they satisfy the applicable conditions set forth in the Interim Order. The Final Order of the Court will, if granted, constitute the basis for the Section 3(a)(10) Exemption with respect to the Consideration Shares to be issued to the Company Shareholders in exchange for their Company Shares under the Arrangement. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order. See "THE ARRANGEMENT- *Court Approval of the Arrangement and Completion of the Arrangement*".

The Consideration Shares to be received by the Company Shareholders under the Arrangement will be freely tradable for purposes of the U.S. Securities Act, except by any person who is an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of Aditxt on the Effective Date or was an affiliate of Aditxt within 90 days prior to the Effective Date. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through the ownership of voting securities, by contract, or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer. Any resale of such Consideration Shares by such an affiliate (or former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. The summary presented in this Circular does not cover resales of any Consideration Shares received by any person upon completion of the Arrangement, and no person is authorized to make any use of this Circular in connection with any resale.

See "*Qualification – Resale of Aditxt*" and "*Stock Exchange Matters*".

The solicitation of proxies hereby for the Meeting is being made by a Canadian issuer in accordance with Canadian corporate and securities laws and is not subject to the requirements of Section 14(a) of the U.S. Exchange Act by virtue of an exemption applicable to proxy solicitations by "foreign private issuers" (as defined in Rule 3b-4 under the U.S. Exchange Act). Accordingly, this Circular has been prepared in accordance with disclosure requirements applicable in Canada, and the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws. Company Shareholders in the United States should be aware that such requirements are different from those applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act. Information included in this Circular or incorporated by reference herein concerning the business of Aditxt and Evofem has been prepared in accordance with the requirements of Canadian Securities Laws, which differ from the requirements of U.S. Securities Laws.

Certain financial statements and information included or incorporated by reference herein have been prepared in accordance with IFRS, and are subject to auditing and auditor independence standards in Canada, and thus may not be comparable to financial statements and information of U.S. companies prepared in accordance with U.S. GAAP and U.S. auditing and auditor independence standards.

This Circular does not address any tax considerations of the Arrangement other than certain Canadian federal income tax considerations applicable to Company Shareholders. Company Shareholders that are resident or subject to tax in any jurisdiction outside of Canada (any such jurisdiction, a "**Foreign Tax Jurisdiction**") should be aware that the Arrangement may have tax consequences to such Company Shareholder in one or more Foreign Tax Jurisdictions. No tax advice or opinion whatsoever is provided in this Circular to Company Shareholders with respect to tax considerations involving Foreign Tax Jurisdictions. Company Shareholders that are resident or subject to tax in any Foreign Tax Jurisdiction are

urged to consult their own independent tax advisors with respect to the relevant tax implications of the Arrangement, including, without limitation, any associated filing requirements, in such jurisdictions.

The enforcement by securityholders of civil liabilities under U.S. federal securities laws may be adversely affected by the fact that the Company's governing statute is outside the United States and that some of its directors and officers and the experts named in this Circular may not be residents of the United States. As a result, Company Shareholders in the United States may be unable to effect service of process within the United States upon the Company, its officers and directors or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States. In addition, Company Shareholders in the United States should not assume that the courts of Canada: (i) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States; or (ii) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or any applicable securities laws of any state of the United States.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Circular and the documents incorporated into this Circular by reference contain "forward-looking statements" and "forward-looking information" within the meaning of Securities Laws (forward-looking statements and forward-looking information being collectively referred to as "**forward-looking information**") that are based on expectations, estimates and projections as at the date of this Circular or the dates of the documents incorporated by reference, as applicable. This forward-looking information includes, but is not limited to, statements and information concerning: the Arrangement; the anticipated timing for completion of the Arrangement; the anticipated benefits of the Arrangement; the likelihood of the Arrangement being completed (on the terms contemplated or otherwise); the principal steps of the Arrangement; statements made in, and based upon, the BDO Fairness Opinion; statements relating to the business and future activities of the Company and Aditxt after the date of this Circular and prior to or after the Effective Time; Aditxt completing the acquisition of Evofem; Company Shareholder and Court approval of the Arrangement; the expected timing to complete the Arrangement and other statements that are not historical facts. To the extent any forward-looking information constitutes future-oriented financial information or financial outlook, as those terms are defined under applicable Securities Laws, such statements are being provided to describe the current anticipated effect of the Arrangement, and readers are cautioned that these statements may not be appropriate for any other purpose, including investment decisions.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often, but not always, using the words or phrases such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "pro forma" or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" "be taken", "to occur" or "to be achieved") are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management that reflect management's experience and perception of trends, current conditions and expected developments, as well as assumptions and other factors that management believes to be relevant and reasonable based on information available at the date that such statements are made or such information was given. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of

the Company to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Such assumptions include, among other things, the satisfaction of the terms and conditions of the Arrangement, including the approval of the Arrangement and its fairness by the Court, and the receipt of any required regulatory and exchange approvals and consents.

Although the Company has attempted to identify key factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of this Circular. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements for various reasons, including, without limitation: the Arrangement Agreement may be terminated in certain circumstances; the conditions to the completion of the Arrangement may not be satisfied; Dissent Rights may be exercised with respect to more than 10% of Company Shares; the ability of Aditxt to complete the Financing; general economic conditions; industry conditions; currency fluctuations; competition from other industry participants; and stock market volatility. This list is only indicative and not exhaustive of the factors that may affect any of the forward-looking information contained herein.

Forward-looking information is information about the future and is inherently uncertain. There can be no assurance that the forward-looking information will prove to be accurate. Actual results could differ materially from those reflected in the forward-looking information as a result of, among other things, the matters set out or incorporated by reference in this Circular generally and economic and business factors, some of which may be beyond the control of the Company. Some of the more important risks and uncertainties that could affect forward-looking information are described further under the heading "*Risk Factors Relating to the Arrangement*". Additional risks are discussed in the Company's management discussion and analysis, copies of which are available under the Company's profile on SEDAR+ at www.sedarplus.ca. Company Shareholders are strongly encouraged to carefully consider the risks discussed in "*Risk Factors*" in Appendix J, and the section titled "*Risk Factors*" in Aditxt's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and certain sections of the Definitive Proxy Statement of Aditxt dated July 5, 2024, which are incorporated by reference into this Circular.

Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Forward-looking statements are based on material assumptions, including those listed above, that were applied in drawing a conclusion or making a forecast or projection believed to be appropriate in the circumstances. While we consider these assumptions to be reasonable based on information currently available to management, there is no assurance that such assumptions will prove to be correct.

The forward-looking statements contained herein are made as of the date of this Circular and are based on the beliefs, estimates, expectations, opinions and assumptions of management on the date such forward-looking statements are made. The Company undertakes no obligation to update or revise any forward-looking statements contained in this Circular, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking statements, except as required by Securities Laws.

The forward-looking statements contained in this Circular are expressly qualified in their entirety by the foregoing cautionary statement.

SUMMARY

The following is a summary of the principal features of the Arrangement and certain other matters and should be read together with the more detailed information contained elsewhere in the Circular, including the appendices hereto. Capitalized terms have the meanings ascribed to such terms in the Glossary of Terms in Appendix A. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere herein.

The Meeting and Record Date

The Meeting will be held virtually via a live teleconference hosted through the facilities of Chorus Call on November 6, 2024 at 11:00 a.m. (Toronto time) for the Company Shareholders. The Company has fixed the close of business on October 2, 2024, as the record date for the determination of the Company Shareholders entitled to receive notice of, and to vote at, the Meeting.

The Arrangement

Purpose of the Arrangement

The purpose of the Arrangement is for Aditxt, through the Buyer as its wholly-owned subsidiary, to acquire all of the issued and outstanding Company Shares. Company Shareholders will ultimately be entitled to, for each Company Share they own immediately prior to the Effective Time: (i) US$0.0467 in cash (less applicable withholding taxes) and (ii) 0.0000686251 of a Consideration Share (subject to adjustment in the manner and in the circumstances contemplated in the Arrangement Agreement). Company Shareholders will be notified by way of press release if the Consideration is subject to any further adjustment.

See "THE ARRANGEMENT– *Purpose of the Arrangement"*

Background to the Arrangement

On April 1, 2024, Appili, Aditxt and the Buyer entered into the Arrangement Agreement providing for a transaction pursuant to which the Buyer, a wholly-owned subsidiary of Aditxt, would, *inter alia*, acquire all of the issued and outstanding Company Shares. The Arrangement Agreement was amended on July 1, 2024 and further amended on July 17, 2024 and August 20, 2024. A summary of the material events leading up to the negotiation of the Arrangement Agreement are included in this Circular.

See "THE ARRANGEMENT– *Background to the Arrangement"*.

BDO Fairness Opinion

BDO provided the BDO Fairness Opinion to the Company Special Committee pursuant to the BDO Engagement Agreement between BDO and the Company.

The summary of the BDO Fairness Opinion in this Circular is qualified in its entirety by, and should be read in conjunction with, the full text of the BDO Fairness Opinion attached to this Circular as Appendix G. The full text of the BDO Fairness Opinion describes, among other things, the assumptions, limitations and

qualifications on the review undertaken in connection with the BDO Fairness Opinion. Company Shareholders are encouraged to read the BDO Fairness Opinion carefully in its entirety.

Based upon and subject to the assumptions, limitations and qualifications set forth in the BDO Fairness Opinion, BDO was of the opinion that, as of the date of such opinion, the Consideration is fair, from a financial point of view, to the Company Shareholders.

See "THE ARRANGEMENT – *BDO Fairness Opinion*".

Recommendation of the Company Special Committee

After careful consideration and having considered, among other things, the BDO Fairness Opinion, the Company Special Committee has unanimously: (i) determined that the Arrangement is in the best interests of the Company and that the Consideration to be received by the Company Shareholders is fair, from a financial point of view, to the Company Shareholders, (ii) recommended that the Company Shareholders vote in favour of the Arrangement Resolution at the Meeting, and (iii) recommended to the Company Board to: (a) determine that the Consideration to be received by the Company Shareholders is fair, from a financial point of view, (b) determine that the Arrangement is in the best interest of the Company, (c) approve the Arrangement, including the execution, delivery and performance by the Company of the Arrangement Agreement, and (d) unanimously recommend that the Company Shareholders vote in favour of the Arrangement Resolution at the Meeting.

See "THE ARRANGEMENT – *Recommendation of the Company Special Committee*".

Recommendation of the Company Board

After careful consideration and having considered, among other things, the BDO Fairness Opinion and the recommendation of the Company Special Committee, the disinterested members of the Company Board have unanimously (i) determined the Arrangement is in the best interests of the Company and the Consideration is fair, from a financial point of view, to the Company Shareholders; (ii) recommended to the Company Shareholders that they vote in favour of the Arrangement Resolution at the Meeting; (iii) approved the Arrangement; and (iv) approved the Arrangement Agreement and the consummation of the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement.

See "THE ARRANGEMENT – *Recommendation of the Company Board*".

Reasons for the Arrangement

In evaluating the Arrangement and the Arrangement Agreement, and in making their recommendations, the Company Board and the Company Special Committee gave careful consideration to the prospects of the Company and all terms of the Arrangement Agreement and the Plan of Arrangement. The Company Board and the Company Special Committee considered a number of factors including, among others, the following:

(a) *Recent Strategic Process*. Appili, under the supervision and guidance of the Company Special Committee, engaged in an extensive Strategic Process, which canvassed potential purchasers and/or investors for Appili. After fulsome consideration of the outcome of the Strategic Process, the Company Special Committee determined that (i) it was unlikely any person or group would be willing and able to propose a transaction that was on terms (including price) more favourable to the Company Shareholders and other Appili

stakeholders than the proposed Arrangement, and (ii) that the Arrangement represents the most favourable alternative to Appili.

(b) *Significant Transaction Premium.* The Consideration represents an implied value per Company Share of US$0.0561 (or approximately CAD$0.07598 with reference to the Bank of Canada closing exchange rate on March 29, 2024 and the trading price of the Aditxt Shares at the time of the Arrangement Agreement), representing a 117% premium to the trading price of the Company Shares based on the closing price of the Company Shares on April 1, 2024 (the last trading prior to the execution of the Arrangement Agreement) and an approximately 141% premium to the 30-day volume weighted average price of the Company Shares prior to the date of the Arrangement Agreement. The amount of Consideration is subject to the Reduced Cash Consideration Amount.

(c) *Liquid Consideration.* Subject to the Company's election to receive the Reduced Cash Consideration Amount, Company Shareholders will receive approximately 83.2% of the Consideration in cash in consideration for their Company Shares (based on the trading price of the Aditxt Shares at the time of entering into the Arrangement Agreement). The remainder of the Consideration is payable in Aditxt Shares. In evaluating the Arrangement, the Company Special Committee considered that, as a result of part of the Consideration being payable in cash and greater liquidity of the Aditxt Shares (when compared to the Company Shares), Company Shareholders are expected to benefit from certainty of value and the opportunity for immediate liquidity.

(d) *Failure to Complete the Arrangement Could be Detrimental to Appili's Future.* The ability of the Company to continue as a going concern is dependent on its ability to fund its research and development programs and generate future positive cash flows from operations. Management of the Company has significant doubt as to the ability of the Company to fund planned expenditures and satisfy its debt obligation and has adopted the use of accounting principles applicable to a going concern, as noted in the Company's financial statements. If the Arrangement is not completed, the Company will be required to obtain additional financing and there is no assurance that additional financing will be available. In the absence of such additional financing, the Company will likely be unable to repay or refinance its outstanding accounts payables and accrued liabilities and its long-term debt and could result in the Company seeking bankruptcy protections.

(e) *Option to Increase Share Consideration/Reduced Cash Consideration Amount.* Under the Arrangement Agreement, the Company has the option, but not the obligation, to adjust the Consideration to be received by Company Shareholders under certain circumstances such that Company Shareholders will receive additional Aditxt Shares in exchange for a reduction in the Cash Consideration (calculated at a rate of one (1) additional Aditxt Share for each US$0.0467 reduction in Cash Consideration), allowing Company Shareholders to potentially benefit from any increase in the market value of Aditxt Shares from the date of the Arrangement Agreement to the Effective Time.

(f) *Participation by Shareholders in the Future Growth of the Combined Company.* Under the Arrangement, Company Shareholders will receive, in consideration for their Company Shares, Consideration Shares. The combination of Appili with Aditxt is an opportunity to own shares in a life sciences company developing technologies specifically focused on improving the health of the immune system through immune reprogramming and monitoring.

(g) *No Other Expression of Interest.* Since first announcing a potential business combination transaction with Aditxt on April 2, 2024, Appili has not received any inquiries or proposals that are, or could reasonably be expected to lead to, an Acquisition Proposal.

(h) *Receipt of the BDO Fairness Opinion.* The Company Special Committee and the Company Board has received the BDO Fairness Opinion, in which BDO provided an opinion to the effect that, as of the date of such opinion and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Consideration to be received under the Arrangement by Company Shareholders is fair, from a financial point of view, to the Company Shareholders.

(i) *Loss of Opportunity.* The Company Board considered the possibility that, if it declined to approve the Arrangement Agreement, there may not be another opportunity for Company Shareholders to receive comparable value in another transaction.

(j) *Arm's-Length Negotiation.* Senior management, with the oversight and direction of the Company Board and with advice from the Company's legal and financial advisors, vigorously negotiated on an arm's-length basis with Aditxt with respect to price and other terms and conditions of the Arrangement Agreement.

(k) *Strong Management Ability and Skills.* The Arrangement combines management teams with similar core philosophies, strong track records of execution and operational expertise in building leading businesses in the life sciences industry.

(l) *Shareholder Approval.* The required approval of Company Shareholders is protective of the rights of Company Shareholders. To be effective, the Arrangement Resolution must be approved by the affirmative vote of at least: (i) two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting and entitled to vote thereat on the Arrangement Resolution; and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting, excluding the votes cast in respect of any Company Shares held by persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101.

(m) *Court Process.* The Arrangement will be subject to a judicial determination of the Court that the Arrangement is fair and reasonable, both procedurally and substantively, to Company Shareholders.

(n) *Dissent Rights.* Registered Company Shareholders who do not vote in favour of the Arrangement will have the right to require a judicial appraisal of their Company Shares and obtain "fair value" pursuant to the proper exercise of the Dissent Rights.

(o) *Evaluation and Analysis.* The Company Special Committee has given lengthy consideration to the business, operations, assets, financial condition, operating results and prospects for the Combined Company as well as current industry, economic and market conditions and related risks. The Company Special Committee has considered the current and anticipated future opportunities and risks associated with the business, operations, assets, financial performance and condition of Appili, both in giving effect to the Arrangement and in considering Appili continuing as a stand-alone company.

(p) *Terms of the Arrangement Agreement.* The Arrangement Agreement is the result of a lengthy negotiation process and includes terms and conditions that the Company Special Committee and the Company Board determined to be reasonable in the circumstances including the right to change the Company Board Recommendation if Appili receives a Superior Proposal. By virtue of the right to change the Company Board Recommendation, the Company Board is able to advise Company Shareholders of any Superior Proposal so that they may make an informed decision with respect to approving the Arrangement Resolution.

(q) *No Approval from the Aditxt Shareholders*. The Arrangement does not require the approval of the Aditxt Shareholders.

(r) *Timeline to Completion.* The Company Board believes that the Arrangement is likely to be completed in accordance with its terms and within a reasonable time and in any event prior to the Outside Date.

(s) *Support of the Arrangement.* The Arrangement has the support of each of the Supporting Company Securityholders that have entered into Support and Voting Agreements. As of the Record Date, Supporting Company Securityholders representing approximately 11.9% of the voting rights attached to all of the Company Shares (and less than 1% of the Company Shares which are entitled to vote under the minority approval requirements for a business combination under MI 61-101).

(t) *Satisfaction of Indebtedness.* Under the terms of the Arrangement Agreement, Aditxt will (i) repay no less than 50% of the Company's outstanding senior secured debt at Closing and repay the remaining outstanding senior secured debt by no later than December 31, 2024, (ii) assume all of Appili's remaining outstanding liabilities and indebtedness, and (iii) satisfy certain payables of Appili at Closing as further detailed in the Arrangement Agreement.

(u) *Lender Consent and Waiver.* In connection with entering into the Arrangement Agreement, a senior secured lender of the Company provided their consent to the Arrangement along with certain waivers required pursuant to the terms of the loan agreement between the Company and such lender.

The Company Special Committee and Company Board also considered a number of potential risks and potential negative factors relating to the Arrangement.

See "THE ARRANGEMENT – *Reasons for the Arrangement*" and "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION"

Arrangement Mechanics

The following description is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached to this Circular as Appendix C. Capitalized terms used herein but not defined have their respective meanings as defined in the Plan of Arrangement.

Commencing at the Effective Time, the following will occur and will be deemed to occur as set out below without any further authorization, act or formality, in each case effective as at two minute intervals starting at the Effective Time:

(a) each Company Share held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred, without any further act or formality by or on behalf of any Dissenting Shareholder, to the Buyer in consideration for a debt claim against the Buyer for the amount determined under the Plan of Arrangement, and:

(i) such Dissenting Shareholder shall cease to be the holder of such Company Shares and shall cease to have any rights as a Company Shareholder other than the right to be paid fair value for such Company Shares;

(ii) such Dissenting Shareholder's name shall be removed as the holder of Company Shares from the register of Company Shareholders maintained by or on behalf of the Company; and

(iii) the Buyer shall be deemed to be the transferee of such Company Shares free and clear of all Liens (other than the right to be paid fair value for such Company Shares), and shall be entered in the applicable register of Company Shareholders maintained by or on behalf of the Company.

(b) each Company Share outstanding immediately prior to the Effective Time (other than Company Shares held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised and any Company Shares held by Aditxt, the Buyer or any affiliates thereof) shall, without any further action by or on behalf, of any Company Shareholder, be deemed to be assigned and transferred by the holder thereof to the Buyer in exchange for the Consideration, and:

(i) each holder of such Company Shares shall cease to be the holder thereof and to have any rights as a Company Shareholder other than the right to be paid the Consideration per Company Share in accordance with the Plan of Arrangement;

(ii) the name of each such holder shall be removed from the Company Share registers maintained by or on behalf of the Company; and

(iii) the Buyer shall be deemed to be the transferee of such Company Shares free and clear of all Liens and shall be entered in the Company Share registers maintained by or on behalf of the Company;

(c) each Company Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Stock Option Plan and any agreements related to the Company Options, shall be deemed to be unconditionally vested and exercisable, and such Company Option shall, without any further action by or on behalf, of any holder of Company Options, be deemed to be assigned and transferred by the holder thereof to the Company, and:

(i) each holder of such Company Options shall cease to be the holder thereof and to have any rights as a holder of Company Options other than the right to be paid the amount (if any) by which the Reference Price exceeds the exercise price of such Company Option, less applicable withholdings, in accordance with the Plan of Arrangement and each such Company Option shall immediately be cancelled and, for greater certainty, where such amount is a negative amount, neither the

Company nor the Buyer shall be obligated to pay the holder of such Company Option any amount in respect of such Company Option;

(ii) the name of each such holder shall be removed from the Company Option registers maintained by or on behalf of the Company; and

(iii) the Stock Option Plan and all agreements relating to the Company Options shall be terminated and shall be of no further force and effect;

(d) each Company Warrant outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Warrant Indentures and the warrant certificates related to the Company Warrants, shall be deemed to be unconditionally vested and exercisable, and such Company Warrant shall, without any further action by or on behalf, of any holder of Company Warrants, be deemed to be assigned and transferred by the holder thereof to the Company, and:

(i) each holder of such Company Warrants shall cease to be the holder thereof and to have any rights as a holder of Company Warrants other than the right to be paid the amount (if any) by which the Reference Price exceeds the exercise price of such Company Warrant, less applicable withholdings, in accordance with the Plan of Arrangement and each such Company Warrant shall immediately be cancelled and, for greater certainty, where such amount is a negative amount, neither the Company nor the Buyer shall be obligated to pay the holder of such Company Warrant any amount in respect of such Company Warrant;

(ii) the name of each such holder shall be removed from the Company Warrant registers maintained by or on behalf of the Company; and

(iii) the Warrant Indentures and the warrant certificates related to the Company Warrants shall be terminated and shall be of no further force and effect.

Pursuant to the terms of the Arrangement Resolution, the full text of which is set forth in Appendix B to this Circular, the Company Board will be empowered to amend or modify the Plan of Arrangement to allow for the Company to adjust the ratio of Share Consideration and Cash Consideration by the Reduced Cash Consideration Amount in the event that, *inter alia*, no third-party consent is required for Aditxt to issue such number of Aditxt Shares to Company Shareholders in excess of 19.99% of the issued and outstanding Aditxt Shares as of April 1, 2024 (the date of the Arrangement Agreement).

See "THE ARRANGEMENT – *Arrangement Mechanics"* or the Plan of Arrangement, a copy of which is attached to this Circular as Appendix C.

Required Company Shareholder Approvals

Pursuant to the Interim Order, to be effective, the Arrangement Resolution must be approved by the affirmative vote of at least: (i) two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting and entitled to vote thereat on the Arrangement Resolution; and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting, excluding the votes cast in respect of any Company Shares held by persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101.

See "THE ARRANGEMENT – *Required Shareholder Approval*".

Support and Voting Agreements

Supporting Company Securityholders entered into the Support and Voting Agreements with the Buyer pursuant to which, among other things, and subject to certain terms, conditions and exceptions, the Supporting Company Securityholders agreed to vote their Company Shares **FOR** the Arrangement Resolution.

The Supporting Company Securityholders, collectively as of the Record Date, beneficially own, or exercise control or direction over, directly or indirectly, approximately 11.9% of the voting rights attached to all of the Company Shares (and less than 1% of the Company Shares which are entitled to vote under the minority approval requirements for a business combination under MI 61-101).

See "THE ARRANGEMENT – *Support and Voting Agreements*".

Expenses of the Arrangement

Except as otherwise expressly provided in the Arrangement Agreement, all out-of-pocket expenses incurred in connection with the Arrangement Agreement or the transactions contemplated under the Arrangement Agreement, including legal fees, accounting fees, financial advisory fees, regulatory filing fees, stock exchange fees, all disbursements of advisors and printing and mailing costs, shall be paid by the Party incurring such expenses.

See "THE ARRANGEMENT - *THE ARRANGEMENT AGREEMENT–Expenses of the Arrangement*".

Court Approval of the Arrangement and Completion of the Arrangement

An arrangement under the OBCA requires Court approval. Prior to the sending of this Circular, the Company obtained the Interim Order, which provides for the calling and holding of the Meeting, the Dissent Rights and other procedural matters. A copy of the Interim Order is attached to this Circular as Appendix D.

Subject to obtaining the approval of Company Shareholders, the hearing in respect of the Final Order is currently scheduled to take place on November 14, 2024 at 10:00 a.m. (Toronto time) in Toronto, Ontario. Any Company Shareholder or other person who wishes to appear, or to be represented, and to present evidence or arguments must serve and file a notice of appearance as set out in the motion for an Interim Order and Final Order and satisfy any other requirements of the Court. The Court will consider, among other things, the substantive and procedural fairness of the Arrangement to the parties affected, including the Company Shareholders.

See "THE ARRANGEMENT – *Court Approval of the Arrangement and Completion of the Arrangement*".

Canadian Securities Laws – Application of Multilateral Instrument 61-101

The Company is a reporting issuer (or its equivalent) in each of the provinces and territories of Canada and, accordingly, is subject to the applicable Securities Laws of such provinces and territories, including MI 61-101 which has been adopted in Ontario and certain other provinces of Canada. MI 61-101 regulates transactions which raise the potential for conflicts of interest.

MI 61-101 is intended to ensure the protection and fair treatment of all securityholders. MI 61-101 regulates certain transactions, generally requiring enhanced disclosure, approval by the minority securityholders

excluding interested parties, related parties of interested parties and their joint actors and, in certain circumstances, independent valuations. The protections of MI 61-101 generally apply to "business combination" (as defined in MI 61-101) transactions in which the interests of securityholders may be terminated without their consent and where, *inter alia*, a "related party" of an issuer (as defined in MI 61-101 and including directors, executive officers and shareholders holding over 10% of outstanding voting shares of the issuer), in connection with an arrangement is entitled to receive, *inter alia*, a "collateral benefit" (as defined in MI 61-101).

As further described in this Circular, all of the Company Shares outstanding on the Effective Date will be exchanged for cash and Consideration Shares under the terms of the Plan of Arrangement. If a related party of the Company is entitled to receive a "collateral benefit" (as defined in MI 61-101) in connection with the Arrangement, the transaction is considered a "business combination" and subject to minority approval requirements at the Meeting.

Bloom Burton is expected to receive a "collateral benefit" in connection with the Arrangement. Accordingly, the votes cast in respect of the Company Shares or controlled by such persons will be excluded from minority vote in accordance with the requirements of MI 61-101.

*See "*SECURITIES LAW MATTERS–*Securities Laws - Application of Multilateral Instrument 61-101 -* Minority Approval*".*

U.S. Securities Laws

A general overview of certain requirements of U.S. Securities Laws relating to the Arrangement that may be applicable to certain Company Shareholders is described in this Circular under the heading "SECURITIES LAW MATTERS*".* **Each Company Shareholder is urged to consult such person's professional advisors to determine the U.S. conditions and restrictions applicable to trade in the securities issuable pursuant to the Arrangement.**

Further information applicable to holders of Company Shares in the United States is disclosed in this Circular under the heading "NOTICE TO SHAREHOLDERS IN THE UNITED STATES".

Dissenting Securityholders' Rights

Section 185 of the OBCA, as modified by the Plan of Arrangement and the Interim Order, provides that Company Shareholders who dissent to the Arrangement may exercise a right of dissent and require the Buyer to purchase the Company Shares held by such Company Shareholders at the fair value of such Company Shares.

A brief summary of the Dissent Rights available to Registered Company Shareholders is set forth under the heading "DISSENTING SHAREHOLDERS' RIGHTS*"* in this Circular. However, such summary is qualified in its entirety by the provisions of Section 185 of the OBCA, the full text of which is set out in Appendix F and by the Plan of Arrangement and Interim Order, the full texts of which are set forth in Appendices C and D, respectively. **Each Company Shareholder who wishes to exercise Dissent Rights should carefully consider and comply with the provisions of Section 185 of the OBCA and also with the specific provisions of the Plan of Arrangement and the Interim Order, and in each instance consult a legal advisor. A copy of Section 185 of the OBCA is set out in Appendix F and copies of the Plan of Arrangement and the Interim Order are attached to this Circular as Appendices C and D, respectively.**

See "DISSENTING SHAREHOLDERS' RIGHTS".

Risk Factors Relating to the Arrangement

Company Shareholders should carefully consider the following risk factors relating to the Arrangement before deciding to vote or instruct their vote to be cast to approve the matters relating to the Arrangement.

Some of these risks include, but are not limited to: risks that the anticipated benefits of the Arrangement may not occur; risks associated with a fixed exchange ratio; the risk that the Termination Fee may discourage other parties from attempting to acquire the Company; risks that the Company will incur substantial transaction-related costs in connection with the Arrangement; the risk that, while the Arrangement is pending, the Company is restricted from taking certain actions; the risk that the pending Arrangement may divert the attention of the Company's management; the risk that directors and senior officers of the Company may have interests in the Arrangement that are different from those of the Company Shareholders; risks that the Consideration to be paid in Aditxt Shares is fixed and will not be adjusted in the event of any change in either of the Company's or Aditxt's share prices; and risks that Aditxt may not be successful in completing the Financing.

In addition to the risk factors relating to the Arrangement as set out in *"*Risks Related to the Arrangement*",* there are also significant risks associated with Aditxt's and Evofem's businesses. Company Shareholders are strongly encouraged to carefully consider the risks discussed in Aditxt's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and the Definitive Proxy Statement of Aditxt dated July 5, 2024, which are incorporated by reference into this Circular. In addition, Company Shareholders should also carefully consider the risk factors applicable to the Company set out in Appendix I and the Company's public filings, as incorporated by reference in to Appendix I, copies of which are available under the Company's profile on SEDAR+ at www.sedarplus.ca, in conjunction with the other information included in this Circular.

Additional risks and uncertainties, including those currently unknown or considered immaterial by Aditxt, may also adversely affect the business of the Company and Aditxt following completion of the Arrangement. These risks could have a material adverse effect on, among other things, the operating results, earnings, properties, business and condition (financial or otherwise) of Aditxt.

See "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION*"* and *"*INFORMATION CONCERNING ADITXT BEFORE AND AFTER THE ARRANGEMENT AND EVOFEM*"– Risk Factors"* in Appendix J.

Procedures for the Surrender of Share Certificates or DRS Statements and Payment of Consideration

If the Arrangement is approved by Company Shareholders and the Arrangement is implemented, in order to receive the Consideration that you are entitled to, Registered Company Shareholders must complete and sign the Letter of Transmittal enclosed with this Circular and deliver it (or an originally signed facsimile thereof), together with the certificates or DRS statements representing their Company Shares and the other relevant documents required by the instructions set out therein, to the Depositary in accordance with the instructions contained in the Letter of Transmittal. You can request additional copies of the Letter of Transmittal by contacting the Depositary. The Letter of Transmittal are also available under SEDAR+ at www.sedarplus.ca under the Company's profile.

See "PROCEDURES FOR THE SURRENDER OF SHARE CERTIFICATES OR DRS STATEMENTS AND PAYMENT OF CONSIDERATION".

Income Tax Considerations

Holders of securities of the Company should consult their own tax advisors about the applicable U.S. and Canadian federal, provincial, state and local tax consequences of the Arrangement. See "CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS".

Information Concerning the Company

For information concerning the Company, please see Appendix I.

Information Concerning Aditxt and Evofem

For information concerning Aditxt, including information concerning Aditxt before and after the Arrangement and the proposed acquisition of Evofem, please see Appendix J.

Pro forma Financial Information

For pro forma financial statements of Aditxt following the Arrangement, see Appendix J – *Exhibit IV*.

GENERAL PROXY INFORMATION

Solicitation of Proxies

This Circular is furnished in connection with the solicitation of proxies by the management and the directors of the Company for use at the Meeting of the Company Shareholders to be held virtually via a live teleconference hosted through the facilities of Chorus Call at 11:00 a.m. (Toronto time), on November 6, 2024 and at all adjournments or postponements thereof for the purposes set forth in the Notice of Meeting. The solicitation of proxies will be made primarily by mail and electronic delivery and may be supplemented by telephone or other personal contact by the directors, officers and employees of the Company. Directors, officers, and employees of the Company will not receive any extra compensation for such activities. The Company and the Buyer may also retain and pay a fee to one or more professional proxy solicitation firms to solicit proxies from the Company Shareholders to vote **FOR** the matters set forth in the Notice of Meeting. The Company and the Buyer may also retain and pay a fee to one or more professional proxy solicitation firms to solicit proxies from the Company Shareholders to vote **FOR** the matters set forth in the Notice of Meeting. The Company may and, if so requested by the Buyer, at the Buyer's cost, solicit proxies in favour of the approval of the Arrangement Resolution using dealer and proxy solicitation services in compliance with Law.

The Company is not using "notice and access" to send its proxy related materials to Company Shareholders, and copies of such materials will be sent to all Company Shareholders. The Company intends to pay for an Intermediary to deliver the Meeting Materials to objecting Non-Registered Company Shareholders.

No person is authorized to give any information or to make any representation other than those contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. The delivery of this Circular shall not, under any circumstances, create an implication that there has not been any change in the information set forth herein since the date hereof.

Voting at the Meeting

The Meeting will be hosted virtually by way of a teleconference. Company Shareholders will not be able to attend the Meeting in person.

In order to be permitted to ask questions and participate in telephone voting, each Registered Company Shareholder or duly appointed proxyholder must pre-register via the following link prior to proxy cut-off time at 11:00 a.m. (Toronto time) on November 4, 2024:

https://dpregister.com/sreg/10193203/fda22d5082

Registered Company Shareholders and duly appointed proxyholders who have properly pre-registered to participate in the Meeting will have the opportunity to speak during the Meeting, and provided they have not already submitted their votes, participate in telephone voting. All other shareholders and stakeholders can attend the Meeting via teleconference without pre-registering but will not be permitted to ask questions during the Meeting.

After pre-registration has been completed, pre-registered Registered Company Shareholders and duly appointed proxyholders will see on screen a unique PIN they have been assigned and dial-in phone numbers they will use to join the conference call. These details will also be sent to the pre-registered Registered Company Shareholders and duly appointed proxy holders by email in the form of a calendar booking. It is recommended to connect at least ten minutes prior to the scheduled start time of the Meeting.

Voting at the Meeting will only be available for Registered Shareholders and duly appointed proxyholders.

All other shareholders and stakeholders wishing to attend the Meeting can log onto the webcast: https://event.choruscall.com/mediaframe/webcast.html?webcastid=0OG2h9L9.

If they prefer to attend by teleconference, they may do so on a listen-only basis by dialing the following toll free, or international toll number approximately five minutes prior to the commencement of the Meeting and asking the operator to join the Annual and Special Meeting of the shareholders of Appili Therapeutics Inc.

Toll-free (Canada/U.S.): 1-844-763-8274, or

Toll (International): +1-647-484-8814

Appointment of Proxies

The persons named in the enclosed Proxy are directors and/or officers of the Company. **COMPANY SHAREHOLDERS HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE PROXY INSTRUMENT** either by striking out the names of the persons designated in the proxy and by inserting the name of the person or company to be appointed in the space provided in the proxy or by completing another proper form of proxy.

A proxy can be submitted by a Registered Company Shareholder to Computershare either (a) in person, or by mail or courier, to Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, (b) using a touch-tone phone to transmit voting choices to 1-866-732-VOTE (8683) or (c) via the internet at www.investorvote.com. The proxy must be deposited with Computershare by no later than 11:00 a.m. (Toronto time) on November 4, 2024 or, if the Meeting is adjourned or postponed, at least 48 hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) before the beginning of any adjournment(s) or postponement(s) to the Meeting. Late proxies may be accepted or rejected by the Chairperson, in his or her discretion. However, the Chairperson is under no obligation to accept or reject any particular late proxy. The Chairperson may waive this time limit for receipt of proxies without notice.

If a Registered Company Shareholder who has submitted a proxy attends the Meeting (as described herein) and has accepted the terms and conditions when entering the Meeting, any votes cast by such Registered Company Shareholder at the Meeting will be counted and the submitted Proxy will be disregarded.

Revocation of Proxies

A Registered Company Shareholder who has given a proxy may revoke the proxy in accordance with the OBCA (except as the procedures of that section are varied by the Interim Order) at any time prior to use by depositing an instrument in writing, including another completed form of proxy, executed by such Registered Company Shareholder or by his or her attorney authorized in writing or by electronic signature, or, if the Registered Company Shareholder is a corporation, by an authorized officer or attorney thereof, or by transmitting by telephone or electronic means, a revocation signed, subject to the OBCA, by electronic signature to the Company at 77 King Street West, Suite 400, Toronto-Dominion Centre Toronto, Ontario M5K 0A1 Canada or to the Company's transfer agent, Computershare Investor Services Inc., Attention: Proxy Department at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1. Any revocation must

be received by the Company or Computershare Investor Services Inc. by 5:00 p.m. (Toronto Time) on the Business Day immediately preceding the day of the Meeting (or any adjournment or postponement thereof).

Exercise of Discretion by Proxies

The Company Shares represented by an appropriate form of proxy will be voted, by ballot or otherwise, at the Meeting, or at any adjournment or postponement thereof, in accordance with the instructions contained on the form of proxy and, if the Company Shareholder specifies a choice with respect to any matter to be acted on, the Company Shares will be voted accordingly. **In the absence of instructions, such Company Shares will be voted FOR each of the matters described in the Notice of Meeting.**

The enclosed forms of proxy, when properly completed and signed, confer discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters described in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment or postponement thereof, whether or not any amendments or variations or other matters are routine or contested. As at the date hereof, management of the Company knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matter which is not now known to management of the Company should properly be brought before the Meeting, or any adjournment or postponement thereof, the Company Shares represented by such proxy will be voted on such matter in accordance with the judgment of the person named as proxy thereon.

Signing of Proxy

The appropriate form of proxy must be signed by the Company Shareholder or the duly appointed attorney thereof authorized in writing or, if the Company Shareholder is a corporation, by an authorized officer of such corporation whose title must be indicated. A form of proxy signed by the person acting as attorney of the Company Shareholder or in some other representative capacity should indicate the capacity in which such person is signing and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Company). A Company Shareholder or his or her attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such Company Shareholder or by or on behalf of his or her attorney, as the case may be.

Non-Registered Company Shareholders

Only Registered Company Shareholders, or the persons they appoint as their proxy, are entitled to attend and vote at the Meeting. The Company Shares of a Non-Registered Company Shareholder (a "**Non-Registered Company Shareholder**") will generally be registered in the name of either:

(a) an intermediary (an "**Intermediary**") with whom the Non-Registered Company Shareholder deals in respect of the Company Shares (including, among others, banks, trust companies, securities dealers or brokers, trustees or administrators of a self-administered registered retirement savings plan, registered retirement income fund, registered education savings plan and similar plans); or

(b) a clearing agency (such as CDS) of which the Intermediary is a participant.

In accordance with the requirements of NI 54-101 of the Canadian Securities Administrators, the Company has distributed copies of the Notices of Meeting, this Circular and the accompanying forms of proxy (collectively, the "**Meeting Materials**") to the Intermediaries for onward distribution to Non-Registered

Company Shareholders. Intermediaries are required to forward the Meeting Materials to Non-Registered Company Shareholder unless the Non-Registered Company Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Company Shareholders. Generally, Non-Registered Company Shareholders who have not waived the right to receive Meeting Materials will be given either:

(a) a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Company Shareholders and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow. Typically, the voting instruction form will consist of a one (1) page pre-printed form. Sometimes, instead of the one (1) page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Company Shareholders must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or

(b) a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Company Shares beneficially owned by the Non-Registered Company Shareholders but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Company Shareholders when submitting the proxy.

In either case, the purpose of these procedures is to permit Non-Registered Company Shareholders to direct the voting of the Company Shares they beneficially own. Should a Non-Registered Company Shareholder who receives either a voting instruction form or a form of proxy wish to attend the Meeting, as applicable, and vote (or have another person attend and vote on behalf of the Non-Registered Company Shareholder), the Non-Registered Company Shareholder should strike out the names of the persons named in the form of proxy and insert the Non-Registered Company Shareholder's (or such other person's) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on the form. **Non-Registered Company Shareholders should carefully follow the instructions of their Intermediaries and their service companies, including those instructions regarding when and where the voting instruction form or the form of proxy is to be delivered.**

A Non-Registered Company Shareholder who has submitted a proxy may revoke it by contacting the Intermediary through which the Company Shares of such Non-Registered Company Shareholder are held and following the instructions of the Intermediary respecting the revocation of proxies.

Participation at the Meeting

For how to vote at this virtual meeting, please see "*Voting at the Meeting*" above.

- For United States Beneficial Holders: To attend and vote at the Meeting, you must first obtain a valid proxy from your broker, bank or other agent and then register in advance. Follow the instructions from your broker or bank included with the proxy materials or contact your broker or bank to request a form of proxy. After first obtaining a valid form of proxy from your broker, bank or other agent, you must submit a copy of your proxy to Computershare in order to register to attend the meeting. Requests for registration should be sent:

By mail to: COMPUTERSHARE
100 UNIVERSITY AVENUE 8TH FLOOR
TORONTO, ON M5J 2Y1

By email at: USLegalProxy@computershare.com

Even if you plan to attend the Meeting, we recommend that you vote in advance, so that your vote will be counted if you later decide not to attend the Meeting. If you intend to vote at the meeting, please see "*Voting at the Meeting"* above.

All holders of the Company Options and Company Warrants will be entitled to attend the Meeting, but will not be entitled to vote or ask questions at the Meeting in such capacity.

If a Company Shareholder has any questions or requires assistance with voting, such Company Shareholder should contact Computershare Investor Services Inc. at service@computershare.com or by phone at 1-800-564-6253 (toll free in Canada and the United States) between 9:00 a.m. and 6:00 p.m. (ET) or 514-982-7555 (international direct dial).

Quorum and Procedure

The quorum for any meeting of Company Shareholders will be two (2) persons who are, or who duly represent by proxy, Company Shareholders who, in the aggregate, hold at least 5% of the outstanding shares entitled to vote at the Meeting.

The Interim Order provides that each holder of Company Shares at the close of business on the Record Date will be entitled to receive notice of, to attend and to vote at the Meeting. Each Company Share entitled to be voted at the Meeting will entitle the holder thereof as of the Record Date to one (1) vote at the Meeting in respect of the Arrangement Resolution.

Pursuant to the Interim Order, to be effective, the Arrangement Resolution must be approved by the affirmative vote of at least: (i) two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting and entitled to vote thereat on the Arrangement Resolution; and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting, excluding the votes cast in respect of any Company Shares held by persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Company Board, without notice to or approval of the Company Shareholders, to amend, modify or supplement the Arrangement Agreement or the Plan of Arrangement, to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, and, subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions. Notwithstanding the foregoing, the Arrangement Resolution contemplated, Company Shareholders authorizing the Company to amend the Plan of Arrangement to allow for the Company's election to require the Reduced Cash Consideration Amount as further set out in, and pursuant to the terms of, the Arrangement Agreement. See Appendix B to this Circular for the full text of the Arrangement Resolution.

Voting Securities and Principal Holders Thereof

Only Company Shareholders of record as of the Record Date are entitled to receive notice of, attend and vote at the Meeting. As at the Record Date, the Company had 121,266,120 Company Shares issued and outstanding. Each Company Share carries the right to one (1) vote.

The record date for the purpose of determining the Company Shareholders entitled to receive notice of the Meeting has been fixed by the Company Board to be October 2, 2024 (the "**Record Date**"). Only Company Shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Company Shares voted at the Meeting.

Except as set out below, to the knowledge of the directors and executive officers of the Company, no persons or corporations beneficially own, or control or direct, directly or indirectly, 10% or more of the issued and outstanding Company Shares as of the Record Date:

Name	Number of Company Shares Beneficially Owned or Controlled or Directed	Percentage of Outstanding Company Shares
Bloom Burton & Co. Inc. ("**Bloom Burton**")	14,358,611[(1)]	11.84%

Note:

(1) Bloom Burton holds, in the aggregate, 14,358,611 Company Shares as follows: (a) 454,120 Company Shares directly; (b) 13,896,000 Company Shares indirectly through Bloom Burton Development Corporation, its wholly-owned subsidiary; and (c) 8,491 Company Shares indirectly through BBSI. Brian Bloom, a director of the Company, together with Jolyon Burton, beneficially own, indirectly, and exercise control and direction over Bloom Burton.

THE ARRANGEMENT

At the Meeting, Company Shareholders will be asked to consider and, if thought advisable, to pass, with or without variation, the Arrangement Resolution to approve, *inter alia*, the Arrangement pursuant to Section 182 of the OBCA. The terms of the Arrangement, the Plan of Arrangement and other material documents are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the Arrangement Agreement and the Plan of Arrangement attached thereto, which have been filed on SEDAR+ at www.sedarplus.ca under the Company's profile. A copy of the Plan of Arrangement is also attached to this Circular as Appendix C.

To be effective, the Arrangement Resolution must be approved by the affirmative vote of at least: (i) two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting and entitled to vote thereat on the Arrangement Resolution; and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting, excluding the votes cast in respect of any Company Shares held by persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101, as further described below. See "THE ARRANGEMENT -- *Required Shareholder Approval"* and *"*SECURITIES LAW MATTER*S–Securities Laws - Application of Multilateral Instrument 61-101* - Minority Approval*"*. A copy of the Arrangement Resolution is set out in Appendix B.

Unless otherwise directed in properly completed forms of proxy, it is the intention of the individuals named in the enclosed form of proxy to vote **FOR** the Arrangement Resolution. If you do not specify how you

want your Company Shares to be voted at the Meeting, the persons named as proxyholders in the enclosed form of proxy will cast the votes represented by your proxy at the Meeting **FOR** the Arrangement Resolution.

If the Arrangement Resolution is approved at the Meeting, the Final Order approving the Arrangement is issued by the Court and the applicable conditions to the completion of the Arrangement are satisfied or waived, the Arrangement is expected to take effect at 12:01 a.m. (Toronto time) on the Effective Date, which is expected to occur as soon as possible after satisfaction or waiver of all such conditions in accordance with the Arrangement Agreement.

Purpose of the Arrangement

The purpose of the Arrangement is for Aditxt, through the Buyer as its wholly-owned subsidiary, to acquire all of the issued and outstanding Company Shares. Company Shareholders will ultimately be entitled to, for each Company Share they own immediately prior to the Effective Time: (i) US$0.0467 in cash (less applicable withholding taxes); and (ii) 0.0000686251 of a Consideration Share (subject to adjustment in the manner and in the circumstances contemplated in the Arrangement Agreement). Company Shareholders will be notified by way of press release if the Consideration is subject to any further adjustment.

Background to the Arrangement

The terms of the Arrangement are the result of extensive arm's length negotiations conducted between certain representatives of Appili and Aditxt and their respective advisors. The following is a summary of the events leading up to the negotiation of the Arrangement Agreement, including the key meetings, negotiations, discussions and actions between the parties that preceded the execution and public announcement of the Arrangement Agreement.

Management of Appili and the Company Board regularly consider, monitor and investigate opportunities to enhance shareholder value. From time to time, these opportunities have included the consideration of potential strategic transactions with various industry participants and other interested parties, including joint ventures, strategic partnerships, investments and other commercial relationships, and management of Appili and the Company Board review and consider such transactions as they arise in order to determine whether pursuing them would be in the best interests of Appili and its stakeholders.

Management of Appili and the Company Board also regularly review and consider market conditions, including factors that affect the business and operations of Appili. As part of this process, in late October 2021, the Company engaged in preliminary discussions with Aditxt with respect to a potential business combination transaction whereby Aditxt would acquire all of the issued and outstanding Appili Shares in exchange for Aditxt Shares (the "**Initial Aditxt Transaction**").

In connection with such discussions, on December 15, 2021, the Company Board established the Company Special Committee comprised of Ian Mortimer, Rochelle Stenzler, Theresa Matkovits and Juergen Froehlich (each of whom was an independent director of Appili). The Company Special Committee was given a broad mandate to, among other things, review and evaluate any formal proposals received (including the Initial Aditxt Transaction) and oversee negotiations respecting any definitive agreements or other documents to be entered into by the Company in connection with any potential transaction related to the acquisition of the outstanding securities of the Company or its assets, or any reorganization, amalgamation, arrangement, merger, significant investment resulting in a new control person or insider, or similar transaction (a "**Potential Transaction**") and to oversee the implementation of any Potential Transaction. For these purposes, the Company Special Committee determined to use Dentons, ongoing

counsel to the Company, as its legal advisor until such time as specific circumstances dictated engaging separate counsel.

Following consultations with the Company Special Committee, on December 23, 2021, Appili entered into a non-binding letter of intent with Adtixt with respect to the Initial Aditxt Transaction (the "**Initial Aditxt LOI**").

Through the remainder of December 2021 and the month of January 2022, the parties advanced the discussions with respect to certain terms governing the Initial Aditxt Transactions, including the structure and quantum of the consideration and certain bridge financing requirements. The parties also exchanged preliminary drafts of various definitive documents and commenced their mutual due diligence processes.

After extensive discussions, the parties could not reach mutual agreement on various transaction terms. Accordingly, the parties ceased discussions and the Initial Aditxt LOI automatically terminated on January 31, 2022 in accordance with its terms.

In May 2023, the Company received an unsolicited offer from a third party (the "**May 2023 Bidder**") relating to a potential strategic transaction involving the Company. In response, on May 15, 2023, the Company Board reconstituted the Company Special Committee to be comprised of Theresa Matkovits (Chair), Brian Bloom, Juergen Froehlich and Rochelle Stenzler (each of whom was an independent director of Appili) and reconfirmed their previously approved mandate. Dentons was also reconfirmed as legal advisor to the Company Special Committee until such time as specific circumstances dictated engaging separate counsel.

After due consideration, the Company Special Committee determined that, in light of the financial position of Appili and the offer received, it would be in the best interests of Appili to retain a financial advisor to assist the Company with considering its strategic alternatives. The Company Special Committee further determined that the unsolicited offer was not sufficiently competitive to warrant proceeding with such offer at that time.

From late-May 2023 to mid-July 2023, management of Appili engaged in a search to identify a potential financial advisor to assist Appili with its strategic review process. Given Appili's limited financial resources and the niche space in which Appili operates, Appili was not able to identify a viable, independent financial advisory firm (despite extensive discussions with a number of potential advisory firms). In light of this, at the request of the Company Special Committee, BBSI tabled a proposal to act as Appili's financial advisor in connection with its strategic review process.

On July 6, 2023, Appili received a subsequent offer from the May 2023 Bidder with respect to the acquisition of Appili's ATI-1801 program. After due consideration, given the terms of such offer, the Company Special Committee determined not to pursue the offer at that time, but reserved the right to revisit the offer following completion of the ongoing strategic review process.

On July 19, 2023, with the authorization of the Company Special Committee and the disinterested members of the Company Board, Appili entered into an engagement letter with BBSI pursuant to which BBSI agreed to provide advisory services to Appili in connection with the sale of certain assets of Appili, the sale of all or a portion of the issued and outstanding Company Shares, the acquisition of one or more strategic assets or companies by Appili and/or financing transactions to refinance or recapitalize Appili. In connection with such engagement, Brian Bloom stepped down from the Company Special Committee given his role as a principal of BBSI.

From July 2023 to January 2024, the Company Special Committee, with the assistance of BBSI, conducted an extensive review of various strategic alternatives available to Appili. This included consideration of the sale of certain assets of Appili, the sale of all or a portion of the issued and outstanding Company Shares, the acquisition of one or more strategic assets or companies by Appili and/or financing transactions to refinance or recapitalize Appili. As part of this process, BBSI conducted a confidential, targeted reach-out to certain third parties to assess their interest with respect to a Potential Transaction. BBSI approached approximately 40 different parties (the "**Approached Parties**"), of which 6 executed non-disclosure agreements. During this time, the Company Special Committee met on a weekly or bi-weekly to monitor the financial position of the Company and to receive reports from management and BBSI with respect to the Strategic Process. Ultimately, none of the Approached Parties were interested in proceed with a Potential Transaction, or the terms proposed were not as favourable as the terms proposed by Adixt.

As part of the strategic review process, from July 2023 to November 2023, Appili engaged in discussions with a financing company with respect to the purchase of certain receivables of the Company to help bridge certain anticipated funding gaps. Following due consideration of the terms of the proposed transaction and Appili's projected financial position for the near term, the Company Special Committee determined that it was not in the best interests of Appili to proceed with the receivables purchase transaction at this time.

In October 2023, the Company received a preliminary offer from a third party with respect to the purchase of its royalty stream in ATI-1501 (the "**Royalty Purchase Transaction**"). Throughout November 2023 to February 2024, Appili, under the guidance and supervision of the Company Special Committee, proceeded to structure and negotiate the potential terms and conditions of the Royalty Purchase Transaction. This involved extensive discussions among the parties, including with Appili's licensing partner, with respect to potential transaction structures.

On November 13, 2023, the Company Board appointed Prakash Gowd to the Company Special Committee replacing Rochelle Stenzler who had recently passed away. Following such date, the Company Special Committee was comprised of Theresa Matkovits (Chair), Juergen Froehlich and Prakash Gowd (each of whom was an independent director of Appili).

In late December 2023, Appili, through BBSI, re-engaged in discussions with Aditxt with respect to a potential business combination transaction pursuant to which Aditxt proposed to acquire all of the issued and outstanding Company Shares in exchange for the issuance of 2,000,000 Aditxt Shares. Aditxt also agreed to certain repayment arrangements with respect to the secured loan with Long Zone Holdings Inc. ("**LZH**") and certain Appili payables.

On January 19, 2024, at the direction of the Company Special Committee, Appili entered into an expression of interest agreement with Aditxt (the "**Expression of Interest**") pursuant to which Aditxt was granted exclusivity until January 22, 2024. Notably, the exclusivity provisions did not prevent Appili from continuing to pursue the Royalty Purchase Transaction.

Following execution of the Expression of Interest, each of the parties commenced customary due diligence on the other party. Representatives of Appili (under the supervision of the Company Special Committee) and Aditxt and their respective advisors reviewed and evaluated a variety of matters and conducted further negotiations, including the preparation of definitive transaction documentation in respect of the Arrangement. In addition, representatives of Appili and Aditxt (and their respective advisors) met virtually on a number of occasions to discuss various transaction-related matters, including the transaction structure.

On February 6, 2024, Dentons circulated an initial draft of the Arrangement Agreement.

From February 6, 2024 to March 31, 2024, Appili (with oversight and input from the Company Special Committee), and Aditxt negotiated the Arrangement Agreement and other ancillary agreements, including the Voting Support Agreements and the Plan of Arrangement. The parties also continued to conduct customary reciprocal due diligence for transactions of the nature of the Arrangement. During this period, the Company Special Committee met on a regular basis to assess the process of the proposed transaction and to direct management of Appili on certain of the negotiations and considerations pertinent to the proposed transaction. Representatives of Appili (under the supervision and guidance of the Company Special Committee) and Aditxt, and their respective advisors continued to review and evaluate a variety of matters and continued to conduct further negotiations with respect to the Arrangement, including the preparation of, and further revisions of, the definitive transaction documentation in respect of the Arrangement. During this time, the parties (and their respective legal advisors) held a number of meetings with respect to outstanding due diligence matters, transaction structure, tax and regulatory considerations, the draft Arrangement Agreement and other ancillary documents. The Company Special Committee also met on a regular basis to receive updates from the management team and discuss various transaction related matters (including to provide guidance on various transaction documents).

In March 2024, following extensive discussions regarding potential transaction structures, the parties agreed to restructure the consideration to be paid to the Company Shareholders as follows: (1) such number of Aditxt Shares would be issued to Company Shareholders such that Company Shareholders would hold an aggregate of approximately 19.99% of the issued and outstanding Aditxt Shares (calculated as of April 1, 2024 (the date of the Arrangement Agreement)); and (2) the balance would be satisfied in cash at closing.

On March 20, 2024, the Company Special Committee formally retained BDO Canada LLP to act as independent advisor to the Company Special Committee and the Company Board for the purposes of providing the BDO Fairness Opinion.

During the afternoon of March 28, 2024, a meeting of the Company Special Committee was convened to consider the Arrangement Agreement and related matters. The Company Special Committee members were joined by external counsel, Dentons, as well as BDO, and, for a portion of the meeting, members of management. During the course of the meeting, representatives of Dentons provided an overview of certain specific terms and conditions of the various definitive agreements and answered questions from the Company Special Committee. BDO also delivered the verbal BDO Fairness Opinion, which stated that, as of the date thereof, based upon and subject to the assumptions made, matters considered and limitations and qualifications to be set forth in the BDO Fairness Opinion, and such other factors as BDO considered relevant, the consideration to be received by Company Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Company Shareholders.

After duly considering the financial aspects and other considerations relating to the Arrangement (including those discussed immediately above), the potential impact on the Company Shareholders and other Company stakeholders, the legal and financial advice provided (including the verbal confirmation of the BDO Fairness Opinion), the financial condition of the Company and other matters considered relevant, the Company Special Committee unanimously determined that the Arrangement is in the best interests of the Company and that the Arrangement is fair, from a financial point of view, to Company Shareholders, and preliminarily determined to recommend to the Company Board that the Company approve the Arrangement and enter into the Arrangement Agreement, with the final recommendation to be made subject to resolution of certain outstanding items. In particular, the Company Special Committee gave special consideration to, among others, the following significant factors: (1) the difficult financial position of the Company that materially impacted the Company's ability to continue as a going concern; (2) the fact that such financial position was unlikely to improve absent a meaningful strategic transaction or other source of funding (the prospects of which were highly uncertain); (3) the fact that the Royalty Purchase Transaction had not progressed as expected and faced significant uncertainty of completion due to certain challenging

structuring considerations; and (4) more generally, the fact that the strategic review process conducted with the assistance of BBSI over an approximately 9-month period yielded few viable alternatives, none of which were financially superior to the Arrangement. For further details see "THE ARRANGEMENT – *Reasons for the Arrangement*".

From March 28 to April 1, 2024, the parties worked to resolved various outstanding matters.

During the evening of April 1, 2024, BDO reconfirmed the BDO Fairness Opinion. Thereafter, the Company Special Committee reconfirmed its preliminary determinations (with reference to the factors discussed above) and finalized its formal recommendation that the Company Board approve the Arrangement.

A meeting of the Company Board was then convened during the evening of April 1, 2024. The members of the Company Board received the formal recommendation of the Company Special Committee. BDO then re-confirmed the verbal BDO Fairness Opinion.

After careful consideration and having considered, among other things, the recommendation of the Company Special Committee, advice from its legal counsel with respect to fiduciary duties, the potential impact of the Arrangement on the Company Shareholders and other Appili stakeholders, the legal and financial advice provided (including the verbal confirmation of the BDO Fairness Opinion) and other matters considered relevant, the disinterested members of the Company Board unanimously determined that the Arrangement is in the best interests of the Company and that the Consideration to be received by Company Shareholders is fair, from a financial point of view, and recommended to the Company Shareholders that they vote in favour of the Arrangement Resolution at a special meeting of the Company Shareholders to be called in order to consider the Arrangement. For further details see "THE ARRANGEMENT – *Reasons for the Arrangement*".

Following the meeting of the Company Board, the parties finalized the Arrangement Agreement and other ancillary documents (including the forms of Voting Support Agreements, the Plan of Arrangement and the consent agreement between the Company and LZH whereby LZH consented to the Arrangement). The Arrangement Agreement and other transaction documents were executed after close of markets in the late evening of April 1, 2024.

Before the open of markets on April 2, 2024, Appili and Aditxt announced the execution of the Arrangement Agreement.

On July 1, 2024, the Arrangement Agreement was amended by an amending agreement between Appili, Aditxt and the Buyer to: (i) change the Outside Date (as defined in the Arrangement Agreement) from July 31, 2024 to August 30, 2024, (ii) change the deadline to convene the Meeting from June 30, 2024 to August 30, 2024, and (iii) change the deadline for Aditxt to complete the Financing (as defined in the Arrangement Agreement) from June 30, 2024 to August 30, 2024 or such later date as Appili, Aditxt and the Buyer may agree in writing. On July 17, 2024, the Arrangement Agreement was further amended by a second amending agreement between Appili, Aditxt and the Buyer to: (i) change the Outside Date from August 30, 2024 to September 30, 2024, (ii) change the deadline to convene the Meeting from August 30, 2024 to September 30, 2024, and (iii) change the deadline for Aditxt to complete the Financing from August 30, 2024 to September 15, 2024 or such later date as Appili, Aditxt and the Buyer may agree in writing.

By notice of application issued on July 18, 2024, Appili commenced an application for, amongst other things, an interim order for advice and directions pursuant to section 192 of the CBCA with respect to the Arrangement, and a final order approving the Arrangement pursuant to section 192 of the CBCA (the "**CBCA Application**"). Appili provided its draft motion materials in support of an interim order to the

office of the director of Corporations Canada (the "**CBCA Director**") for review and comment. The CBCA Director required that Appili confirm that it would meet the requisite solvency test in accordance with section 192(2) of the CBCA by the return of the CBCA Application. Appili could not meet this requirement. Accordingly, the Company was unable to consummate the proposed transaction with Aditxt by way of a plan of arrangement under the CBCA.

After discussion with Aditxt, the Company determined to complete the Arrangement by way of a plan of arrangement under Section 182 of the OBCA, as the OBCA does not have the same solvency requirements contemplated by the CBCA. On August 19, 2024, the Company Board, upon the recommendation of the Company Special Committee, *inter alia* (i) determined that the Continuance is in the best interest of the Company and its various stakeholders, (ii) called the Company AGM to consider, among other things, a special resolution approving the Continuance; and (iii) unanimously recommended that Company Shareholders vote in favour of each of the resolutions Company Shareholders would be asked to consider at the Company AGM, including the special resolution approving the Continuance.

On August 20, 2024, the Arrangement Agreement was further amended by a third amending agreement to, *inter alia*: (i) change the Outside Date from September 30, 2024 to November 19, 2024; (ii) require the Company to convene the Company AGM, in parallel to the Meeting, to consider the special resolution approving the Continuance as promptly as practicable; (iii) change the deadline to convene the Meeting from September 30, 2024 to November 6, 2024; (iv) change the deadline for Aditxt to complete the Financing from September 15, 2024 to October 18, 2024; and (v) impose the completion of the Continuance as a condition to the completion of the Arrangement.

On September 17, 2024, the Company held the Company AGM and obtained approval from Company Shareholders to complete the Continuance. On September 24, 2024, the Company completed the Continuance. Following the Continuance, the CBCA ceased to apply to the Company and the Company became subject to the OBCA, as if it had been originally incorporated as a corporation under the provincial laws of Ontario.

On October 1, 2024, the Court granted the Interim Order as attached as Appendix D to this Circular.

On October 4, 2024, the Company Board approved the contents and mailing of this Circular to Company Shareholders, subject to any amendments approved by Appili's senior management, and the Company Board ratified the recommendation to Company Shareholders with respect to the Arrangement.

BDO Fairness Opinion

On March 20, 2024, BDO Canada LLP was formally retained by the Company Special Committee under the BDO Engagement Agreement, for and on behalf of the Company Special Committee and the Company Board, to provide a fairness opinion to the Company Board and the Company Special Committee regarding the fairness of the potential sale of all the outstanding Company Shares to Aditxt, from a financial point of view, to Company Shareholders.

Pursuant to the BDO Engagement Agreement, BDO is entitled to be paid a cash fee not to exceed $45,000 without the Company's express written consent (plus applicable taxes) for services as financial advisor for delivery of the BDO Fairness Opinion, which is payable as follows: (i) 25% on the commencement of the engagement, (ii) 25% on delivery of the oral fairness opinion to the Company Special Committee and (iii) 50% upon delivery of the BDO Fairness Opinion. In addition, BDO is to be reimbursed for its reasonable out-of-pocket expenses. The fees and expenses of BDO are not contingent in whole or in part upon the outcome of the Arrangement and BDO has no financial interest in the Company or in any of its affiliates that may be affected by the Arrangement.

Neither BDO nor any of its affiliated entities (as such term is defined for the purposes of MI 61-101) is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of Appili or Aditxt, or any of their respective affiliates (the "**Interested Parties**") and BDO did not act as a financial advisor to Appili, Aditxt or any of their respective affiliates in connection with any aspect of the Arrangement other than the preparation of the Fairness Opinion. In the past twenty-four (24) months, BDO has not participated in any equity financings for Appili or Aditxt. There are currently no understandings, agreements or commitments between BDO or any of its affiliated entities with any Interested Party with respect to any future business dealings.

On March 29, 2024, BDO delivered an oral fairness opinion and on April 1, 2024, BDO reconfirmed their oral fairness opinion (which was subsequently followed up by delivery of the written BDO Fairness Opinion).

In support of the BDO Fairness Opinion, BDO principally considered the discounted cash flow analysis as this approach would most likely be employed by a prospective purchaser of the Company Shares given the cash flow profile of the Company as projected by management of the Company. In addition to the discounted cash flow analysis, BDO also considered: (i) the market capitalization, including price performance the Company Shares and the Aditxt Shares and the relative liquidity of the Company Shares and the Aditxt Shares, (ii) the process undertaken by the Company Special Committee, (iii) going concern considerations and (iv) the proposed terms of the Arrangement.

The BDO Fairness Opinion concluded that, based on the assumptions, limitations and qualifications set forth in the BDO Fairness Opinion, as of the date of such opinion, the Consideration is fair, from a financial point of view, to the Company Shareholders.

The full text of the BDO Fairness Opinion, which sets forth the assumptions made, procedures followed, information reviewed, matters considered, and the scope of the review undertaken by BDO in connection with the BDO Fairness Opinion is attached to this Circular as Appendix G and forms part of this Circular. BDO provided its opinion solely for the information and assistance of the Company Special Committee and the Company Board in connection with its consideration of the Arrangement and such opinion is not to be used, circulated, quoted or otherwise referred to for any purpose, nor is it to be filed with, included in or referred to in whole or in part in any registration statement, information circular or any other document, except in accordance with the prior written consent of BDO. Company Shareholders are urged to read the full text of the BDO Fairness Opinion and should consider it in its entirety. The BDO Fairness Opinion does not constitute a recommendation to any Company Shareholder as to how such Company Shareholder should vote in respect of the Arrangement.

Recommendation of the Company Special Committee

After careful consideration and having considered, among other things, the BDO Fairness Opinion, the Company Special Committee has unanimously: (i) determined that the Arrangement is, and continues to be in the best interests of the Company and that the Consideration to be received by the Company Shareholders is fair, from a financial point of view, to the Company Shareholders, (ii) recommended that the Company Shareholders vote in favour of the Arrangement Resolution at the Meeting, and (iii) recommended to the Company Board to: (a) determine that the Consideration to be received by the Company Shareholders is fair, from a financial point of view, (b) determine that the Arrangement is in the best interest of the Company, (c) approve the Arrangement, including the execution, delivery and performance by the Company of the Arrangement Agreement, and (d) unanimously recommend that the Company Shareholders vote in favour of the Arrangement Resolution at the Meeting.

Recommendation of the Company Board

After careful consideration and having considered, among other things, the BDO Fairness Opinion and the recommendation of the Company Special Committee, the disinterested members of the Company Board have unanimously (i) determined the Arrangement is in the best interests of the Company and the Consideration is fair, from a financial point of view, to the Company Shareholders; (ii) recommended to the Company Shareholders that they vote in favour of the Arrangement Resolution at the Meeting; (iii) approved the Arrangement; and (iv) approved the Arrangement Agreement and the consummation of the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement.

The Supporting Company Securityholders have entered into Support and Voting Agreements to vote in favour of the Arrangement. As of the Record Date, this represents approximately 11.9% of the voting rights attached to all of the Company Shares (and less than 1% of the Company Shares which are entitled to vote under the minority approval requirements for a business combination under MI 61-101).

Reasons for the Arrangement

In evaluating the Arrangement and the Arrangement Agreement, and in making their recommendations, the Company Board and the Company Special Committee gave careful consideration to the prospects of the Company and all terms of the Arrangement Agreement and the Plan of Arrangement. The Company Board and the Company Special Committee considered a number of factors including, among others, the following:

(a) *Recent Strategic Process.* Appili, under the supervision and guidance of the Company Special Committee, engaged in an extensive Strategic Process, which canvassed potential purchasers and/or investors for Appili. After fulsome consideration of the outcome of the Strategic Process, the Company Special Committee determined that (i) it was unlikely any person or group would be willing and able to propose a transaction that was on terms (including price) more favourable to the Company Shareholders and other Appili stakeholders than the proposed Arrangement, and (ii) that the Arrangement represents the most favourable alternative to Appili.

(b) *Significant Transaction Premium.* The Consideration represents an implied value per Company Share of US$0.0561 (or approximately CAD$0.07598 with reference to the Bank of Canada closing exchange rate on March 29, 2024 and the trading price of the Aditxt Shares at the time of the Arrangement Agreement), representing a 117% premium to the trading price of the Company Shares based on the closing price of the Company Shares on April 1, 2024 (the last trading prior to the execution of the Arrangement Agreement) and an approximately 141% premium to the 30-day volume weighted average price of the Company Shares prior to the date of the Arrangement Agreement. The amount of Consideration is subject to the Reduced Cash Consideration Amount.

(c) *Liquid Consideration.* Subject to the Company's election to receive the Reduced Cash Consideration Amount, Company Shareholders will receive approximately 83.2% of the Consideration in cash in consideration for their Company Shares (based on the trading price of the Aditxt Shares at the time of entering into the Arrangement Agreement). The remainder of the Consideration is payable in Aditxt Shares. In evaluating the Arrangement, the Company Special Committee considered that, as a result of part of the Consideration being payable in cash and greater liquidity of the Aditxt Shares (when compared to the Company Shares), Company Shareholders are expected to benefit from certainty of value and the opportunity for immediate liquidity.

(d) *Failure to Complete the Arrangement Could be Detrimental to Appili's Future.* The ability of the Company to continue as a going concern is dependent on its ability to fund its research and development programs and generate future positive cash flows from operations. Management of the Company has significant doubt as to the ability of the Company to fund planned expenditures and satisfy its debt obligation and has adopted the use of accounting principles applicable to a going concern, as noted in the Company's financial statements. If the Arrangement is not completed, the Company will be required to obtain additional financing and there is no assurance that additional financing will be available. In the absence of such additional financing, the Company will likely be unable to repay or refinance its outstanding accounts payables and accrued liabilities and its long-term debt and could result in the Company seeking bankruptcy protections.

(e) *Option to Increase Share Consideration/Reduced Cash Consideration Amount.* Under the Arrangement Agreement, the Company has the option, but not the obligation, to adjust the Consideration to be received by Company Shareholders under certain circumstances such that Company Shareholders will receive additional Aditxt Shares in exchange for a reduction in the Cash Consideration (calculated at a rate of one (1) additional Aditxt Share for each US$0.0467 reduction in Cash Consideration), allowing Company Shareholders to potentially benefit from any increase in the market value of Aditxt Shares from the date of the Arrangement Agreement to the Effective Time.

(f) *Participation by Shareholders in the Future Growth of the Combined Company.* Under the Arrangement, Company Shareholders will receive, in consideration for their Company Shares, Consideration Shares. The combination of Appili with Aditxt is an opportunity to own shares in a life sciences company developing technologies specifically focused on improving the health of the immune system through immune reprogramming and monitoring.

(g) *No Other Expression of Interest.* Since first announcing a potential business combination transaction with Aditxt on April 2, 2024, Appili has not received any inquiries or proposals that are, or could reasonably be expected to lead to, an Acquisition Proposal.

(h) *Receipt of the BDO Fairness Opinion.* The Company Special Committee and the Company Board has received the BDO Fairness Opinion, in which BDO provided an opinion to the effect that, as of the date of such opinion and based upon and subject to the assumptions limitations and qualifications set forth therein, the Consideration to be received under the Arrangement by Company Shareholders is fair, from a financial point of view, to the Company Shareholders.

(i) *Loss of Opportunity.* The Company Board considered the possibility that, if it declined to approve the Arrangement Agreement, there may not be another opportunity for Company Shareholders to receive comparable value in another transaction.

(j) *Arm's-Length Negotiation.* Senior management, with the oversight and direction of the Company Board and with advice from the Company's legal and financial advisors, vigorously negotiated on an arm's-length basis with Aditxt with respect to price and other terms and conditions of the Arrangement Agreement.

(k) *Strong Management Ability and Skills.* The Arrangement combines management teams with similar core philosophies, strong track records of execution and operational expertise in building leading businesses in the life sciences industry.

(l) *Shareholder Approval.* The required approvals of Company Shareholder is protective of the rights of Company Shareholders. To be effective, the Arrangement Resolution must be approved by the affirmative vote of at least: (i) two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting and entitled to vote thereat on the Arrangement Resolution; and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting, excluding the votes cast in respect of any Company Shares held by persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101.

(m) *Court Process.* The Arrangement will be subject to a judicial determination of the Court that the Arrangement is fair and reasonable, both procedurally and substantively, to Company Shareholders.

(n) *Dissent Rights.* Registered Company Shareholders who do not vote in favour of the Arrangement will have the right to require a judicial appraisal of their Company Shares and obtain "fair value" pursuant to the proper exercise of the Dissent Rights.

(o) *Evaluation and Analysis.* The Company Special Committee has given lengthy consideration to the business, operations, assets, financial condition, operating results and prospects for the Combined Company as well as current industry, economic and market conditions and related risks. The Company Special Committee has considered the current and anticipated future opportunities and risks associated with the business, operations, assets, financial performance and condition of Appili, both in giving effect to the Arrangement and in considering Appili continuing as a stand-alone company.

(p) *Terms of the Arrangement Agreement.* The Arrangement Agreement is the result of a lengthy negotiation process and includes terms and conditions that the Company Special Committee and the Company Board determined to be reasonable in the circumstances including the right to change the Company Board Recommendation if Appili receives a Superior Proposal. By virtue of the right to change the Company Board Recommendation, the Company Board is able to advise Company Shareholders of any Superior Proposal so that they may make an informed decision with respect to approving the Arrangement Resolution.

(q) *No Approval from the Aditxt Shareholders*. The Arrangement does not require the approval of the Aditxt Shareholders.

(r) *Timeline to Completion.* The Company Board believes that the Arrangement is likely to be completed in accordance with its terms and within a reasonable time and in any event prior to the Outside Date.

(s) *Support of the Arrangement.* The Arrangement has the support of each of the Supporting Company Securityholders that have entered into Support and Voting Agreements. As of the Record Date, Supporting Company Securityholders representing approximately 11.9% of the voting rights attached to all of the Company Shares (and less than 1% of the Company Shares which are entitled to vote under the minority approval requirements for a business combination under MI 61-101).

(t) *Satisfaction of Indebtedness.* Under the terms of the Arrangement Agreement, Aditxt will (i) repay no less than 50% of the Company's outstanding senior secured debt at Closing

and repay the remaining outstanding senior secured debt by no later than December 31, 2024, (ii) assume all of Appili's remaining outstanding liabilities and indebtedness, and (iii) satisfy certain payables of Appili at Closing as further detailed in the Arrangement Agreement.

(u) *Lender Consent and Waiver.* In connection with entering into the Arrangement Agreement, a senior secured lender of the Company provided their consent to the Arrangement along with certain waivers required pursuant to the terms of the loan agreement between the Company and such lender.

The Company Special Committee and the Company Board also considered a number of potential risks and potential negative factors relating to the Arrangement, including the following:

(a) *Completion Risk.* The risks to the Company if the Arrangement is not completed, including that: (i) the Company will incur significant costs in pursuing the Arrangement; (ii) management of the Company will have their attention diverted from the Company's business; (iii) under certain circumstances, there could be negative impacts on the Company's business relationships (including with current and prospective employees, lenders, suppliers, partners and regulators, among others); and (iv) if the Arrangement Agreement is terminated under certain circumstances, the Company must pay the Termination Fee to Aditxt, as described under the heading "THE ARRANGEMENT AGREEMENT– *Termination Fee"*.

(b) *Non-Solicitation Covenants.* There are limitations contained in the Arrangement Agreement on the Company's ability to solicit additional interest from third parties and the Arrangement Agreement cannot be terminated by the Company in response to a Superior Proposal without the Company paying the Termination Fee.

(c) *Support and Voting Agreements May Discourage Other Offers*. The Supporting Company Securityholders, who collectively as of the Record Date, beneficially own, or exercise control or direction over, directly or indirectly, approximately 11.9% of the voting rights attached to all of the Company Shares (and less than 1% of the Company Shares which are entitled to vote under the minority approval requirements for a business combination under MI 61-101) have entered into Support and Voting Agreements under which they have agreed to vote **FOR** the Arrangement Resolution, subject to the terms of such agreements, and the existence of such Support and Voting Agreements which may discourage other parties from attempting to acquire the Company Shares, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement.

(d) *Anticipated Benefits May Not Occur*. The Combined Company may fail to realize growth opportunities and synergies currently anticipated due to, among other things, challenges associated with growing the business of the Company and Aditxt and the ability of the Combined Company to attract capital.

(e) *Termination Rights.* Aditxt has the right to terminate the Arrangement Agreement under certain limited circumstances.

(f) *Ability to Respond to a Superior Proposal.* While the Company has preserved a right to respond to a Superior Proposal, it may only terminate the Arrangement Agreement if it receives a Superior Proposal by paying the Termination Fee. This may discourage other parties from attempting to acquire the Company Shares, even if those parties would otherwise be willing to offer greater value than offered under the Arrangement.

(g) *Restrictions on the Company's Business.* The Arrangement Agreement imposes certain restrictions on the conduct of the Company's business during the period between the execution of the Arrangement Agreement and the consummation of the Arrangement, which may have a negative impact on the Company's performance and may adversely affect the ability of the Company to execute certain business strategies. These restrictions may prevent the Company from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement. As the Arrangement is dependent upon the satisfaction of certain conditions, its completion is subject to uncertainty and the Company's suppliers and partners may delay or defer decisions concerning the Company, which could have a negative impact on the Company's business and operations, regardless of whether the Arrangement is ultimately completed.

(h) *Collateral Benefits.* BBSI (a company for which Dr. Armand Balboni and Brian Bloom, both directors of the Company, serve as directors) will receive a success fee in the amount of USD$396,916 in connection with the completion of the Arrangement for advisory services rendered in connection with the Arrangement. See *"Interests of Certain Persons in the Arrangement – Commission Payable to Bloom Burton."*

(i) *Tax Treatment*. The disposition of Company Shares in exchange for Aditxt Shares in connection with the transaction would be taxable to Company Shareholders, depending on their circumstances, including their jurisdiction of residence for tax purposes.

(j) *Fees and Expenses.* The Company will incur many of the fees and expenses associated with the Arrangement, a significant portion of which will be incurred regardless of whether the Arrangement is consummated.

(k) *Aditxt Shares*. The Share Consideration contemplates that Company Shareholders will receive a set number of Aditxt Shares for each Company Share held. In the event the Aditxt Shares decline in value between the date of the Arrangement Agreement and the Effective Time, the Company Shareholders will receive less value for their Company Shares (with respect to the Share Consideration) than as contemplated at the time of the Arrangement Agreement.

(l) *Exchange Rates.* The Cash Consideration contemplates that Company Shareholders will receive a set amount of cash in United States dollars for each Company Share held. In the event the United States dollar declines in value in relation to the Canadian dollar between the date of the Arrangement Agreement and the Effective Time, the Company Shareholders will receive less value for their Company Shares (with respect to the Cash Consideration) than as contemplated at the time of the Arrangement Agreement.

The reasons of the Company Board and the Company Special Committee for recommending the Arrangement include certain assumptions relating to forward-looking information, and such information and assumptions are subject to various risks. See "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION" and "RISK FACTORS" in this Circular.

The Company Board and the Company Special Committee evaluated all the factors summarized above in light of their knowledge of the business and operations of the Company, based on the advice of financial and legal advisors to the Company Board and the Company Special Committee and the Company and in the exercise of their business judgment. However, the foregoing summary of the information and factors considered by the Company Board and the Company Special Committee is not intended to be exhaustive. In view of the variety of factors and the amount of information considered in connection with its evaluation of the Arrangement, the Company Board and the Company Special Committee did not find it practicable

to, and did not, quantify, rank or otherwise attempt to assign relative weights to the foregoing factors considered in their determinations. In addition, in considering the factors described above, individual disinterested members of the Company Board and the Company Special Committee may have given different weights to various factors and may have applied a different analysis to each of the material factors considered by the Company Board and the Company Special Committee.

Arrangement Mechanics

The following description is qualified in its entirety by reference to the full text of the Plan of Arrangement, a copy of which is attached to this Circular as Appendix C. Capitalized terms used herein but not defined have their respective meanings as defined in the Plan of Arrangement.

Commencing at the Effective Time, the following events will occur and shall be deemed to occur as set out below without any further authorization, act or formality, in each case effective as at two minute intervals starting at the Effective Time:

(a) each Company Share held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred, without any further act or formality by or on behalf of any Dissenting Shareholder, to the Buyer in consideration for a debt claim against the Buyer for the amount determined under the Plan of Arrangement, and:

(i) such Dissenting Shareholder shall cease to be the holder of such Company Shares and shall cease to have any rights as a Company Shareholder other than the right to be paid fair value for such Company Shares;

(ii) such Dissenting Shareholder's name shall be removed as the holder of Company Shares from the register of Company Shareholders maintained by or on behalf of the Company; and

(iii) the Buyer shall be deemed to be the transferee of such Company Shares free and clear of all Liens (other than the right to be paid fair value for such Company Shares), and shall be entered in the applicable register of Company Shareholders maintained by or on behalf of the Company;

(b) each Company Share outstanding immediately prior to the Effective Time (other than Company Shares held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised and any Company Shares held by Aditxt, the Buyer or any affiliates thereof) shall, without any further action by or on behalf, of any Company Shareholder, be deemed to be assigned and transferred by the holder thereof to the Buyer in exchange for the Consideration, and:

(i) each holder of such Company Shares shall cease to be the holder thereof and to have any rights as a Company Shareholder other than the right to be paid the Consideration per Company Share in accordance with the Plan of Arrangement;

(ii) the name of each such holder shall be removed from the Company Share registers maintained by or on behalf of the Company; and

(iii) the Buyer shall be deemed to be the transferee of such Company Shares free and clear of all Liens and shall be entered in the Company Share registers maintained by or on behalf of the Company;

(c) each Company Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Stock Option Plan and any agreements related to the Company Options, shall be deemed to be unconditionally vested and exercisable, and such Company Option shall, without any further action by or on behalf, of any holder of Company Options, be deemed to be assigned and transferred by the holder thereof to the Company, and:

(i) each holder of such Company Options shall cease to be the holder thereof and to have any rights as a holder of Company Options other than the right to be paid the amount (if any) by which the Reference Price exceeds the exercise price of such Company Option, less applicable withholdings, in accordance with the Plan of Arrangement and each such Company Option shall immediately be cancelled and, for greater certainty, where such amount is a negative amount, neither the Company nor the Buyer shall be obligated to pay the holder of such Company Option any amount in respect of such Company Option;

(ii) the name of each such holder shall be removed from the Company Option registers maintained by or on behalf of the Company; and

(iii) the Stock Option Plan and all agreements relating to the Company Options shall be terminated and shall be of no further force and effect;

(d) each Company Warrant outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Warrant Indentures and the warrant certificates related to the Company Warrants, shall be deemed to be unconditionally vested and exercisable, and such Company Warrant shall, without any further action by or on behalf, of any holder of Company Warrants, be deemed to be assigned and transferred by the holder thereof to the Company, and:

(i) each holder of such Company Warrants shall cease to be the holder thereof and to have any rights as a holder of Company Warrants other than the right to be paid the amount (if any) by which the Reference Price exceeds the exercise price of such Company Warrant, less applicable withholdings, in accordance with the Plan of Arrangement and each such Company Warrant shall immediately be cancelled and, for greater certainty, where such amount is a negative amount, neither the Company nor the Buyer shall be obligated to pay the holder of such Company Warrant any amount in respect of such Company Warrant;

(ii) the name of each such holder shall be removed from the Company Warrant registers maintained by or on behalf of the Company; and

(iii) the Warrant Indentures and the warrant certificates related to the Company Warrants shall be terminated and shall be of no further force and effect.

Pursuant to the terms of the Arrangement Resolution, the full text of which is set forth in Appendix B to this Circular, the Company Board will be empowered to amend or modify the Plan of Arrangement to allow for the Company to adjust the ratio of Share Consideration and Cash Consideration by the

Reduced Cash Consideration Amount in the event that, *inter alia*, no third-party consent is required for Aditxt to issue such number of Aditxt Shares to Company Shareholders in excess of 19.99% of the issued and outstanding Aditxt Shares as of April 1, 2024 (the date of the Arrangement Agreement).

Required Shareholder Approval

Pursuant to the Interim Order, to be effective, the Arrangement Resolution must be approved by the affirmative vote of at least: (i) two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting and entitled to vote thereat on the Arrangement Resolution; and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting, excluding the votes cast in respect of any Company Shares held by persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101. The Arrangement Resolution must receive such approvals in order for the Company to seek the Final Order and implement the Arrangement on the Effective Date in accordance with the Final Order. See *"*SECURITIES LAW MATTERS–*Securities Laws - Application of Multilateral Instrument 61-101* - Minority Approval*".*

Support and Voting Agreements

Supporting Company Securityholders entered into the Support and Voting Agreements with the Buyer pursuant to which, among other things, and subject to certain terms, conditions and exceptions, the Supporting Company Securityholders agreed to vote their Company Shares (to the extent such securities carry the right to vote) **FOR** the Arrangement Resolution.

The Supporting Company Securityholders, collectively as of the Record Date, beneficially own, or exercise control or direction over, directly or indirectly, approximately 11.9% of the voting rights attached to all of the Company Shares (and less than 1% of the Company Shares which are entitled to vote under the minority approval requirements for a business combination under MI 61-101).

Subject to certain exceptions, the Support and Voting Agreements set forth, among other things, and subject to certain terms, conditions and exceptions, the agreement of each Supporting Company Securityholder to vote their Company Securities in favour of the Arrangement Resolution at the Meeting and any matters related thereto. In addition, each Supporting Company Securityholder has agreed, among other things and subject to the terms and conditions of the Support and Voting Agreements, during the term of the Support and Voting Agreements:

(a) at any meeting of securityholders of the Company called to vote upon the Arrangement, the Arrangement Agreement or the transactions contemplated by the Arrangement Agreement or at any adjournment or postponement thereof or in any other circumstances upon which a vote, consent or other approval (including by written consent in lieu of a meeting) with respect to the Arrangement, the Arrangement Agreement or the transactions contemplated by the Arrangement Agreement is sought (including in connection with any separate vote of any sub-group of securityholders of the Company that may be required to be held and of which sub-group the Supporting Company Securityholders forms part), each Supporting Company Securityholder shall cause all its Subject Securities eligible to vote at such meeting to be counted as present for purposes of establishing quorum and shall vote (or cause to be voted) all such Subject Securities:

(i) in favour of (A) the approval of the Arrangement and any other matter necessary for the consummation of the Arrangement or the transactions contemplated by the

Arrangement Agreement and (B) any other matter necessary for the consummation of the Arrangement or any other transaction contemplated by the Arrangement Agreement; and

(ii) against (i) any Acquisition Proposal and (ii) any action, proposal, transaction or agreement that could reasonably be expected to (A) result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Supporting Company Securityholder under the Support and Voting Agreements or (B) prevent, materially impede or materially delay the completion of the Arrangement (the "**Prohibited Matters**");

(b) the Supporting Company Securityholder shall forthwith revoke any and all previous proxies granted or voting instruction forms or other voting documents delivered that may conflict or be inconsistent with the matters set forth in the Support and Voting Agreement;

(c) the Supporting Company Securityholder agreed not to directly or indirectly (i) sell, transfer, assign, grant a participation interest in, option, pledge, hypothecate, grant a security interest in or otherwise convey or encumber (each, a "**Transfer**"), or enter into any agreement, option or other arrangement with respect to the Transfer of, any of its Subject Securities to any person, other than pursuant to the Arrangement Agreement, or (ii) grant any proxies or power of attorney, deposit any of its Subject Securities into any voting trust or enter into any voting arrangement, whether by proxy, voting agreement or otherwise, with respect to its Subject Securities, other than pursuant to the Support and Voting Agreement; provided that, notwithstanding clause (i) above, the Supporting Company Securityholder may (x) exercise Company Options to acquire additional Company Shares, and (y) subject to assignment restrictions contained in the Support and Voting Agreement, transfer Subject Securities to a corporation, family trust, RRSP or other entity directly or indirectly owned or controlled by the Supporting Company Securityholder or under common control with or controlling the Supporting Company Securityholder provided that (A) such transfer shall not relieve or release the Supporting Company Securityholder of or from its obligations under Support and Voting Agreement, including, without limitation, the obligation of the Supporting Company Securityholders to vote or cause to be voted all Subject Securities at the Meeting in favour of the Arrangement Resolution (and any other resolution put forward at the Meeting that is required for the consummation of the transactions contemplated by the Arrangement Agreement), (B) prompt written notice of such transfer is provided to the Buyer, (C) the transferee continues to be a corporation or other entity directly or indirectly controlling the Supporting Company Securityholders, or owned or controlled by the Supporting Company Securityholders, at all times prior to the Meeting; and (D) the transferee agrees to be bound by the terms of the Support and Voting Agreements as if it were a party hereto;

(d) the Supporting Company Securityholder shall (i) not exercise any rights of appraisal or rights of dissent, as applicable, from the Arrangement or the transactions contemplated by the Arrangement Agreement and (ii) not commence or participate in, and shall, and hereby agrees to, take all actions necessary to opt out of any class in any class action with respect to, any claim, derivative or otherwise, against the Company or the Buyer or any of their subsidiaries (or any of their respective successors) relating to the negotiation, execution and delivery of the Arrangement Agreement or the consummation of the Arrangement; provided that nothing shall prohibit the Supporting Company Securityholder from commencing, participating in, or refraining from opting out of any such action described in this clause (ii) which involves criminal activity, fraud, bad faith or willful misconduct;

(e) the Supporting Company Securityholder shall (i) immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussions or negotiations commenced prior to the date of the Support and Voting Agreements with any Person (other than the Buyer) by or on behalf of the Supporting Company Securityholder with respect to any Acquisition Proposal or potential Acquisition Proposal, whether or not initiated by the Supporting Company Securityholder; and (ii) not knowingly or intentionally solicit, initiate or encourage inquiries, submissions, proposals or offers from any other person relating to, or participate in any negotiations regarding, or furnish to any other Person any information with respect to, or otherwise cooperate in any way with or assist or participate in or facilitate or encourage any effort or attempt with respect to: (A) any Acquisition Proposal; or (B) except as provided by the terms of the Support and Voting Agreements, the direct or indirect acquisition or disposition of all or any of the Subject Securities; provided that, notwithstanding the foregoing, prior to obtaining the approval by the holders of Company Shares eligible to vote in respect of the Arrangement Resolution, the Company receives a written Acquisition Proposal that was not, directly or indirectly, solicited, initiated, knowingly encouraged or otherwise facilitated in violation of the Company's non-solicitation obligations under the Arrangement Agreement, the Supporting Company Securityholders may engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal provided that (i) the Company Board is permitted under the Arrangement Agreement to engage in such discussions or negotiations, and (ii) such Acquisition Proposal did not result from a breach by the Supporting Company Securityholders of the provisions of the Support and Voting Agreement;

(f) the Supporting Company Securityholders agreed to deposit a proxy or voting instruction form, as the case may be, duly completed and executed in respect of all of the Subject Securities eligible to vote on any matter as soon as practicable following the mailing of the Company Circular and in any event at least 10 days prior to the Company Meeting. Such proxy or voting instruction form shall appoint as proxyholder(s), the individual(s) designated by the Company in the Company Circular, and vote all such Subject Securities (i) in favour of the Arrangement and any other matter necessary for the consummation of the Arrangement and (ii) against any Company Acquisition Proposal and any Prohibited Matter. The Supporting Company Securityholder agreed that neither it nor any person on its behalf will take any action to withdraw, amend or invalidate any proxy or voting instruction form deposited by the Supporting Company Securityholder pursuant to the Support and Voting Agreements notwithstanding any statutory or other rights or otherwise which the Supporting Company Securityholder might have, unless the Support and Voting Agreements have at such time been previously terminated;

(g) the Supporting Company Securityholder shall, as a holder of Subject Securities, reasonably cooperate with the Company and the Buyer to successfully complete the Arrangement and the Support and Voting Agreements and to oppose any of the Prohibited Matters;

(h) promptly notify the Buyer upon any of the Supporting Company Securityholder's representations or warranties contained in the Support and Voting Agreement becoming untrue or incorrect in any material respect, and for the purposes of this provision, each representation and warranty shall be deemed to be given at and as of all times during such period (irrespective of any language which suggests that it is only being given as at the date of the Support and Voting Agreement, other than with respect to the ownership of securities set out in Schedule A of the Support and Voting Agreement to reflect any acquisition or exercise of securities following the date of the Support and Voting Agreement); and

(i) if the Supporting Company Securityholder acquires any additional Company Shares, Company Options or Company Warrants or any other securities of the Company, the Supporting Company Securityholder covenants to notify the Buyer of each such acquisition and agrees and acknowledges that such additional securities shall be deemed to be Subject Shares, Subject Options or Subject Warrants, as applicable, for purposes of the Support and Voting Agreement.

Each Supporting Company Securityholder's obligations under the Support and Voting Agreement will terminate and be of no further force or effect upon the earliest to occur of:

(a) completion of the Arrangement;

(b) termination of the Arrangement Agreement in accordance with its terms;

(c) the Company and the Buyer amending the Arrangement Agreement, without the prior written consent of the Supporting Company Securityholder to: (a) change the amount or form of consideration per Company Share payable pursuant to the Arrangement (other than to increase the amount of consideration or add an additional form of consideration); or (b) otherwise vary the Arrangement Agreement or the Arrangement in a manner that is material and adverse to the Company Shareholders;

(d) by mutual consent of the Buyer and the Supporting Company Securityholder;

(e) by a Supporting Company Securityholder: (i) if any of the representations and warranties of the Buyer in the Support and Voting Agreement shall not be true and correct in all material respects; or (ii) if the Buyer shall not have complied with its covenants to such Supporting Company Securityholder contained in Support and Voting Agreement and such breach or such default has or may have a material and adverse effect on the ability of the Buyer to consummate the transactions contemplated by the Arrangement Agreement; provided that the Supporting Company Securityholder has notified the Buyer in writing of any of the foregoing events and the same has not been cured by the Buyer within 10 Business Days of the date such notice was received by the Buyer; or

(f) by the Buyer if: (i) any of the representations and warranties of the Supporting Company Securityholder in the Support and Voting Agreement shall not be true and correct in all material respects; or (ii) the Supporting Company Securityholder shall not have complied with its covenants to the Buyer contained in the Support and Voting Agreement, provided that the Buyer has notified the Supporting Company Securityholder in writing of any of the foregoing events and the same has not been cured by the Company Securityholder within 10 Business Days of the date such notice was received by the Supporting Company Securityholder.

Stock Exchange Listing and Reporting Issuer Status

The Aditxt Shares currently trade on the NASDAQ under the symbol "ADTX". The closing price for the Aditxt Shares on the NASDAQ on October 3, 2024, the last trading day of the Aditxt Shares prior to the date hereof, was US$1.94.

Aditxt will apply to list the Aditxt Shares issuable under the Arrangement on the NASDAQ and it is a condition of closing that Aditxt will have obtained approval for the listing. See "THE ARRANGEMENT AGREEMENT- *Conditions*".

If the Arrangement is completed, Aditxt and the Buyer intend to have the Company Shares delisted from the TSX. In addition, it is expected that Appili will cease to be a reporting issuer in all jurisdictions in which it is a reporting issuer and thus will terminate its reporting obligations in Canada following completion of the Arrangement.

Interests of Certain Persons in the Arrangement

In considering the Arrangement and the recommendation of the Company Board with respect to the Arrangement, Company Shareholders should be aware that certain directors and certain executive officers of the Company have interests in connection with the Arrangement that may present them with actual or potential conflicts of interest in connection with the Arrangement. These interests and benefits are described below.

Except as otherwise disclosed below or elsewhere in this Circular, all benefits received, or to be received, by directors or executive officers of Appili as a result of the Arrangement are, and will be, solely in connection with their services as directors or employees of Appili. No benefit has been, or will be, conferred for the purpose of increasing the value of consideration payable to any such person for Company Shares, nor is it, or will it be, conditional on the person supporting the Arrangement.

Company Shares

As of the Record Date, the directors and executive officers of Appili beneficially owned, or exercised control or direction over, directly or indirectly, Company Shares representing in the aggregate approximately 11.9% of the voting rights attached to all issued and outstanding Company Shares. All of the Company Shares held by such directors and executive officers of Appili will be treated in the same fashion under the Arrangement as Company Shares held by all other Company Shareholders. See "THE ARRANGEMENT - *Arrangement Mechanics*".

Company Stock Options

As of the Record Date, the directors and executive officers of Appili owned an aggregate of 9,659,250 Company Options granted pursuant to the Stock Option Plan, of which 6,730,333 were vested as of that date and 2,928,917 of which were unvested as of that date.

Pursuant to the Plan of Arrangement, each Company Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Stock Option Plan and any agreements related to the Company Options, shall be deemed to be unconditionally vested and exercisable, and such Company Option shall, without any further action by or on behalf, of any holder of Company Options, be deemed to be assigned and transferred by the holder thereof to the Company, and: (i) each holder of such Company Options shall cease to be the holder thereof and to have any rights as a holder of Company Options other than the right to be paid the amount (if any) by which $0.07598 exceeds the exercise price of such Company Option, less applicable withholdings, in accordance with the Plan of Arrangement and each such Company Option shall immediately be cancelled and, for greater certainty, where such amount is a negative amount, neither the Company nor the Buyer shall be obligated to pay the holder of such Company Option any amount in respect of such Company Option, (ii) the name of each such holder shall be removed from the Company Option registers maintained by or on behalf of the Company; and (iii) the Stock Option Plan and all agreements relating to the Company Options shall be terminated and shall be of no further force and effect.

Company Warrants

As of the Record Date, directors and officers of Appili directly owned nil Company Warrants.

Pursuant to the Plan of Arrangement, each Company Warrant outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Warrant Indentures and the warrant certificates related to the Company Warrants, shall be deemed to be unconditionally vested and exercisable, and such Company Warrant shall, without any further action by or on behalf, of any holder of Company Warrants, be deemed to be assigned and transferred by the holder thereof to the Company, and: (i) each holder of such Company Warrants shall cease to be the holder thereof and to have any rights as a holder of Company Warrants other than the right to be paid the amount (if any) by which the $0.07598 exceeds the exercise price of such Company Warrant, less applicable withholdings, in accordance with this Plan of Arrangement and each such Company Warrant shall immediately be cancelled and, for greater certainty, where such amount is a negative amount, neither the Company nor the Buyer shall be obligated to pay the holder of such Company Warrant any amount in respect of such Company Warrant, (ii) the name of each such holder shall be removed from the Company Warrant registers maintained by or on behalf of the Company; and (iii) the Warrant Indentures and the warrant certificates related to the Company Warrants shall be terminated and shall be of no further force and effect.

Executive Agreements

In the event of approval of the Arrangement at the Meeting, certain of the directors and officers of the Company, including Don Cilla, may continue as an employee, consultant or independent contractor, as applicable, of Aditxt, the Buyer or an affiliate thereof following the completion of the Arrangement on terms agreed upon by the Parties prior to the completion of the Arrangement, and, accordingly, such individuals have an interest in the Arrangement in connection with their continued position with the Company as well as their entitlements under such employment agreements.

Termination and Change of Control Benefits

No director, officer or employee of the Company is entitled to any change of control or other bonus or payment solely as a consequence of the Arrangement. The employment agreements of Don Cilla and Gary Nabors contain “double trigger” change of control provisions. Pursuant to the terms of Don Cilla and Gary Nabors' respective employment agreements with Appili Therapeutics USA Inc. ("**Appili USA**"), each is entitled to a lump sum payment if, within six months following a "Change of Control" (as defined in their respective employment agreements), either is terminated by Appili USA without cause or, solely with respect to Gary Nabors, Gary Nabors terminates his employment for Good Reason (as defined in his employment agreement). The Arrangement will constitute a "Change of Control" for the purposes of their respective employment agreements.

The payments payable to Don Cilla and Gary Nabors in the event that the Arrangement is completed and if their respective employment is terminated without cause or, solely with respect to Gary Nabors, Gary Nabors terminates his employment for Good Reason, within 6 months of the Effective Date are as follows: (i) $219,800, in the case of Don Cilla, and (ii) $170,000, in the case of Gary Nabors.

Ownership of Company Shares, Company Options and Company Warrants

None of the directors and executive officers of Appili nor, to the knowledge of the Company after reasonable enquiry: (a) their respective associates and affiliates; (b) any insider of Appili (other than the directors and executive officers) and their respective associates and affiliates; (c) any associate or affiliate of Appili; and (d) any person acting jointly or in concert with Appili, beneficially own, or exercise control

or direction over, securities of Appili except as set forth below and which will be affected by the Arrangement as described under "THE ARRANGEMENT - *Arrangement Mechanics"*:

Securities of Appili Beneficially Owned, Directly or Indirectly, over which Control or Direction is Exercised[1]				
Name and Position(s) / Relationship with Appili	**Number of Company Shares**	**Number of Company Options**	**Number of Company Warrants**	**Total Estimated Value of Consideration to be Received from the Arrangement[3] [4]**
Don Cilla, Chief Executive Officer, President and Director	75,000	2,637,500	Nil	$88,002.75
Kenneth Howling, Acting Chief Financial Officer	Nil	1,025,000	Nil	$31,482.50
Brian Bloom, Director	14,358,611[2]	280,000	Nil	$1,101,041.66
Theresa Matkovits, Director	Nil	1,365,000	Nil	$40,297.60
Juergen Froehlich, Director	Nil	1,139,500	Nil	$32,184.11
Armand Balboni, Director	Nil	1,525,000	Nil	$42,276.50
Prakash Gowd, Director	Nil	582,000	Nil	$20,940.36

Notes

(1) As of the Record Date. Information as to securities of Appili beneficially owned, or over which control or direction is exercised, not being within the knowledge of Appili, has been obtained by Appili from publicly disclosed information and/or provided by the Appili securityholder listed above.

(2) Mr. Bloom is the Chair and Chief Executive Officer of Bloom Burton & Co. Inc. Mr. Bloom beneficially owns, or controls or directs, indirectly through Bloom Burton & Co. Inc., 14,358,611 Company Shares.

(3) Based on the deemed Consideration for all Company Securities as of the date of the Arrangement Agreement and implied value per Company Share of USD$0.05610 (CAD$0.07598).

To the knowledge of the Company, there are no agreements, commitments or understandings to acquire securities of the Company or of Aditxt by any of the persons referred to above, except as otherwise disclosed herein.

Continuing Insurance Coverage for Directors and Executive Officers of Appili

The Arrangement Agreement provides that, prior to the Effective Date, the Company will purchase customary "tail" or "run-off" policies of directors' and officers' liability insurance providing protection as favourable in the aggregate than the protection provided by the policies maintained by the Company and the subsidiaries of Appili which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and Aditxt will, or will cause Appili and the subsidiaries of Appili to maintain such tail policies in effect without any reduction in scope or coverage for six (6) years from the Effective Date; provided the cost of such policies will not exceed 300% of the Company's annual premium currently in effect.

Advisory Fee Payable to Bloom Burton

Upon completion of the Arrangement, BBSI is entitled to a payment under the BB Engagement Agreement equal to 3.0% of the value of the Consideration to be received by the Company Shareholders. In accordance with the terms of the BB Engagement Agreement, the value of the Share Consideration shall be equal to the closing market price of the Aditxt Shares on the day of the Closing. For illustrative purposes, accordingly, assuming (i) the market price of the Aditxt Shares on the day of Closing is US$3.40, being the closing price of Aditxt Shares on March 29, 2024; and (ii) an exchange rate of US$1.00 to CAD$1.355 as posted by the Bank of Canada for conversion of U.S. Dollars into Canadian Dollars on March 29, 2024, BBSI will be entitled to receive a payment in the amount of USD$396,916 pursuant to the terms of the BB Engagement Agreement, and, accordingly, have an interest in the Arrangement.

Payment Under the Bloom Burton Bridge Loans

Pursuant to the terms of the Arrangement Agreement, Aditxt is required to satisfy on the Effective Time certain accounts payable of the Company. Under the terms of the Arrangement Agreement, Aditxt is required to repay not less than 50% of the accounts payable of the Company on the Effective Date, provided that in the event Aditxt raises gross proceeds of more than US$25,000,000 in the Financing, any amounts raised by Adtixt in excess of US$25,000,000 shall be applied to satisfy any unpaid accounts payable of the Company. As of the date hereof, CAD$300,000 is owed under the Bloom Burton Promissory Note and CAD$400,000 is owed under the Bloom Burton GRID Note.

Court Approval of the Arrangement and Completion of the Arrangement

An arrangement under the OBCA requires Court approval. Prior to the sending of this Circular, the Company obtained the Interim Order, which provides for the calling and holding of the Meeting, the Dissent Rights and other procedural matters. A copy of the Interim Order is attached to this Circular as Appendix D.

Subject to obtaining the Shareholder Approval, the hearing in respect of the Final Order is currently scheduled to take place on November 14, 2024 at 10:00 a.m. (Toronto time) in Toronto, Ontario. Any Company Shareholder or other person who wishes to appear, or to be represented, and to present evidence or arguments must serve and file a notice of appearance as set out in the motion for an Interim Order and Final Order and satisfy any other requirements of the Court. The Court will consider, among other things, the substantive and procedural fairness of the Arrangement to the parties affected, including the Company Shareholders. The Court will be advised that based on the Court's approval of the Arrangement, Aditxt will rely on the Section 3(a)(10) Exemption for the issuance and exchange of the Aditxt Shares to the Company Shareholders. The Court may approve the Arrangement in any manner the Court may direct, subject to compliance with any terms and conditions, if any, as the Court deems fit. In the event that the hearing is postponed, adjourned or rescheduled then, subject to further order of the Court, only those persons having previously served a notice of appearance in compliance with the motion for an Interim Order and Final Order will be given notice of the postponement, adjournment or rescheduled date. A copy of the Amended Notice of Application for the Final Order is attached to this Circular as Appendix E.

Assuming the Final Order is granted and the other conditions to closing contained in the Arrangement Agreement are satisfied or waived to the extent legally permissible, then Articles of Arrangement will be filed with the Director to give effect to the Arrangement.

THE ARRANGEMENT AGREEMENT

The following description of certain provisions of the Arrangement Agreement is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement. Please refer to the

Arrangement Agreement, which is incorporated by reference herein, for a full description of the terms and conditions thereof. Capitalized terms used herein, but not defined, have the meanings ascribed thereto in the Arrangement Agreement. The Arrangement Agreement has been filed on SEDAR+ at www.sedarplus.ca, under the Company's profile.

On April 1, 2024, Aditxt and the Buyer entered into the Arrangement Agreement with the Company. Pursuant to the Arrangement Agreement, the Buyer has agreed to acquire all of the issued and outstanding Company Shares in exchange for the Consideration by way of the Arrangement. The Arrangement Agreement was amended on July 1, 2024 to: (i) change the Outside Date (as defined in the Arrangement Agreement) from July 31, 2024 to August 30, 2024, (ii) change the deadline to convene the Meeting from June 30, 2024 to August 30, 2024, and (iii) change the deadline for Aditxt to complete the Financing (as defined in the Arrangement Agreement) from June 30, 2024 to August 30, 2024 or such later date as Appili, Aditxt and the Buyer may agree in writing, and further amended on July 17, 2024 to: (i) change the Outside Date from August 30, 2024 to September 30, 2024, (ii) change the deadline to convene the Meeting from August 30, 2024 to September 30, 2024, and (iii) change the deadline for Aditxt to complete the Financing from August 30, 2024 to September 15, 2024 or such later date as Appili, Aditxt and the Buyer may agree in writing; and further amended on August 20, 2024 to: (i) change the Outside Date from September 30, 2024 to November 19, 2024; (ii) require the Company to convene the Company AGM, in parallel to the Meeting, to consider the special resolution approving the Continuance as promptly as practicable; (iii) change the deadline to convene the Meeting from September 30, 2024 to November 6, 2024; (iv) change the deadline for Aditxt to complete the Financing from September 15, 2024 to October 18, 2024; and (v) impose the completion of the Continuance as a condition to the completion of the Arrangement.

Consideration

Under the terms of the Arrangement Agreement, each Company Share will be acquired in consideration for: (i) 0.002745004 of an Aditxt Share and (ii) US$0.0467, subject to adjustment in accordance with the Arrangement Agreement. On October 2, 2024, Aditxt effected the Aditxt Reverse Stock Split resulting in every 40 Aditxt Shares being exchanged for 1 Aditxt Share, with any fractional stock being rounded up to the next higher whole Aditxt Share. As a result of the Aditxt Reverse Stock Split, each Company Share will be acquired in consideration for: (i) 0.0000686251 of an Aditxt Share and (ii) US$0.0467, subject to any further adjustment in accordance with the Arrangement Agreement.

On: (i) March 29, 2024 (the last trading day before entering into the Arrangement Agreement and before giving effect to the Aditxt Reverse Stock Split), the closing price of the Aditxt Shares was US$3.40; and (ii) October 3, 2024 (the day before the date hereof and after giving effect to the Aditxt Reverse Stock Split), the closing price of the Aditxt Shares was US$1.94 (being approximately US$0.0485 if nullifying the effects of the Aditxt Reverse Stock Split). Based on (i) the closing price of the Aditxt Shares on October 3, 2024 and (ii) the daily rate of exchange posted by the Bank of Canada on October 3, 2024, the implied value of total consideration to be received for each Company Share is approximately CAD$0.0634 and continues to represent a premium on the closing price of Company Shares on October 3, 2024 (with the cash consideration of US$0.0467 (approximately CAD$0.0632) alone representing a premium to such price of Company Shares).

In the event that the Parties, each acting reasonably, determine on or before the date that is ten (10) Business Days prior to the Effective Date or such other time as agreed to by the Parties that: (i) all the conditions to closing set out in the Arrangement Agreement have been or will be satisfied and/or waived by the applicable Party on or before the Effective Date, and (ii) no approvals from any third-party (including the stockholders of Aditxt and any applicable Governmental Entity) are required for Aditxt to issue Aditxt Shares to the Company Shareholders in excess of the Share Consideration, then the Company shall have the right, but not the obligation, to notify the Buyer that the Company is requiring the Buyer to deposit in escrow with

the Depositary: (i) the number of Consideration Shares to satisfy the aggregate Share Consideration payable to Company Shareholders (other than Dissenting Company Shareholders); (ii) an additional number of whole Consideration Shares calculated at the rate of one (1) additional Consideration Share for each US$0.0467 reduction in Cash Consideration (such amount of reduced Cash Consideration (the "**Reduced Cash Consideration Amount**") (the amount of Reduced Cash Consideration, to be determined at the discretion of the Company); and (iii) the Cash Consideration otherwise payable to Company Shareholders (other than Dissenting Company Shareholders) of the Arrangement Agreement minus the Reduced Cash Consideration Amount.

Cautionary Note

The value of the Share Consideration and the expected percentage ownership of Aditxt to be held by Company Shareholders since the date of first entering into the Arrangement Agreement has been significantly reduced. At the time of entering into the Arrangement Agreement, the value of the Share Consideration was approximately US$0.009333 per Company Share (0.002745004 * US$3.40) with Company Shareholders expected to hold no more than 19.99% of the issued and outstanding Aditxt Shares. As a result of: (a) a decline in the trading price of the Aditxt Shares; and (b) the issuance by Aditxt of a significant number of additional Aditxt Shares since the date of the Arrangement Agreement, as of October 3, 2024, the approximate value of the Share Consideration is approximately US$0.00013 per Company Share (0.0000686251 * US$1.94) with Company Shareholders holding approximately 8,322 of the Aditxt Shares (121,266,120 * 0.0000686251) representing approximately 0.37% of the issued and outstanding Aditxt Shares (based on the closing trading price and the number of issued and outstanding Aditxt Shares as of the close of trading on October 3, 2024).

Representations and Warranties

The Arrangement Agreement contains certain customary representations and warranties provided between the Company, Aditxt and the Buyer. The assertions embodied in those representations and warranties are solely for the purposes of the Arrangement Agreement. Certain representations and warranties may not be accurate and complete as of any specified date because they are qualified by certain disclosure provided by the Company, Aditxt and the Buyer or are subject to a standard of materiality or are qualified by reference to a Material Adverse Effect. Therefore, Company Shareholders should not rely on the representations and warranties as statements of factual information.

The representations and warranties provided by the Company in favour of Aditxt and the Buyer in the Arrangement Agreement relate to, among other things: organization and qualification; corporate authorization; execution and binding obligation; government authorization; non-contravention; capitalization; subsidiaries; securities law matters; financial statements; undisclosed liabilities; absence of certain changes or events; compliance with laws; litigation; licenses and authorizations; clinical trials; material contracts; real property; personal property; intellectual property; environmental matters; employees; employee plans; insurance; taxes; related party transactions; and brokers and finders.

The representations and warranties provided by Aditxt and the Buyer in favour of the Company in the Arrangement Agreement relate to, among other things: organization and qualification; corporate authorization; execution and binding obligation; governmental authorization; non-contravention; capitalization; subsidiaries; U.S. Securities Laws matters; financial statements; undisclosed liabilities; absence of certain changes or events; compliance with laws; litigation; material contracts; licenses and authorizations; clinical trials; taxes; issuance of Consideration Shares; freely tradeable shares; intellectual property; *Investment Canada Act*; and finders' fees.

The representations and warranties of the Company, Aditxt and the Buyer contained in the Arrangement Agreement will not survive the completion of the Arrangement and will expire and be terminated on the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms.

Covenants

Conduct of Business

The Arrangement Agreement includes a general covenant by the Company in favour of Aditxt and the Buyer that, during the period from the date of the Arrangement Agreement until the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms, unless otherwise: (i) agreed to in writing by Aditxt (such agreement not be unreasonably withheld, conditioned or delayed); (ii) required or expressly permitted or specifically contemplated by the Arrangement Agreement or the Plan of Arrangement; or (iii) required by applicable Law or the rules or requirements of the TSX, (A) the business of the Company and its Subsidiary will be conducted in all material respects in the ordinary course of business, and the Company will use all commercially reasonable efforts to: maintain and preserve its and their business organization, assets, properties, goodwill, relationships with their respective officers and employees and business relationships with customers, suppliers, partners, landlords, insurers, creditors and other Persons with which the Company or its Subsidiary has material business relationships, including, without limitation, by performing and complying with its obligations under its Company Material Contracts, and (B) the Company will not, and will not permit its Subsidiary to, directly or indirectly:

(a) amend its articles of incorporation or amalgamation, by-laws or other constating documents;

(b) split, combine or reclassify or amend the terms of any shares or other securities of the Company or its Subsidiary or declare, set aside or pay any dividends or make any other distributions or reduce stated capital of the shares of the Company or its Subsidiary;

(c) redeem, repurchase or otherwise acquire or offer to redeem, repurchase or otherwise acquire any outstanding shares or other securities of the Company or its Subsidiary;

(d) except as disclosed in the Company Disclosure Letter, amend the terms of any securities of the Company or its Subsidiary;

(e) create any Person;

(f) issue, grant, deliver, sell, pledge or otherwise encumber any shares or other securities, or any options, warrants, restricted shares units or similar rights exercisable or exchangeable for or convertible into shares or other securities, of the Company or its Subsidiary, except (A) for the issuance of Company Shares issuable upon the exercise of the currently outstanding Company Options or Company Warrants; or (B) as disclosed in the Company Disclosure Letter;

(g) except as disclosed in the Company Disclosure Letter, acquire (including by merger, amalgamation, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, any assets, securities, real or personal property, interests or business having a cost, on a per transaction or series of related transactions basis, in excess of $100,000 in the aggregate, other than acquisitions of supplies, equipment and inventory in the ordinary course of business;

(h) except as disclosed in the Company Disclosure Letter, sell, dispose of, pledge, lease or otherwise transfer or encumber, directly or indirectly, in one transaction or in a series of related transactions, any assets of the Company or its Subsidiary or any interest in any assets of the Company or its Subsidiary having a value greater than $100,000 in the aggregate, other than the sale, lease or disposition or other transfer of inventories or other assets in the ordinary course of business;

(i) make any capital expenditure; provided that the Company and its Subsidiary may make emergency expenditures up to the aggregate amount of $25,000 if the Company determines, acting reasonably, any such capital expenditure is necessary to maintain its ability to operate its businesses in the ordinary course of business;

(j) adopt or effect a plan of complete or partial liquidation, dissolution, arrangement, amalgamation, merger, consolidation, restructuring, recapitalization or other reorganization involving the Company or any Subsidiary;

(k) settle or compromise any material Tax claim, assessment, reassessment or liability, file any materially amended Tax return, make or rescind any material Tax election, file any notice of appeal, enter into any material agreement with a Governmental Entity with respect to Taxes, surrender any right to claim a material Tax abatement, reduction, deduction, exemption, credit or refund, consent to the extension, or waiver of a limitation period applicable to any material tax matter or materially amend or change any of its methods of reporting income, deductions or accounting for income Tax purposes except as may be required by applicable Law;

(l) except in connection with the amounts owing pursuant to the LZH Loan Agreement, prepay any long-term indebtedness before its scheduled maturity, other than repayments of indebtedness in the ordinary course of business under the Company's or any Subsidiary's existing credit facilities; provided that, no material breakage or other costs or penalties are payable in connection with any such prepayment;

(m) create, incur, assume or otherwise become liable, in one transaction or in a series of related transactions, with respect to any indebtedness for borrowed moneys or guarantees thereof in an amount, on a per transaction or series of related transactions basis, in excess of $50,000, other than: (A) indebtedness owing by one wholly-owned Subsidiary of the Company to the Company or to another wholly-owned Subsidiary of the Company or owing by the Company to a wholly-owned Subsidiary of the Company; (B) in connection with advances in the ordinary course of business under the Company's existing credit facilities or any Subsidiary's existing credit facility in connection with actions not otherwise restricted by the covenants made by the Company in favour of Aditxt and the Buyer; (C) indebtedness entered into in the ordinary course of business or in connection with the Arrangement; (D) in connection with the refinancing of indebtedness outstanding on the date of the Arrangement Agreement in the ordinary course of business; or (E) except as disclosed in the Company Disclosure Letter; provided in each of (B), (C) and (D) above, the Company or its Subsidiary shall be entitled to prepay such indebtedness at par and without penalty or premium;

(n) make any loan or advance to, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of, any Person (other than in respect of a liability of a wholly-owned Subsidiary that is not restricted under the Arrangement Agreement from incurring that liability or obligation);

(o) adopt or make any material change in any material accounting methods, practices, principles or policies, except as required by concurrent changes in GAAP or pursuant to written instructions, comments or orders of a Securities Authority;

(p) award a promotion to, or grant to any employee, including employees who are officers of the Company, any increase in compensation in any form, except (A) as required by the terms of a Contract or Employee Plan in effect as of the date of the Arrangement Agreement; or (B) as disclosed in the Company Disclosure Letter;

(q) increase any severance, change of control or termination pay to (or amend any existing contract in this regard from that in effect on the date of the Arrangement Agreement) any officer or director of the Company or its Subsidiary or increase the benefits payable under any existing severance or termination pay policies with any officer or director of the Company or its Subsidiary;

(r) except as disclosed in the Company Disclosure Letter, enter into or amend any employment, deferred compensation or similar contract with any officer or director of the Company or its Subsidiary, except pursuant to the terms of a Contract or Employee Plan in effect as of Arrangement Agreement;

(s) adopt any new Employee Plan or terminate, amend or modify, in any material way, any existing Employee Plan, except: (A) pursuant to the terms of an Employee Plan in effect as of the date of the Arrangement Agreement or (B) except as disclosed in the Company Disclosure Letter;

(t) except (A) as disclosed in the Company Disclosure Letter; or (B) as otherwise expressly permitted under the Arrangement Agreement, amend or modify, or terminate or waive any material right under, any Company Material Contract if in effect on the date of the Arrangement Agreement or waive any material right under, or waive compliance with the terms of, any Company Material Contract or enter into any contract or agreement that would be a Company Material Contract if in effect on the Arrangement Agreement;

(u) except for customary "tail" or "run-off" policies of directors' and officers' liability insurance, amend, modify, terminate, cancel or let lapse any material insurance (or re-insurance) policy of the Company or any Subsidiary in effect on the date of the Arrangement Agreement, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage, substantially similar to or greater than the coverage under the terminated, cancelled or lapsed policies are in full force and effect;

(v) commence, waive, release, assign, settle or compromise any claims, actions, suits, arbitrations, inquiries, investigations or proceedings pending in excess of $15,000 individually or $50,000 in the aggregate;

(w) except as disclosed in the Company Disclosure Letter, to the extent not otherwise covered by the clause immediately above, pay, discharge, settle, satisfy, compromise, waive, assign or release any liabilities or obligations other than: (A) the payment, discharge or satisfaction, in the ordinary course of business, of liabilities that are either reflected or reserved against in the Company’s financial statements or incurred in the ordinary course of business; or (B) the payment of any fees related to the Arrangement;

(x) take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entity to institute proceedings for the suspension, revocation or limitation of rights under, any material Authorizations necessary to conduct its businesses as now conducted or as proposed to be conducted, or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities for material Authorizations;

(y) enter into or terminate any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales contracts or other financial instruments or like transaction, other than in the ordinary course of business consistent with the Company's financial risk management practices;

(z) other than in connection with any Pre-Acquisition Reorganization reduce the stated capital of the shares of the Company or any Subsidiary;

(aa) materially change the business carried on by the Company and its Subsidiary, as a whole;

(bb) in respect of any material asset of the Company, waive, release, surrender, abandon, let lapse, grant or transfer any material right or amend, modify or change, or agree to amend, modify or change, any existing material Authorization, right to use, lease or contract other than in the ordinary course of business or where same would not individually or in the aggregate have a Material Adverse Effect on the Company; or

(cc) propose, recommend, authorize, agree, resolve, publicly announce or otherwise prepare or commit to do any of the foregoing.

The Arrangement Agreement includes a general covenant by Aditxt in favour of the Company that, during the period from the date of the Arrangement Agreement until the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms, unless otherwise: (i) agreed to in writing by the Company (such agreement not be unreasonably withheld, conditioned or delayed); (ii) required or expressly permitted or specifically contemplated by the Arrangement Agreement or the Plan of Arrangement; or (iii) required by applicable Law or the rules or requirements of the NASDAQ, (A) the business of Aditxt and its Subsidiaries will be conducted in all material respects in the ordinary course of business, including with respect to acquisitions, and Aditxt will use all commercially reasonable efforts to maintain and preserve its and their business organization, assets, properties, goodwill, relationships with their respective officers and employees and business relationships with customers, suppliers, partners, landlords, insurers, creditors and other Persons with which Aditxt or its Subsidiaries has material business relationships, including, without limitation, by performing and complying with its obligations under the Material Contracts of Aditxt, (B) Aditxt was obligated to file its 10-k annual report in respect of the fiscal year ended December 31, 2023 by April 16, 2024; and (C) Aditxt will not, and will not permit any of its Subsidiaries (including the Buyer) to, directly or indirectly:

(a) amend its articles of incorporation, by-laws or other constating documents or, in the case of any Subsidiary which is not a corporation, its similar organizational documents;

(b) split, combine or reclassify or amend the terms of any shares or other securities of Aditxt or of any Subsidiary or declare, set aside or pay any dividends or make any other distributions or reduce the stated capital of the shares of Aditxt or any Subsidiary;

(c) redeem, repurchase or otherwise acquire or offer to redeem, repurchase or otherwise acquire any outstanding shares or other securities of Aditxt or any of its Subsidiaries;

(d) issue, grant, deliver, sell, pledge or otherwise encumber any shares or other securities, or any options, warrants, restricted shares units or similar rights exercisable or exchangeable for or convertible into shares or other securities, of Aditxt or any of its Subsidiaries, except (A) in the ordinary course of business, including with respect to acquisitions; (B) for the issuance of Aditxt Shares issuable upon the settlement or exercise, as applicable, of the currently outstanding Aditxt Options or Aditxt Warrants; or (C) in respect of matters disclosed in the Aditxt Disclosure Letter;

(e) except as disclosed in the Aditxt Disclosure Letter or where the completion of any such transaction does not require or result in either (A) a change to the identity of a majority of the members of the board of directors of Aditxt as such board of directors exists on the date of the Arrangement Agreement; or (B) the Company having to include additional financial statement disclosure in the Company Circular (in accordance with applicable Securities Laws) in respect of such transaction where Aditxt has not been provided with commercially reasonable assurance that the Person can promptly provide such additional financial statement disclosure (the "**Additional Financial Disclosure**"), acquire (including by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, any assets, securities, real or personal property, interests or business having a cost, on a per transaction or series of related transactions basis, in excess of $500,000 in the aggregate, other than acquisitions of supplies, equipment and inventory in the ordinary course of business. In the event that the Company has an Additional Financial Disclosure obligation (including any transaction disclosed in the Aditxt Disclosure Letter), then Aditxt shall ensure that all such complete Additional Financial Disclosure material required to be included in the Company Circular is delivered to the Buyer as soon as reasonably practicable and in any event not later than: (x) 45 days, in respect of any transaction disclosed in the Aditxt Disclosure Letter; or (y) 30 days, in respect of any other transaction, after the earlier of (i) the date of the definitive agreements governing such transaction and (ii) the date such Additional Financial Disclosure is otherwise triggered in accordance with applicable Securities Laws;

(f) except as disclosed in the Aditxt Disclosure Letter, sell, dispose of, pledge, lease or otherwise transfer or encumber, directly or indirectly, in one transaction or in a series of related transactions, any assets of Aditxt or of any of its Subsidiaries or any interest in any assets of Aditxt or any of its Subsidiaries having a value greater than $500,000 in the aggregate, other than the sale, lease or disposition or other transfer of inventories or other assets in the ordinary course of business;

(g) adopt or effect a plan of complete or partial liquidation, dissolution, arrangement, amalgamation, merger, consolidation, restructuring, recapitalization or other reorganization involving Aditxt any Subsidiary;

(h) create, incur, assume or otherwise become liable, in one transaction or in a series of related transactions, with respect to any indebtedness for borrowed moneys or guarantees thereof in an amount, on a per transaction or series of related transactions basis, in excess of $50,000, other than: (A) indebtedness owing by one wholly-owned Subsidiary of Aditxt to Aditxt or to another wholly-owned Subsidiary of Aditxt or owing by Aditxt to a wholly-owned Subsidiary of Aditxt; (B) in connection with advances in the ordinary course of business under Aditxt's existing credit facilities or any Subsidiary's existing credit facility

in connection with actions not otherwise restricted by the covenants of the Company in favour of Aditxt and the Buyer; (C) indebtedness entered into in the ordinary course of business, including with respect to acquisitions or in connection with the Arrangement; (D) in connection with the refinancing of indebtedness outstanding on the date of the Arrangement Agreement in the ordinary course of business; or (E) except as disclosed in the Aditxt Disclosure Letter; provided in each of (B), (C) and (D) above, Aditxt or its Subsidiaries shall be entitled to prepay such indebtedness at par and without penalty or premium;

(i) make any loan or advance to, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of, any Person (other than in respect of a liability of a wholly-owned Subsidiary that is not restricted under the Arrangement Agreement from incurring that liability or obligation);

(j) adopt or make any material change in any material accounting methods, practices, principles or policies, except as required by concurrent changes in GAAP or pursuant to written instructions, comments or orders of the SEC;

(k) amend or modify, or terminate or waive any right under, any Parent Material Contract or any of its Subsidiaries if in effect on the date of the Arrangement Agreement, except where same would not individually or in the aggregate have a Material Adverse Effect on Aditxt or the Buyer;

(l) in respect of any material asset of Aditxt, waive, release, surrender, abandon, let lapse, grant or transfer any material right or amend, modify or change, or agree to amend, modify or change, any existing material Authorization, right to use, lease or contract other than in the ordinary course of business or where same would not individually or in the aggregate have a Material Adverse Effect on Aditxt;

(m) in respect of any material asset of Aditxt, waive, release, surrender, abandon, let lapse, grant or transfer any material right or amend, modify or change, or agree to amend modify or change, any existing material Authorization, right to use, lease or contract other than in the ordinary course of business or where same would not individually or in the aggregate have a Material Adverse Effect on Aditxt or any of its Subsidiaries;

(n) except as otherwise expressly permitted under the Arrangement Agreement, terminate, assign, amend or modify in any material respect or waive any material right under, or waive compliance with the terms of, any Parent Material Contract or enter into any contract or agreement that would be a Parent Material Contract if in effect on the Arrangement Agreement;

(o) take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entity to institute proceedings for the suspension, revocation or limitation of rights under, any material Authorizations necessary to conduct its businesses as now conducted or as proposed to be conducted, or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities for material Authorizations;

(p) in respect of any material asset of Aditxt or any Subsidiary, waive, release, surrender, abandon, let lapse, grant or transfer any material right or amend, modify or change, or agree

to amend, modify or change, any existing material Authorization, right to use, lease or contract other than in the ordinary course of business or where same would not individually or in the aggregate have a Material Adverse Effect on Aditxt; or

(q) propose, recommend, authorize, agree, resolve, publicly announce or otherwise prepare or commit to do any of the foregoing.

Covenants Relating to the Arrangement

The Arrangement Agreement includes various covenants relating to the Arrangement. Each of the Company, Aditxt and the Buyer is required to use its commercially reasonable efforts to take, or cause to be taken, all actions and to do or cause to be done all things required or advisable under applicable Laws to consummate and make effective, as soon as practicable, the transactions contemplated by the Arrangement Agreement, including:

(a) using commercially reasonable efforts to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable to complete the Continuance and the Arrangement and perform its obligations under the Arrangement Agreement, including using its commercially reasonable efforts to: (A) promptly satisfy its conditions and perform its obligations under the Arrangement Agreement; and (B) co-operate with the other Parties in connection with the performance by it and its Subsidiaries of their respective obligations thereunder;

(b) using commercially reasonable efforts to satisfy, or cause the satisfaction of, all conditions precedent in the Arrangement Agreement and carry out the terms of, take all steps set forth in, the Interim Order and Final Order applicable to it or its Subsidiaries and comply promptly with all requirements imposed by applicable Law with respect to the Arrangement Agreement, the Continuance or the Arrangement;

(c) using commercially reasonable efforts to obtain, as soon as practicable following the execution of the Arrangement Agreement, and maintain, all Third-Party Consents without paying, and without committing the Company, Aditxt or the Buyer to pay, any consideration or incur any liability or obligation without the prior written consent of Aditxt;

(d) permitting Aditxt an opportunity to review in advance any proposed consents, notices, requests, correspondence and other communications (including material responses to requests for information and inquiries from any third-party from whom a Third-Party Consent has been requested) in respect of obtaining or concluding any Third-Party Consents; providing Aditxt with a reasonable opportunity to comment thereon; agreeing to consider those comments in good faith; and providing Aditxt with final copies of any consents, notices, requests, material correspondence and other material communications provided to any third-party from whom a Third-Party Consent has been requested or any substantive communications received from any such third-party, in respect of obtaining or concluding such Third-Party Consents;

(e) keeping Aditxt reasonably informed on a timely basis of the status of discussions relating to obtaining or concluding Third-Party Consents;

(f) using commercially reasonable efforts to oppose, appeal, overturn, lift or rescind any injunction, restraining or other order, decree, judgment or ruling seeking to restrain, enjoin or otherwise impede, interfere with, prevent or materially delay the transactions

contemplated by the Arrangement or the Arrangement Agreement or which could reasonably be expected to materially reduce the benefits to Aditxt or the Buyer of the Arrangement and defend, or cause to be defended, any proceedings to which the Company or a Subsidiary thereof is a party or brought against either of them or their respective directors or officers challenging the Arrangement, the Arrangement Agreement or the transactions contemplated hereby; and

(g) not taking any action, or refraining from taking any action, or permitting any action to be taken or not taken, which is inconsistent in any material respect with the Arrangement Agreement or would reasonably be expected to impede, interfere with, prevent or materially delay the transactions contemplated by the Arrangement or the Arrangement Agreement or which could reasonably be expected to materially reduce the benefits to Aditxt or the Buyer of the Arrangement.

The Company is required to promptly notify Aditxt in writing of:

(a) any Material Adverse Effect in respect of the Company or any change, effect, event, development, occurrence, circumstance or state of facts which would reasonably be expected to have a Material Adverse Effect on the Company;

(b) any fact, event, occurrence that would reasonably be expected to prevent, materially delay or otherwise impede the ability of the Company to consummate the Arrangement or the transactions contemplated by the Arrangement Agreement;

(c) any notice or other written communication from: (A) any Person alleging that the consent of such Person (or another Person) is or may be required in connection with the Arrangement or the Arrangement Agreement; or (B) from any counterparty to a Company Material Contract to the effect that such counterparty is terminating or otherwise materially adversely modifying its relationship with the Company or its Subsidiary as a result of the Arrangement Agreement or the Arrangement;

(d) any material filings, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against the Company or its Subsidiary that relate to the Arrangement Agreement or the Arrangement or, if pending on the date of the Support and Voting Agreement, would have been required to have been disclosed in the Company Disclosure Letter; and

(e) any material notice or other communication from any Governmental Entity in connection with the Arrangement Agreement (and the Company shall contemporaneously provide to Aditxt a copy of any such written notice or communication).

Aditxt is required to promptly notify the Company in writing of:

(a) any Material Adverse Effect in respect of Aditxt or the Buyer, or any change, effect, event, development, occurrence, circumstance or state of facts which would reasonably be expected to have a Material Adverse Effect on Aditxt or any of its Subsidiaries;

(b) any fact, event, occurrence that would reasonably be expected to prevent, materially delay or otherwise impede the ability of Aditxt or the Buyer to consummate the Arrangement or the transactions contemplated by the Arrangement Agreement;

(c) any notice or other written communication from: (A) any Person alleging that the consent of such Person (or another Person) is or may be required in connection with the Arrangement or the Arrangement Agreement; or (B) from any counterparty to a Parent Material Contract to the effect that such counterparty is terminating or otherwise materially adversely modifying its relationship with Aditxt or any of its Subsidiaries as a result of the Arrangement Agreement or the Arrangement;

(d) any material filings, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against Aditxt, the Buyer or any of its other Subsidiaries that relate to the Arrangement Agreement or the Arrangement; and

(e) any material notice or other communication from any Governmental Entity in connection with the Arrangement Agreement (and Aditxt shall contemporaneously provide to the Company a copy of any such written notice or communication).

Financing

Aditxt must use commercially reasonable efforts to complete the Financing on or prior to 5:00 p.m. (ET) on October 18, 2024 and reserve such appropriate amount of proceeds of the Financing to fulfill its obligations under the Arrangement Agreement.

NASDAQ Approval

Aditxt must apply for and use commercially reasonable efforts to obtain written approvals from the NASDAQ, in connection with the listing of the Consideration Shares to be issued in connection with the Arrangement, subject only to the satisfaction of customary conditions required by the NASDAQ.

Covenants Related to Regulatory Approvals

The Arrangement Agreement includes various covenants relating to regulatory approval. Each Party, as applicable to that Party, covenanted and agreed that, subject to the terms and conditions of the Arrangement Agreement, until the earlier of the Effective Time and the date on which the Arrangement Agreement is terminated in accordance with its terms:

(a) each Party will use its commercially reasonable efforts to obtain all Regulatory Approvals as promptly as practicable and co-operate with the other Party in connection with all such Regulatory Approvals sought by the other Party and will use its commercially reasonable efforts to effect all necessary registrations, applications, petitions, filings and submissions of information required by Governmental Entities relating to the Arrangement or the Arrangement Agreement;

(b) each Party will file, as promptly as practicable after the date of the Arrangement Agreement, any other filings or notifications under any other applicable Law required to obtain any other Regulatory Approvals;

(c) each Party will use commercially reasonable efforts to respond promptly to any request or notice from any Governmental Entity requiring that Party to supply additional information that is relevant to the review of the transactions contemplated by the Arrangement Agreement in respect of obtaining or concluding the Regulatory Approvals sought by either Party and each Party will co-operate with the other Party and shall furnish to the other Party

such information and assistance as a Party may reasonably request in connection with preparing any submission or responding to such notice from a Governmental Entity;

(d) each Party will permit the other Party an opportunity to review in advance any proposed substantive applications, notices, filings, submissions, undertakings, correspondence and communications (including responses to requests for information and inquiries from any Governmental Entity) in respect of obtaining or concluding any material Regulatory Approvals and will provide the other Party with a reasonable opportunity to comment thereon and agree to consider those comments in good faith and each Party shall provide the other Party with final copies of any substantive applications, notices, filings, submissions, undertakings or other substantive correspondence provided to a Governmental Entity or any substantive communications received from a Governmental Entity, in respect of obtaining or concluding such Regulatory Approvals;

(e) any Party may, as it deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other Parties as "outside counsel only." Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient, unless express written permission is obtained in advance from the source of the materials;

(f) each Party will keep the other Party reasonably informed on a timely basis of the status of discussions relating to obtaining or concluding any Regulatory Approvals sought by each such Party and, for certainty, no Party will participate in any substantive meeting (whether in person, by telephone or otherwise) with a Governmental Entity in respect of obtaining or concluding such Regulatory Approvals unless it advises the other Party in advance and gives such other Party an opportunity to attend;

(g) if any objections are asserted with respect to the Arrangement under any Law, or if any proceeding is instituted or threatened by any Governmental Entity challenging or which could lead to a challenge of the Arrangement or any of the transactions contemplated by the Arrangement Agreement as not in compliance with Law or as not satisfying any applicable legal requirement under a Law necessary to obtain the Regulatory Approvals, the Parties will use their commercially reasonable efforts consistent with the terms of the Arrangement Agreement to resolve such proceeding so as to allow the Effective Time to occur on or prior to the Outside Date;

(h) notwithstanding anything to the contrary herein, neither Aditxt nor the Buyer will be required to make or agree to any undertaking, agreement, or action required to obtain and maintain such Regulatory Approvals including terminating any existing relationships, contractual rights or contractual obligations and effecting or committing to effect, by consent agreement, hold separate orders, trust or otherwise, the sale or disposition of such of their respective assets or businesses or the assets or businesses of the Company and its Subsidiary as are required to be divested in order to avoid the entry of, or to effect the dissolution of, any decree, order, judgment, injunction, temporary restraining order or other Order in any proceeding, that would otherwise impede, interfere with, prevent or materially delay the transactions contemplated by the Arrangement or the Arrangement Agreement or which could reasonably be expected to materially reduce the benefits to Aditxt or the Buyer of the Arrangement; provided however, that neither Aditxt nor the Buyer will be required to make or agree to any undertaking, agreement or action where such undertaking,

agreement or action would give rise to a Material Adverse Effect on Aditxt or the Buyer; and

(i) prior to the Effective Date, the Company will use commercially reasonable efforts to take, or cause to be taken, all actions, and do or cause to be done all things reasonably necessary, proper or advisable on its part under applicable Securities Laws and rules and policies of the TSX to cause the delisting of the Company Shares from the TSX as promptly as practicable after the Effective Time and for the Company to cease to be a reporting issuer under Securities Laws as promptly as practicable after such delisting.

Access to Information

In accordance with the terms of the Arrangement Agreement, the Parties, *inter alia*, will, and will cause their subsidiaries to give to the other, and their representatives (a) upon reasonable notice, reasonable access during normal business hours to its and its subsidiaries' (i) premises, (ii) property and assets (including all books and records, whether retained internally or otherwise), (iii) material contracts, and (iv) senior personnel, so long as the access does not unduly interfere with the ordinary course conduct of the business of Aditxt or the Company, as applicable, and (b) all management reports, reports or presentations to its board of directors relating to its or its Subsidiaries' financial condition and operations, and such other financial and operating data or other information with respect to the assets or business of it or its Subsidiaries as Aditxt or the Company, as applicable, from time to time reasonably requests.

Pre-Acquisition Reorganization

Subject to the terms of the Arrangement Agreement, the Company will, upon request of Aditxt at least fifteen (15) Business Days prior to the Effective Date, use commercially reasonable efforts to cooperate with Aditxt in the structuring and carrying out of such reorganization of its corporate structure, capital structure, business, operations and assets or other transaction as Aditxt may request, acting reasonable (a "**Pre-Acquisition Reorganization**"). Aditxt will pay all of the costs and expenses of every nature (including all professional fees and expenses) associated with any Pre-Acquisition Reorganization to be carried out at its request, shall forthwith reimburse same to the Company if the Arrangement is not consummated, and will indemnify and save harmless the Company and its affiliates, and their respective directors, officers, employees, agents, advisors and Representatives, from and against any and all Losses suffered or incurred by any of them in connection with or as a result of any such Pre-Acquisition Reorganization (including in respect of any reversal, modification or termination of a Pre-Acquisition Reorganization).

Public Communications

The Parties agreed to consult and co-operate with each other to each issue a news release with substantially similar information with respect to the Arrangement Agreement as soon as practicable after its due execution, and to coordinate the dissemination of such news release of each Party. Thereafter, prior to the Effective Date, Aditxt and the Company agreed to promptly advise, consult and co-operate with each other in issuing any news releases or otherwise making public statements with respect to the Arrangement Agreement or the Arrangement and in making any filing with any Governmental Entity or with any stock exchange, including the TSX and the NASDAQ, with respect thereto, including keeping the other Party fully informed in a timely manner of any requests or comments made by any Governmental Entity or with any stock exchange, including the TSX and the NASDAQ, as the case may be. Each Party will provide the other Party with all necessary information concerning the applicable Party as required by Laws (and in particular, U.S. Securities Laws and Securities Laws) for inclusion in any news releases, continuous disclosure documents or other public statements with respect to the Arrangement Agreement or the

Arrangement (including any financial statements required pursuant to applicable Securities Laws and U.S. Securities Laws, respectively) and the Party delivering such information must ensure that any such information will not include any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading at such applicable time. Each Party shall: (a) not issue any news release or otherwise make public statements, or make any filing with any Governmental Entity or with any stock exchange, including the TSX and the NASDAQ, as the case may be, with respect to the Arrangement Agreement or the Arrangement without the consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed; and (b) enable the other Party to review and comment on all such news releases, public statements or filings prior to the release or filing thereof and shall enable the other Party to review and comment on such filings prior to the filing thereof; provided, however, that the foregoing shall be subject to each Party's overriding obligation to make disclosure in accordance with applicable Laws and, if such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure shall use commercially reasonable efforts, but subject to applicable Law, to give prior oral or written notice to the other Party and, if such prior notice is not possible, to give such notice immediately following the making of such disclosure or filing. For the avoidance of doubt, the foregoing shall not prevent either Party from making internal announcements to employees and having discussions with shareholders and financial analysts and other stakeholders so long as such statements and announcements are consistent with the most recent news releases, public disclosures or public statements made by the Parties.

Conditions

Mutual Conditions in favour of the Company, Aditxt and the Buyer

The closing of the Arrangement is subject to the satisfaction, on or before the Effective Time, of each of the following conditions precedent, each of which may only be waived with the mutual consent of the Company, Aditxt and the Buyer:

(a) the Interim Order shall have been granted on terms consistent with the Arrangement Agreement and the Interim Order shall not have been set aside or modified in a manner unacceptable to either Party, acting reasonably, on appeal or otherwise;

(b) the Arrangement Resolution shall have been approved and adopted by the Company Shareholders at the Meeting in accordance with the Interim Order;

(c) the Final Order shall have been granted on terms consistent with the Arrangement Agreement and the Final Order shall not have been set aside or modified in a manner unacceptable to either Party, acting reasonably, on appeal or otherwise;

(d) completion of the Financing undertaken by Aditxt;

(e) there shall not exist, nor shall have any court or other Governmental Entity of competent jurisdiction enacted, issued, promulgated, enforced or entered, any Law or Order (whether temporary, preliminary or permanent) in any case which is in effect and which prevents, prohibits or makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Company, Aditxt or the Buyer from consummating the Arrangement or any of the other transactions contemplated in the Arrangement Agreement;

(f) the issuance and distribution of the Consideration Shares will be exempt from the registration requirements of (i) the U.S. Securities Act pursuant to the Section 3(a)(10) Exemption and (ii) all applicable U.S. Securities Laws;

(g) the distribution of the Consideration Shares pursuant to the Arrangement shall be exempt from the prospectus and registration requirements of applicable Securities Laws either by virtue of exemptive relief from the securities regulatory authorities of each of the provinces of Canada or by virtue of exemptions under applicable Securities Laws and shall not be subject to resale restrictions under applicable Securities Laws (other than as applicable to control persons or pursuant to Section 2.6 of National Instrument 45-102 – Resale of Securities);

(h) the Consideration Shares to be issued pursuant to the Arrangement shall, subject to customary conditions, have been approved for listing on the NASDAQ; and

(i) Aditxt shall have received evidence of the completion of the Continuance in form and substance satisfactory to Aditxt, acting reasonably.

Conditions in favour of Aditxt and the Buyer

The closing of the Arrangement is subject to the satisfaction, on or before the Effective Time, of each of the following conditions precedent (each of which is for the exclusive benefit of Aditxt and the Buyer and may be waived by Aditxt and the Buyer in its sole discretion):

(a) (i) the Fundamental Representations and Warranties of the Company are true and correct as of the Effective Time as if made as at and as of such time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such date), other than for de minimis inaccuracies, or, in the case of Fundamental Representations and Warranties of the Company that are subject to any "materiality", Material Adverse Effect or similar qualification, in all respects, and (ii) all other representations and warranties made by the Company in the Arrangement Agreement shall be true and correct as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such date), except to the extent that the failure or failures of such representations and warranties to be so true and correct would not have a Material Adverse Effect on the Company (and, for this purpose, any reference to "Material", "Material Adverse Effect" or any other concept of materiality in such representations and warranties shall be ignored); and the Company shall have provided to Aditxt and the Buyer a certificate of two (2) senior officers of the Company certifying the foregoing and dated the Effective Date;

(b) the Company shall have fulfilled or complied in all material respects with each of its obligations, covenants and agreements contained in the Arrangement Agreement to be fulfilled or complied with by it on or before the Effective Time and the Company shall have provided to Aditxt and the Buyer a certificate of two (2) senior officers of the Company certifying the foregoing dated the Effective Date;

(c) Dissent Rights will not have been exercised with respect to more than ten percent (10%) of the issued and outstanding Company Shares;

(d) the LZH Consent Agreement continues to remain in full force and effect and enforceable against the parties thereto and the parties thereto have performed their respective obligations thereunder required to be completed on or before the Closing;

(e) there shall not have been or occurred a Material Adverse Effect on the Company and the Company shall have provided to Aditxt and the Buyer a certificate of two (2) senior officers of the Company certifying the foregoing dated the Effective Date; and

(f) there is no action or proceeding pending or threatened by any Governmental Entity in any jurisdiction to:

(i) cease trade, enjoin, prohibit, or impose any material limitations, damages or conditions on, ability of Aditxt or the Buyer to acquire, hold, or exercise full rights of ownership over, any Company Shares, including the right to vote the Company Shares;

(ii) prevent or material delay the consummation of the Arrangement, or if the Arrangement is consummated, have or be reasonably expected to have a Material Adverse Effect on the Company; or

(iii) prohibit or restrict in any material respect the ownership or operation by Aditxt of the business or assets of Aditxt, the Buyer, the Company or its Subsidiary, or compel Aditxt or the Buyer to dispose of or hold separate any material portion of the business or assets of Aditxt or the Buyer, the Company or its Subsidiary as a result of the Continuance or the Arrangement.

Conditions in favour of the Company

The closing of the Arrangement is subject to the satisfaction, on or before the Effective Time, of each of the following conditions precedent (each of which is for the exclusive benefit of the Company and may be waived by the Company):

(a) (i) the Fundamental Representations and Warranties of Aditxt and the Buyer are true and correct as of the Effective Time as if made as at and as of such time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such date), other than for de minimis inaccuracies, or, in the case of Fundamental Representations and Warranties of Aditxt and the Buyer that are subject to any "materiality", Material Adverse Effect or similar qualification, in all respects, and (ii) all other representations and warranties made by Aditxt and the Buyer in the Arrangement Agreement shall be true and correct in all material respects as of the Effective Time (except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such date), except to the extent that the failure or failures of such representations and warranties to be so true and correct would not have a Material Adverse Effect on Aditxt (and, for this purpose, any reference to "Material", "Material Adverse Effect" or any other concept of materiality in such representations and warranties shall be ignored); and Aditxt or the Buyer shall have provided to the Company a certificate of two (2) senior officers of Aditxt certifying the foregoing and dated the Effective Date;

(b) Aditxt and the Buyer shall have fulfilled or complied in all material respects with its obligations, covenants and agreements contained in the Arrangement Agreement to be fulfilled or complied with by it on or before the Effective Time and Aditxt and the Buyer

shall each have provided to the Company a certificate of two (2) senior officers of Aditxt certifying the foregoing and dated the Effective Date;

(c) there shall not have been or occurred a Material Adverse Effect on Aditxt or the Buyer and Aditxt shall have provided to the Company a certificate of two (2) senior officers of Aditxt certifying the foregoing and dated the Effective Date;

(d) the Third-Party Consents set out in the Company Disclosure Letter shall have been obtained;

(e) there is no action or proceeding pending or threatened by any Governmental Entity in any jurisdiction to:

(i) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, Aditxt's ability to issue the Consideration Shares; or

(ii) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have or be reasonably expected to have a Material Adverse Effect on Aditxt or the Buyer;

(f) Aditxt shall have taken such steps to reconstitute the board of directors of the Buyer such that it will consist of five (5) directors as of the Effective Date, one (1) of whom will be the Company Nominee and appointed to serve as a director of the Buyer as of the Effective Time;

(g) Aditxt shall have taken such steps to have caused each of the Appointed Officers to duly appointed officers of the Buyer;

(h) Aditxt shall satisfy on the Effective Date the payment in immediately available funds as directed in writing by the Company of not less than 50% of the outstanding accounts payable of the Company and its Subsidiaries set forth in the Company Disclosure Letter (as such schedule is modified by a certificate of an officer of the Company (reflecting any adjustment to the accounts payable set forth in the Company Disclosure Letter for amounts accrued (or estimated to be accrued) between the date of the Arrangement Agreement and the Effective Date) to be delivered to Aditxt not less than four (4) Business Days prior to the Effective Date) (collectively, the "**Closing Company Payables**") provided that in the event that Aditxt raises gross proceeds of more than US$25,000,000 in the Financing, any amounts raised by Aditxt in excess of US$25,000,000 shall be first applied by Aditxt to satisfy any unpaid Closing Company Payables; and

(i) Aditxt shall have deposited, or caused to be deposited, with the Depositary the Consideration Shares (or delivered a duly signed treasury direction to issue such shares) and the Consideration Cash to satisfy the obligations under the Arrangement Agreement.

Notice and Cure

The Arrangement Agreement provides, among other things, that each Party will give prompt notice to the other Parties with notice of the occurrence, or failure to occur, at any time from the date of the Arrangement Agreement until the earlier to occur of the termination of the Arrangement Agreement and the Effective Time of any event or state of facts which occurrence or failure would, or would be likely to: (i) cause any of the representations or warranties of such Party contained in the Arrangement Agreement to be untrue or

inaccurate in any material respect at any time from the date of the Arrangement Agreement to the Effective Time; or (ii) result in the failure, in any material respect, to comply with or satisfy any obligation, covenant, condition or agreement to be complied with or satisfied by such Party under the Arrangement Agreement.

Neither Aditxt nor the Buyer may elect to exercise its right to terminate the Arrangement Agreement and the Company may not elect to exercise its right to terminate the Arrangement Agreement, unless the Party intending to rely thereon has delivered a written notice to the other Parties specifying in reasonable detail all breaches of covenants, inaccuracies of representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition or the availability of a termination right, as the case may be. If any such notice is delivered with respect to a matter that is capable of being cured, provided that a Party is proceeding diligently to cure such matter, no Party may terminate the Arrangement Agreement until the earlier of: (i) the Outside Date; and (ii) the date that is ten (10) Business Days from the date of receipt of such notice, if such matter has not been cured by such date. If such notice has been delivered by the Buyer to the Company, prior to the Meeting, unless the Parties agree otherwise, the Company shall, to the extent permitted by Law, postpone or adjourn the Meeting to the earlier of (i) five (5) Business Days prior to the Outside Date and (ii) the date that is ten (10) Business Days from the date of receipt of such notice. If such notice has been delivered by the Company to Aditxt prior to the Meeting, unless the Parties agree otherwise, Aditxt shall, to the extent permitted by Law, postpone or adjourn the Meeting to the earlier of (i) five (5) Business Days prior to the Outside Date and (ii) the date that is ten (10) Business Days from the date of receipt of such notice. If such notice has been delivered prior to the making of the application for the Final Order, such application and such filing shall be postponed until the expiry of such period.

Additional Covenants Regarding Non-Solicitation

Non-Solicitation

Except as expressly provided in the Arrangement Agreement, or to the extent that Aditxt, in its sole and absolute discretion, has otherwise consented to in writing (which consent may be withheld, conditioned or delayed in Aditxt's sole and absolute discretion), until the earlier of the Closing or the date, if any, on which the Arrangement Agreement is terminated, the Company will not, and will cause its Subsidiary not to, directly or indirectly, through any officer, director, employee, shareholder, consultant, representative (including any financial or other advisor) or agent of the Company or its Subsidiary (collectively, "**Representatives**"), or otherwise and will not permit or authorize any Person to: (i) solicit, assist, initiate, encourage or otherwise knowingly facilitate (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any subsidiary or negotiating) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to a Acquisition Proposal; (ii) enter into or otherwise engage or participate in any discussions or negotiations with any Person (other than Aditxt and its affiliates) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal; (iii) accept or enter into or publicly propose to accept or enter into any agreement, understanding or arrangements relating to any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal; (iv) make a Company Change in Recommendation; or (v) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to a publicly announced, or otherwise publicly disclosed, Acquisition Proposal for a period of no more than five (5) Business Days after the Company first learns of an Acquisition Proposal will not be considered to be in violation of its non-solicitation obligations under the Arrangement Agreement provided the Company Board has rejected such Acquisition Proposal and affirmed the Company Board Recommendation before the end of such five (5) Business Day period

(or in the event that the Meeting is scheduled to occur within such five (5) Business Day period, prior to the date of the Meeting).

The Company will, and will cause its Subsidiary and its Representatives to, immediately cease and terminate, and cause to be terminated, any discussion solicitation, encouragement or negotiation commenced prior to the date of the Arrangement Agreement with any Person (other than Aditxt and its affiliates) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal and, in connection therewith, the Company will (i) promptly discontinue such Person's access to and disclosure of all information (including any data room and any confidential information, properties, facilities, books and records of the Company or its Subsidiary) regarding the Company or its Subsidiary; and (ii) promptly following the date of the Arrangement Agreement, request, and exercise all rights it has to require (A) the return or destruction of all copies of any non-public confidential information regarding the Company or its Subsidiary provided to any Person; and (B) the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding the Company or its Subsidiary, using its commercially reasonable efforts to ensure that such requests are fully complied with in accordance with the terms of such rights or entitlements.

Notification of Acquisition Proposal

If, after the date of the Arrangement Agreement, the Company or its Subsidiary or any of their respective Representatives, receives or becomes aware of any: (i) inquiry, proposal or offer that constitutes or may reasonably be expected to constitute an Acquisition Proposal; or (ii) any request for copies of, access to, or disclosure of, confidential information relating to the Company or any subsidiary, the Company will, orally within 24 hours, and in writing within 48 hours, give notice to Aditxt of such Acquisition Proposal, including a description of its material terms and conditions and the identity of all Persons making the Acquisition Proposal, inquiry, proposal or offer and a copy of any proposals, documents, correspondence or other material received in respect of, from or on behalf of any such Person. Thereafter, the Company will: (A) keep Aditxt reasonably informed on a current basis of the status of material or substantive developments and (to the extent the Company is permitted to enter into discussions or negotiations pursuant to the terms of the Arrangement Agreement) the status of discussions and negotiations with respect to any such Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments thereto; (B) provide Aditxt with copies of any confidentiality agreements entered into pursuant to the Arrangement Agreement, proposals, requests, offers, correspondence and draft agreements if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such communication between the Company and any Person making any such Acquisition Proposal, inquiry, proposal, offer or request; and (C) on an ongoing and contemporaneous basis, provide to Aditxt all information provided to any Person in connection with the Acquisition Proposal which has not previously been provided to Aditxt.

Responding to an Acquisition Proposal

Notwithstanding the Company's non-solicitation obligations under the Arrangement Agreement, if, at any time prior to obtaining the approval of the Arrangement Resolution by the Company Shareholders, the Company receives a bona fide written Acquisition Proposal that did not result from a breach of the Arrangement Agreement, by the Company, the Company may:

(a) contact the Person making such Acquisition Proposal and its representatives solely for the purpose of clarifying the terms and conditions of such Acquisition Proposal or notifying such Person that the Acquisition Proposal is not: (A) a Superior Proposal; or (B) reasonably expected to constitute or lead to a Superior Proposal;

(b) engage in or participate in discussions or negotiations with such Person regarding such Acquisition Proposal and may provide copies of, access to, or disclosure of, information, properties, facilities, books or records of the Company or its Subsidiary, if and only if:

(i) the Company Board first determines in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal is bona fide and constitutes or may reasonably be expected to constitute or lead to a Superior Proposal;

(ii) such Person was not restricted from making the Acquisition Proposal pursuant to an existing confidentiality, standstill, non-disclosure, use, business purpose or similar restriction with the Company or its Subsidiary;

(iii) the Company has been, and continues to be, in compliance with its obligations under the Arrangement Agreement in all material respects; and

(iv) prior to providing any such copies, access, or disclosure, the Company enters into a confidentiality and standstill agreement containing terms no more favourable to such Person in any material respect than the Confidentiality Agreement; provided that, (x) such agreement need not prohibit the making or amendment of any Acquisition Proposal, (y) the Company sends Aditxt a copy of such confidentiality agreement promptly following execution thereof and (z) the Company contemporaneously provides to Aditxt any non-public information concerning the Company and its Subsidiaries that is provided to such Person which was not previously provided to the Buyer.

Responding to a Company Superior Proposal

At any time prior to obtaining the approval of the Arrangement Resolution, the Company Board may, after considering an Acquisition Proposal that satisfies the requirements of responding to a Company Acquisition Proposal under the Arrangement Agreement, effect a Company Change in Recommendation or accept, recommend, approve and/or enter into a definitive agreement to implement such Acquisition Proposal, if and only if:

(a) the Company has been and continues to be, in compliance with its non-solicitation obligations and duties with respect to responding to a Company Acquisition Proposal under the Arrangement Agreement in all material respects;

(b) the Company Board determines in good faith, after consultation with its financial advisors and its outside legal counsel, that such Acquisition Proposal constitutes a Superior Proposal;

(c) the Company or its Representatives have delivered to Aditxt a written notice of the determination of the Company Board that the Acquisition Proposal constitutes a Superior Proposal and of the Company Board's intention to accept, recommend, approve or enter into a definitive agreement to implement such Superior Proposal, including a notice as to the value in financial terms that the Company Board has, in consultation with its financial advisors, determined should be ascribed to any non-cash consideration offered under the Superior Proposal (the "**Superior Proposal Notice**");

(d) the Company or its Representatives have provided to Aditxt with (i) copies of any confidentiality agreements entered into with any Person making any such Company Acquisition Proposal, proposals, requests, offers, correspondence and draft agreements if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such communication between the Company and any Person making any such Company Acquisition Proposal, inquiry, proposal, offer or request, (ii) a copy of any proposed definitive agreement for the Superior Proposal and (iii), if applicable, any financing documents supplied to the Company in connection therewith;

(e) at least five (5) Business Days (the "**Matching Period**") have elapsed from the date that is the later of the date on which Aditxt received the Superior Proposal Notice and the date on which Aditxt received (i) copies of any confidentiality agreements entered into with any Person making any such Company Acquisition Proposal, proposals, requests, offers, correspondence and draft agreements if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such communication between the Company and any Person making any such Company Acquisition Proposal, inquiry, proposal, offer or request, (ii) a copy of any proposed definitive agreement for the Company Superior Proposal and (iii), if applicable, any financing documents supplied to the Company in connection therewith;

(f) after the Matching Period, the Company Board has determined, in good faith, after consultation with its legal counsel and financial advisors, that such Acquisition Proposal continues to constitute a Superior Proposal compared to the Arrangement (and, if applicable, compared to the terms of the Arrangement as proposed to be amended by Aditxt); and

(g) prior to or concurrently with making a Company Change in Recommendation or entering into a definitive written agreement with respect to a Superior Proposal, the Company terminates the Arrangement Agreement and pays the applicable Termination Fee.

Right to Match

During the Matching Period, or such longer period as the Company may approve (in its sole discretion) in writing for such purpose: (i) Aditxt will have the right, but not the obligation, to offer to amend the terms of the Arrangement Agreement and the Arrangement; (ii) the Company Board shall review any offer made by Aditxt to amend the terms of the Arrangement Agreement and the Arrangement in good faith, after consultation with outside legal and financial advisors, in order to determine whether such offer would, upon acceptance, result in the Acquisition Proposal made by another Person previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (iii) the Company shall negotiate in good faith with Aditxt to make such amendments to the terms of the Arrangement Agreement and the Arrangement as would enable Aditxt to proceed with the transactions contemplated by the Arrangement Agreement on such amended terms. If, as a consequence of the foregoing, the Company Board determines that such Acquisition Proposal would cease to be a Superior Proposal, the Company will promptly so advise Aditxt and the Company and Aditxt will amend, or cause to be amended, the Arrangement Agreement to reflect such offer made by Aditxt and will take or cause to be taken all such actions as are necessary to give effect to the foregoing. If, as a consequence of the foregoing, the Company Board determines that such Acquisition Proposal continues to be a Superior Proposal and therefore rejects the Aditxt's offer to amend the Arrangement Agreement and the Arrangement, the Company will promptly so advise Aditxt and may, subject to compliance with the other provisions hereof, make a Company Change of Recommendation and/or enter into a definitive agreement with respect to such Superior Proposal.

Each successive amendment or modification to any Acquisition Proposal or Superior Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Company Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal, or Superior Proposal, as applicable and Aditxt shall be afforded a new Matching Period from the date on which Aditxt received the Superior Proposal Notice and the materials required to be provided in accordance the Arrangement Agreement (except that the reference to five (5) Business Days in the definition of the Matching Period will be deemed to be a reference to three (3) Business Days).

Termination of Arrangement Agreement

The Arrangement Agreement may be terminated and the Arrangement may be abandoned at any time prior to the Effective Time by (notwithstanding any approval of the Arrangement Agreement or the Arrangement Resolution or the Arrangement by the Company Shareholders and/or the Court):

(a) the mutual written agreement of the Parties;

(b) by either the Company or Aditxt, if:

(i) the Meeting is duly convened and held and the Arrangement Resolution is voted on by the Company Shareholders and not approved by the Company Shareholders as required by the Interim Order; provided that, this right to terminate the Arrangement Agreement shall not be available to a Party whose failure to fulfil any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been a principal cause of, or resulted in, the failure of the Effective Time to occur by such date;

(ii) after the date of the Arrangement Agreement, any Law is enacted, made, issued, rendered, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Company, Aditxt or the Buyer from consummating the Arrangement and such Law has, if appealable, become final and non-appealable; provided that the Party seeking to terminate the Arrangement Agreement shall have used commercially reasonable efforts to prevent the entry of or remove or lift such prohibition or injunction;

(iii) the Effective Time does not occur on or prior to the Outside Date; provided that, this right to terminate the Arrangement Agreement shall not be available to a Party whose failure to fulfil any of its obligations or breach of any of its representations and warranties under the Arrangement Agreement has been a principal cause of, or resulted in, the failure of the Effective Time to occur by such date; or

(iv) the Financing is not completed on or before 5:00 p.m. (ET) on June 30, 2024 or such later date as the Parties may in writing agree;

(c) by Aditxt if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company under the Arrangement Agreement occurs that would cause any mutual condition or any condition in favour of Aditxt and the Buyer not to be satisfied and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement; provided that neither Aditxt nor the Buyer is then in breach of the Arrangement Agreement

so as to cause any mutual condition or any condition in favour of Aditxt and the Buyer not to be satisfied;

(ii) prior to the approval of the Arrangement Resolution by the Company Shareholders: (i) the Company Board fails to recommend or withdraws, amends, modifies or qualifies, publicly proposes or states its intention to do so, or fails to publicly reaffirm (without qualification) within five (5) days after having been requested in writing by Aditxt to do so, the Company Board Recommendation, or takes no position or a neutral position with respect to an Acquisition Proposal for more than five (5) days after the Company first learns of an Acquisition Proposal, or accepts, approves, endorses, recommends, or publicly proposes to accept, approve, endorse or recommend, any Acquisition Proposal (a "**Company Change in Recommendation**"); (ii) the Company wilfully breaches its non-solicitation obligations or duties with respect to responding to a Company Acquisition Proposal under the Arrangement Agreement in any respect; or (iii) the Company enters into a definitive written agreement giving effect to an Acquisition Proposal;

(iii) there has occurred a Material Adverse Effect in respect of the Company which is incapable of being cured on or before the Outside Date;

(iv) the Company is in material breach or in material default of any of its non-solicitation obligations and duties with respect to responding to a Company Acquisition Proposal under the Arrangement Agreement; or

(v) any mutual condition or any condition in favour of Aditxt and the Buyer cannot be satisfied prior to the Outside Date and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement; provided that such breach or failure is not the result of any action or omission of action by Aditxt or the Buyer.

(d) by the Company, if:

(i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Aditxt under the Arrangement Agreement occurs that would cause any mutual condition or any condition in favour of the Company not to be satisfied and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement; provided that the Company is not then in breach of the Arrangement Agreement so as to cause any mutual condition or any condition in favour of the Company not to be satisfied;

(ii) prior to the approval of the Arrangement Resolution by the Company Shareholders: (i) the Company Board makes a Company Change in Recommendation; or (ii) the Company enters into a written agreement giving effect to a Superior Proposal; provided that, the Company is not then in breach of its non-solicitation obligations under the Arrangement Agreement in any material respect and that the Company pays the Termination Fee in accordance with the Arrangement Agreement;

(iii) Aditxt does not provide or cause to be provided to the Depositary with sufficient Consideration to complete the transactions contemplated by the Agreement as required pursuant to the Arrangement Agreement; provided that the Company is

not then in breach of the Arrangement Agreement so as to cause any mutual condition or condition in favour of Aditxt and the Buyer not to be satisfied;

(iv) there has occurred a Material Adverse Effect in respect of Aditxt which is incapable of being cured on or before the Outside Date; or

(v) any mutual condition or condition in favour of the Company cannot be satisfied prior to the Outside Date and such breach or failure is incapable of being cured or is not cured in accordance with the terms of the Arrangement Agreement; provided that such breach or failure is not the result of any action or omission of action by the Company.

The Party desiring to terminate the Arrangement Agreement shall deliver written notice of such termination to the other Party specifying in reasonable detail the basis for such Party's exercise of its termination right.

Termination Fee

Aditxt will be entitled to the Termination Fee upon the occurrence of the following events (each a "**Company Termination Fee Event**") which will be paid by the Company within the time specified in respect of each such Company Termination Fee Event:

(a) The Arrangement Agreement is terminated by Aditxt pursuant to Section 8.03(b) of the Arrangement Agreement (*Company Change in Recommendation/to enter into a Superior Proposal*), in which case the Termination Fee shall be paid on the first Business Day following such termination;

(b) the Arrangement Agreement is terminated by the Company pursuant to Section 8.04(b) of the Arrangement Agreement (*to enter into a Superior Proposal*) in which case the Termination Fee shall be paid at the time of such termination; or

(c) the Arrangement Agreement is terminated by Aditxt pursuant to Section 8.03(a) of the Arrangement Agreement (*Breach of Representation, Warranty or Covenant*) or Section 8.03(d) of the Arrangement Agreement (*Breach of Non-Solicitation*) or by either Party pursuant to Section 8.02(a) of the Arrangement Agreement (Fai*lure of Company Shareholder Vote*) or Section 8.02(c) (*Effective Time not prior to Outside Date*) but only if, with respect to this termination right, (A) prior to the termination of the Arrangement Agreement, an Acquisition Proposal shall have been made to the Company, or the intention to make an Acquisition Proposal with respect to the Company shall have been announced, disclosed or otherwise communicated by any Person to the Company Board, and (B) if within twelve (12) months following the date of such termination:

(i) an Acquisition Proposal made, publicly announced, disclosed or otherwise communicated to the Company Board prior to the termination of the Arrangement Agreement is consummated by the Company; or

(ii) the Company and/or its Subsidiaries enters into a definitive agreement in respect of an Acquisition Proposal made, publicly announced, disclosed or otherwise communicated to the Company Board prior to the termination of the Arrangement Agreement and at any time thereafter (whether or not within twelve (12) months following the date of termination of the Arrangement Agreement), such Acquisition Proposal is consummated,

then an amount equal to the Termination Fee, will be payable (less any applicable withholding tax) to Aditxt (or as Aditxt may direct) with respect to: (1) (a) and (b) above, concurrently with the termination of the Arrangement Agreement; and (2) (c) above, concurrently with the closing of the applicable transactions contemplated by any Acquisition Proposal referred to in the Arrangement Agreement.

The Company will be entitled to the Termination Fee upon the occurrence of the following events (each a "**Aditxt Termination Fee Event**"), which will be paid by Aditxt or the Buyer (as set out in the Arrangement Agreement) within the time specified in respect of each such Aditxt Termination Fee Event:

(a) the Arrangement Agreement is terminated by the Company or Aditxt pursuant to Section 8.02(d) of the Arrangement Agreement (*Failure to complete the Financing*), in which case the Termination Fee shall be paid on the first Business Day following such termination;

(b) the Arrangement Agreement is terminated by the Company pursuant to Section 8.04(f) of the Arrangement Agreement (*Failure to perform remedial covenant*), in which case the Termination Fee shall be paid on the first Business Day following such termination; or

(c) the Arrangement Agreement is terminated by the Company pursuant to Section 8.04(a) of the Arrangement Agreement (*Breach of Representation, Warranty or Covenant*) or by either Party pursuant to Section 8.02(c) of the Arrangement Agreement (E*ffective Time not prior to Outside Date*) but only if, with respect to this termination right, (A) prior to the termination of the Arrangement Agreement, an Aditxt Acquisition Proposal shall have been made to Aditxt, or the intention to make an Aditxt Acquisition Proposal with respect to Aditxt shall have been announced, disclosed or otherwise communicated by any Person to the Aditxt Board, and (B) if within twelve (12) months following the date of such termination:

(i) an Aditxt Acquisition Proposal made, publicly announced, disclosed or otherwise communicated to the Aditxt Board prior to the termination of the Arrangement Agreement is consummated by Aditxt; or

(ii) Aditxt and/or any of its Subsidiary enters into a definitive agreement in respect of an Aditxt Acquisition Proposal made, publicly announced, disclosed or otherwise communicated to the Aditxt Board prior to the termination of the Arrangement Agreement and at any time thereafter (whether or not within twelve (12) months following the date of termination of the Arrangement Agreement), such Aditxt Acquisition Proposal is consummated;

then an amount equal to the Termination Fee, will be payable (less any applicable withholding tax) to the Company (or as the Company may direct) concurrently with the closing of the applicable transactions contemplated by any Aditxt Acquisition Proposal referred to herein.

In the event that each of the mutual conditions, the conditions in favour of Aditxt and the Buyer and the conditions in favour of the Company have been satisfied or waived prior to the Outside Date and either the Company or Aditxt refuses to consummate the transactions contemplated by the Arrangement Agreement (such refusing Party, the "**Refusing Party**") within five (5) Business Days of: (i) the Company (if either Aditxt or the Buyer are the Refusing Party); or, (ii) Aditxt (if the Company is the Refusing Party) (the "**Non-Refusing Party**") providing reasonable evidence that it is ready, willing and able to consummate the transactions contemplated by the Arrangement Agreement, then in the event that (a) the Company is the

Non-Refusing Party, then the Company will be entitled to a Termination Fee from Aditxt; and (b) Aditxt and the Buyer are the Non-Refusing Party, then Aditxt will be entitled to a Termination Fee from the Company. The Termination Fee contemplated herein shall be payable to the Company or Aditxt, as applicable, within seven (7) Business Days of the date that the Non-Refusing Party provides reasonable evidence that it is ready, willing and able to consummate the transactions contemplated by the Arrangement Agreement to the Refusing Party.

Amendments

The Arrangement Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, without further notice to or authorization on the part of the Company Shareholders and any such amendment may, subject to the Interim Order and the Final Order and applicable Laws, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive any inaccuracies or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant to the Arrangement Agreement;

(c) waive any inaccuracies or modify any of the covenants contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the Parties; or

(d) waive any inaccuracies or modify any mutual conditions contained in the Arrangement Agreement.

Expenses of the Arrangement

Except as otherwise expressly provided in the Arrangement Agreement, the Parties agree that all out-of-pocket expenses of the Parties relating to the Arrangement Agreement or the transactions contemplated under the Arrangement Agreement, including legal fees, accounting fees, financial advisory fees, regulatory filing fees, stock exchange fees, all disbursements of advisors and printing and mailing costs, shall be paid by the Party incurring such expenses.

Injunctive Relief

Without prejudice to the ability of the Parties to retain certain Termination Fee payments under the Arrangement Agreement, the Parties acknowledged and agreed that irreparable harm would occur for which money damages would not be an adequate remedy at Law if any of the provisions of the Arrangement Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to special performance, injunctive and other equitable relief to prevent breaches or threatened breaches of the Arrangement Agreement and to enforce compliance with the terms of the Arrangement Agreement against the other Parties without any requirement for the securing or posting of any bond in connection wit the obtaining of any injunctive or other equitable relief, this being in addition to any other remedy to which a Party may be entitled at Law or in equity.

SECURITIES LAW MATTERS

The following is a brief summary of the Canadian and United States securities law considerations applying to the transactions contemplated herein not discussed elsewhere in this Circular.

Canadian Securities Laws

Securities Laws - Application of Multilateral Instrument 61-101

The following is only a general overview of certain requirements of Canadian Securities Laws relating to the Arrangement that may be applicable to Company Shareholder. Each Company Shareholder is urged to consult such person's professional advisors to determine the Canadian conditions and restrictions applicable to trades in the securities issuable pursuant to the Arrangement.

Appili is a reporting issuer (or its equivalent) in each of the provinces and territories of Canada and, accordingly, is subject to the applicable Securities Laws of such provinces, including MI 61-101 which has been adopted in Ontario and certain other provinces of Canada. MI 61-101 regulates transactions which raise the potential for conflicts of interest.

MI 61-101 is intended to ensure the protection and fair treatment of all securityholders. MI 61-101 regulates certain transactions, generally requiring enhanced disclosure, approval by the minority securityholders excluding interested parties, related parties of interested parties and their joint actors and, in certain circumstances, independent valuations. The protections of MI 61-101 generally apply to "business combination" (as defined in MI 61-101) transactions in which the interests of securityholders may be terminated without their consent and where, *inter alia*, a "related party" of an issuer (as defined in MI-61 101 and including directors, executive officers and shareholders holding over 10% of outstanding voting shares of the issuer), in connection with an arrangement is entitled to receive, *inter alia*, a "collateral benefit" (as defined in MI 61-101).

As previously described in this Circular, all of the Company Shares outstanding on the Effective Date will be exchanged for cash and Consideration Shares under the terms of the Plan of Arrangement. If a related party of the Company is entitled to receive a "collateral benefit" (as defined in MI 61-101) in connection with the Arrangement, the transaction is considered a "business combination" and subject to minority approval requirements at the Meeting.

Collateral Benefits

A collateral benefit (as defined in MI 61-101) includes any benefit that a "related party" (as defined in MI 61-101) of Appili is entitled to receive, directly or indirectly, as a consequence of the Arrangement, including an increase in salary, a lump sum payment, a payment for surrendering securities, or other enhancement in benefits related to services as an employee, director or consultant of Appili. MI 61-101 excludes from the meaning of collateral benefit: (i) a payment per security that is identical in amount and form to the entitlement of the general body of holders in Canada of securities of the same class, as well as (ii) certain benefits to a related party received solely in connection with the related party's services as an employee, director or consultant of an issuer, of an affiliated entity of such issuer or of a successor to the business of such issuer where: (A) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (B) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction in any manner; (C) full particulars of the benefit are disclosed in the disclosure document for the transaction; and (D) either: (I) at the time of the transaction the related party and his or her associated entities beneficially own, or exercise control or direction over, less than 1% of the outstanding securities of each class of equity securities of the issuer; or (II) the related party discloses to an independent committee of the issuer the amount of consideration that he or she expects to be beneficially entitled to receive, under the terms of the transaction, in exchange for the equity securities he or she beneficially owns and the independent committee acting in good faith determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value of the consideration the related party will receive

pursuant to the terms of the transaction for the equity securities it beneficially owns, and the independent committee's determination is disclosed in the disclosure document for the transaction.

See "THE ARRANGEMENT - *Interests of Certain Persons in the Arrangement*" for details regarding benefits received, or to be received, by directors or executive officers of Appili as a result of the Arrangement.

The directors and officers of Appili may have interests in the Arrangement that are, or may be, different from, or in addition to, the interests of other securityholders of Appili. The Company Board is aware of these interests and considered them, among other matters, when recommending that Shareholders vote **FOR** the Arrangement Resolution. See "THE ARRANGEMENT - *Interests of Certain Persons in the Arrangement*".

Bloom Burton is receiving a "collateral benefit" under the Arrangement for the purposes of MI 61-101 as a result of certain payments to be made under the Bloom Burton Engagement Letter and the Second Amended and Restated Bridge Loan Promissory Note Agreement dated December 14, 2023 between Bloom Burton and the Company.

The Arrangement will not constitute a collateral benefit to the other directors or officers of the Company as any benefits to be received by such individuals fall within an exception to the definition of "collateral benefit" under MI 61-101. In particular, in reliance on the exception in clause (c)(iv)(A) of the definition of "collateral benefit" set out in MI 61-101, each such individual holds or exercises direction or control over less than 1% of the issued and outstanding Company Shares. See "THE ARRANGEMENT - *Interests of Certain Persons in the Arrangement*".

As a result of the foregoing, the Company Shares held or controlled by Bloom Burton will be excluded for the purposes of "minority approval" under MI 61-101.

Formal Valuation

The Company is not required to obtain a formal valuation under MI 61-101 as no "interested party" (as defined in MI 61-101) is, as a consequence of the Arrangement, directly or indirectly acquiring the Company or its business or combining with the Company, whether alone or with joint actors, and neither the Arrangement nor the transactions contemplated thereunder, is a "related party transaction" for which the Company would be required to obtain a formal valuation.

Minority Approval

As a result of the foregoing analysis, the minority approval requirement for a business combination under MI 61-101 will apply in connection with the Arrangement. Accordingly, in addition to obtaining approval of the Arrangement Shareholder Resolution by the affirmative vote of at least two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by Company Shareholders present or represented by proxy and entitled to vote at the Meeting, in order for the Arrangement Resolution to be effective, such resolution must also be approved by a simple majority of the Company Shareholders present or represented by proxy and entitled to vote at the Meeting, excluding the Company Shares held or controlled by Bloom Burton in accordance with MI 61-101.

The votes attaching to the Company Shares that, to the knowledge of the Company or any "interested party" (as defined in MI 61-101) or any of their respective directors or senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by Bloom Burton will be excluded for the purposes of determining minority approval for the Arrangement under MI 61-101. The table below

sets forth the votes that are expected to be excluded for purposes of determining minority approval in accordance with MI 61-101:

Name	Number of Voting Rights Attaching to the Company Shares Excluded from Voting	Percentage of Voting Rights Attaching to the Excluded Company Shares as of the Record Date
Bloom Burton & Co. Inc.	14,358,611 (1)	11.84%

Notes:

(1) Bloom Burton holds, in the aggregate, 14,358,611 Company Shares as follows: (a) 454,120 Company Shares directly; (b)13,896,000 Company Shares indirectly through Bloom Burton Development Corporation, its wholly-owned subsidiary; and (c) 8,491 Company Shares indirectly through BBSI.

Canadian Reporting Obligations of Appili

Appili is a reporting issuer (or its equivalent) in each of the provinces and territories of Canada. Upon completion of the Arrangement, it is expected that Appili will apply to cease to be a reporting issuer in all jurisdictions in which it is a reporting issuer and thus will terminate its reporting obligations in Canada following completion of the Arrangement.

Qualification – Resale of Aditxt

The issue of Aditxt Shares pursuant to the Arrangement will constitute distributions of securities which are exempt from the prospectus requirements of Canadian Securities Laws. Subject to certain disclosure and regulatory requirements and to customary restrictions applicable to distributions of shares that constitute "control distributions", Aditxt Shares issued pursuant to the Arrangement may be resold in each province and territory of Canada, subject in certain circumstances, to the usual conditions that no unusual effort, or no effort, has been made to prepare the market or create demand.

U.S. Securities Laws

The following discussion is only a general overview of certain requirements of U.S. Securities Laws that may be applicable to Company Shareholders. Each Company Shareholder is urged to consult such person's professional advisors to determine the U.S. conditions and restrictions applicable to trades in Aditxt Shares issuable pursuant to the Arrangement. Further information applicable to the holders of such securities resident in the United States is disclosed in this Circular under the heading "NOTICE TO SHAREHOLDERS IN THE UNITED STATES**".**

Status Under U.S. Federal Securities Laws

The currently issued and outstanding Aditxt Shares are registered under Section 12(b) of the U.S. Exchange Act and trade on the NASDAQ, and Aditxt is subject to periodic reporting obligations under the U.S. Exchange Act. Aditxt is not a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act, and as a result Aditxt and its insiders are subject to, among other things, the proxy requirements, insider requirements and "short swing" profit rules of the U.S. Exchange Act.

Exemption Relied Upon from the Registration Requirements of the U.S. Securities Act

The Aditxt Shares to be issued pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act and will be issued in reliance on the Section 3(a)(10) Exemption and in compliance

with, or subject to available exemptions from registration under, the applicable securities laws of each state of the United States in which such U.S. holders reside. The Section 3(a)(10) Exemption exempts from registration the issuance of a security that is issued in exchange for one or more outstanding securities, claims or property interests where the terms and conditions of such issuance and exchange are approved, after a hearing upon the fairness of such terms and conditions at which all persons to whom it is proposed to issue securities in such exchange have the right to appear and receive timely and adequate notice thereof, by a court or by a Governmental Entity expressly authorized by law to grant such approval. Such court or Governmental Entity must be advised before the hearing that the issuer will rely on the Section 3(a)(10) Exemption based on the court's or Governmental Entity's approval of the transaction.

The Court issued the Interim Order on October 1, 2024, and, subject to the approval of the Arrangement by the Company Shareholders, a hearing for a Final Order approving the Arrangement is currently scheduled to take place on November 14, 2024 at 10:00 a.m. (Toronto time) in Toronto, Ontario. All Company Shareholders are entitled to appear and be heard at this hearing, provided that they satisfy the applicable conditions set forth in the Interim Order. The Final Order of the Court will, if granted, constitute the basis for the Section 3(a)(10) Exemption with respect to the Aditxt Shares issued and exchanged in connection with the Arrangement. Prior to the hearing on the Final Order, the Court will be informed of this effect of the Final Order.

Except as otherwise described herein, the Aditxt Shares to be issued pursuant to the Arrangement will either be registered or qualified under all applicable U.S. state securities laws, or exempt from or not subject to any such registration and qualification requirements.

Resale of Aditxt Shares Within the United States

The Aditxt Shares to be issued and exchanged under the Arrangement will be freely transferable for purposes of the U.S. Securities Act, except that the U.S. Securities Act imposes restrictions on the resale of Aditxt Shares received pursuant to the Arrangement by Persons who are "affiliates" (as defined in Rule 144 under the U.S. Securities Act) of Aditxt on the Effective Date or were affiliates of Aditxt within 90 days prior to the Effective Date.

As defined in Rule 144 under the U.S. Securities Act, an "affiliate" of an issuer is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such issuer and may include certain officers and directors of such issuer as well as principal shareholders of such issuer. "Control" means the possession, direct or indirect, of the power to direct or cause direction of the management and policies of an issuer, whether through the ownership of voting securities, by contract or otherwise.

Any Company Shareholder who, is an "affiliate" of Aditxt on the Effective Date or was an affiliate of Aditxt within 90 days prior to the Effective Date, may not resell such Consideration Shares, unless such shares are registered under the U.S. Securities Act or an exemption from registration, such as the exemptions contained in Rule 144 under the U.S. Securities Act and Rule 905 of Regulation S (for transfers outside the United States), is available.

This Circular does not qualify or register any resales of any Consideration Shares received by any person upon completion of the Arrangement, and no person is authorized to make any use of this Circular in connection with any resale.

Rule 144 Resales by Affiliates

In general, under Rule 144 under the U.S. Securities Act, persons that are affiliates of Aditxt on the Effective Date or were affiliates of Aditxt within 90 days prior to the Effective Date will be entitled to sell such securities that they receive under the Arrangement, provided that the number of such shares sold, together with all other shares of the same class sold for their account during any three-month period, does not exceed the greater of 1% of the then outstanding securities of such class or, if such shares are listed on a U.S. securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such shares during the four (4) calendar week period preceding the date of sale, subject to aggregation rules, specified restrictions on manner of sale, reporting requirements, and the availability of current public information about the relevant issuer.

Regulation S Resales by Affiliates

In general, persons who are affiliates of Aditxt on the Effective Date or were affiliates of Aditxt within 90 days prior to the Effective Date may resell their Aditxt Shares outside the United States pursuant to Rule 905 of Regulation S.

The foregoing discussion is only a general overview of the requirements of U.S. Securities Laws for the resale of the Aditxt Shares received pursuant to the Arrangement. All recipients of Aditxt Shares are urged to seek legal advice prior to any resale of such securities to ensure that the resale is made in compliance with the requirements of applicable securities legislation.

REGULATORY MATTERS

Stock Exchange Matters

The Company Shares are currently listed and posted for trading on the TSX under the symbol "APLI". Following completion of the Arrangement, Appili will become a wholly-owned subsidiary of the Buyer and Appili will apply to the TSX to have the Company Shares delisted from the TSX and apply to applicable Canadian securities regulators to have Appili cease to be a reporting issuer.

Aditxt will apply to list the Consideration Shares issuable under the Arrangement on the NASDAQ and it is a condition of closing that Aditxt will have obtained approval for this listing (subject to customary conditions). See – *"*THE ARRANGEMENT AGREEMENT - *Conditions".*

DISSENTING SHAREHOLDERS' RIGHTS

Company Shareholders who wish to dissent should take note that the procedures for dissenting to the Arrangement Resolution requires strict compliance with the applicable dissent procedures. **The following is only a summary of the provisions of the OBCA regarding the rights of Dissenting Company Shareholders (as modified by the Plan of Arrangement and the Interim Order). The statutory provisions dealing with the right of dissent are technical and complex. Company Shareholders are urged to review a complete copy of Section 185 of the OBCA, attached as Appendix F hereto, and those Company Shareholders who wish to exercise Dissent Rights are also advised to seek legal advice, as failure to comply strictly with the provisions of the OBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order, as applicable, may result in the loss or unavailability of their Dissent Rights.**

There can be no assurance that a Dissenting Company Shareholder will receive consideration for its Company Shares of equal or greater value to the Consideration that such Dissenting Company Shareholder would have received under the Arrangement.

Anyone who is a beneficial owner of Company Shares registered in the name of an Intermediary and who wishes to dissent should be aware that only Registered Company Shareholders as of the Record Date are entitled to exercise Dissent Rights. A Registered Company Shareholder who holds Company Shares as an Intermediary for one or more beneficial owners, one or more of whom wish to exercise Dissent Rights, must exercise such Dissent Rights on behalf of such holder(s). In such case, the notice should specify the number of Company Shares held by the Intermediary for such beneficial owner. A Dissenting Company Shareholder may dissent only with respect to all the Company Shares held on behalf of any one beneficial owner and registered in the name of the Dissenting Company Shareholder, and Dissent Rights must be exercised in respect of all, but not less than all, of the Company Shares owned or in respect of which a Dissenting Company Shareholder exercises direction or control.

Registered Company Shareholders as of the close of business on the Record Date have been provided with the right to dissent in respect of the Arrangement Resolution in the manner provided in Section 185 of the OBCA, as modified by the Interim Order and the Plan of Arrangement. The following summary is qualified in its entirety by the provisions of Section 185 of the OBCA, the Interim Order and the Plan of Arrangement.

Any Registered Company Shareholder as of the Record Date who validly exercises Dissent Rights may be entitled, in the event the Arrangement becomes effective, to be paid by the Buyer the fair value of the Company Shares held by such Dissenting Company Shareholder, which fair value, notwithstanding anything to the contrary contained in Part XIV of the OBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted. A Dissenting Company Shareholder will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Company Shares. **Company Shareholders are cautioned that fair value could be determined to be less than the amount per Company Share payable pursuant to the terms of the Arrangement.**

A Registered Company Shareholder as of the close of business on the Record Date who wishes to dissent must provide a written notice of dissent (a "Dissent Notice") to the Company at Appili Therapeutics Inc., 77 King Street West, Suite 400, Toronto, Ontario M5K 0A1 Attention: Don Cilla, Chief Executive Officer to be received not later than 5:00 p.m. (Toronto time) on the Business Day that is two Business Days immediately preceding the Meeting (or any adjourned or postponed Meeting). Failure to properly exercise Dissent Rights may result in the loss or unavailability of the right to dissent.

The filing of a Dissent Notice does not deprive a Registered Company Shareholder of the right to vote at the Meeting. However, no Registered Company Shareholder who has voted FOR the Arrangement Resolution shall be entitled to exercise Dissent Rights with respect to their Company Shares. A vote against the Arrangement Resolution, an abstention from voting, or a proxy submitted instructing a proxyholder to vote against the Arrangement Resolution does not constitute a Dissent Notice, but a Registered Company Shareholder need not vote their Company Shares against the Arrangement Resolution in order to dissent. Similarly, the revocation of a proxy conferring authority on the proxyholder to vote **FOR** the Arrangement Resolution does not constitute a Dissent Notice. However, any proxy granted by a Registered Company Shareholder who intends to dissent, other than a proxy that instructs the proxyholder to vote against the Arrangement Resolution, should be validly revoked in order to prevent the proxyholder from voting such Company Shares in favour of the Arrangement Resolution and thereby causing the Registered Company Shareholder to forfeit his or her Dissent Rights.

Within 10 days after the Company Shareholders adopt the Arrangement Resolution, the Company is required to notify each Dissenting Company Shareholder that the Arrangement Resolution has been adopted. Such notice is not required to be sent to any Company Shareholder who voted **FOR** the Arrangement Resolution or who has withdrawn its Dissent Notice.

A Dissenting Company Shareholder who has not withdrawn its Dissent Notice prior to the Meeting must then, within 20 days after receipt of notice that the Arrangement Resolution has been adopted, or if a Dissenting Company Shareholder does not receive such notice, within twenty (20) days after learning that the Arrangement Resolution has been adopted, send to the Company a written notice containing his or her name and address, the number and class of Company Shares in respect of which he or she dissents (the "**Dissenting Shares**"), and a demand for payment of the fair value of such Company Shares (the "**Demand for Payment**"). Within 30 days after sending a Demand for Payment, a Dissenting Company Shareholder must send to the Company certificates representing the Company Shares in respect of which he or she dissents. The Company will or will cause its transfer agent to endorse on the applicable share certificates received from a Dissenting Company Shareholder a notice that the holder is a Dissenting Company Shareholder and will forthwith return such share certificates to a Dissenting Company Shareholder.

Failure to strictly comply with the requirements set forth in Section 185 of the OBCA, as modified by the Plan of Arrangement and the Interim Order may result in the loss of any right to dissent.

After sending a Demand for Payment, a Dissenting Company Shareholder ceases to have any rights as a Company Shareholder in respect of its Dissenting Shares other than the right to be paid the fair value of the Dissenting Shares held by such Dissenting Company Shareholder, except where: (i) a Dissenting Company Shareholder withdraws its Dissent Notice before the Buyer makes an offer to pay (an "**Offer to Pay**"), or (ii) the Buyer fails to make an Offer to Pay and a Dissenting Company Shareholder withdraws the Demand for Payment, in which case a Dissenting Company Shareholder's rights as a Company Shareholder will be reinstated as of the date of the Demand for Payment.

Pursuant to the Plan of Arrangement, in no case shall the Buyer, the Company or any other Person be required to recognize any Dissenting Company Shareholder as a Company Shareholder after the Effective Time and the names of such Dissenting Company Shareholders shall be removed from the registers of holders of Company Shares in respect of which Dissent Rights have been validly exercised at the Effective Time and the Buyer shall be recorded as the registered holder of such Company Shares and shall be deemed to be the legal owner of such Company Shares.

In addition to any other restrictions under Section 185 of the OBCA, none of the following shall be entitled to exercise Dissent Rights: (i) holders of Company Options or Company Warrants; and (ii) Company Shareholders who vote or have instructed a proxyholder to vote their Shares FOR the Arrangement Resolution.

Pursuant to the Plan of Arrangement, Dissenting Company Shareholders who are ultimately not entitled, for any reason, to be paid fair value for their Dissenting Shares, shall be deemed to have participated in the Arrangement on the same basis as Company Shareholders who have not exercised Dissent Rights in respect of such Company Shares and will be entitled to receive the applicable Consideration per Company Share to which holders of Company Shares who have not exercised Dissent Rights are entitled under the Plan of Arrangement.

The Company is required, not later than seven (7) days after the later of the Effective Date or the date on which a Demand for Payment is received from a Dissenting Company Shareholder, to send to each Dissenting Company Shareholders who has sent a Demand for Payment, an Offer to Pay for its Dissenting Shares in an amount considered by the Company Board to be the fair value of the Company Shares,

accompanied by a statement showing the manner in which the fair value was determined. Every Offer to Pay for Company Shares of the same class must be on the same terms. The Company must pay for the Company Dissenting Shares of a Dissenting Company Shareholder within 10 days after an Offer to Pay has been accepted by a Dissenting Company Shareholder, but any such offer lapses if the Company does not receive an acceptance within 30 days after the Offer to Pay has been made.

If the Company fails to make an Offer to Pay for Dissenting Shares, or if a Dissenting Company Shareholder fails to accept an Offer to Pay that has been made, the Company may, within fifty (50) days after the Effective Date or within such further period as a court may allow, apply to a court to fix a fair value for the Dissenting Shares. If the Company fails to apply to a court, a Dissenting Company Shareholder may apply to a court for the same purpose within a further period of twenty (20) days or within such further period as a court may allow. A Dissenting Company Shareholder is not required to give security for costs in such an application.

Before the Company makes an application to a court or not later than seven days after a Dissenting Company Shareholder makes an application to a court, the Company will be required to give notice to each Dissenting Company Shareholders of the date, place and consequences of the application and of its right to appear and be heard in person or by counsel. Upon an application to a court, all Dissenting Company Shareholders who have not accepted an Offer to Pay will be joined as parties and be bound by the decision of the court. Upon any such application to a court, the court may determine whether any Person is a Dissenting Company Shareholder who should be joined as a party, and the court will then fix a fair value for the Dissenting Shares of all Dissenting Company Shareholders. The final order of a court will be rendered against the Company in favour of each Dissenting Company Shareholder for the amount of the fair value of its Dissenting Shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Company Shareholder from the Effective Date until the date of payment.

There can be no assurance that the fair value of Dissenting Shares as determined under the applicable provisions of the OBCA, as modified by the Interim Order and the Plan of Arrangement, will be greater than or equal to the Consideration under the Arrangement Agreement. Judicial determination of fair value could delay payment of Consideration in respect of Dissenting Shares.

Strict Compliance with Dissent Provisions Required

The foregoing summary does not purport to provide comprehensive statements of the procedures to be followed by a Dissenting Shareholder under Section 185 of the OBCA, as modified by the Plan of Arrangement and the Interim Order, and reference should be made to the specific provisions of Section 185 of the OBCA and also with the specific provisions of the Plan of Arrangement and the Interim Order. The OBCA requires strict adherence to the procedures regarding the exercise of rights established therein. The failure to adhere to such procedures may result in the loss of all rights of dissent. **Accordingly, each Company Shareholder who wishes to exercise Dissent Rights should carefully consider and comply with the provisions of Section 185 of the OBCA, also with the specific provisions of the Plan of Arrangement and the Interim Order, and consult a legal advisor. A copy of Section 185 of the OBCA is set out in Appendix F and copies of the Plan of Arrangement and the Interim Order are attached to this Circular as Appendices C and D, respectively.**

RISK FACTORS

Risks Related to the Arrangement

Non-Solicitation Covenants

There are limitations contained in the Arrangement Agreement on the Company's ability to solicit additional interest from third parties; however, subject to compliance with the terms of the Arrangement Agreement, the Company Board may consider and respond to an unsolicited Acquisition Proposal that is a Superior Proposal at any time prior to the approval of the Arrangement by Company Shareholders. The Company Board may also make a Change in Recommendation in connection with an unsolicited Superior Proposal. Notwithstanding the right to consider and respond to unsolicited Superior Proposals, the Arrangement cannot be terminated by the Company in response to a Superior Proposal without the Company paying the Termination Fee. Each of these factors may discourage other parties from attempting to acquire the Company Shares, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement.

Required Company Shareholder Approval

There can be no certainty, nor can the Company provide any assurance, that the Arrangement Resolution will be approved at the Meeting by the requisite majority of the votes cast thereon. If such approval is not obtained and the Arrangement is not completed, the market price of the Company Shares may decline to the extent that the current market price reflects a market assumption that the Arrangement will be completed. If the Arrangement is not completed and the Company Board decides to seek another arrangement or alternative, there can be no assurance that it will be able to find a party willing to pay an equivalent or greater price for the Company Shares than the price to be paid pursuant to the Arrangement.

Support and Voting Agreements may discourage other offers

The Supporting Company Securityholders, who collectively as of the Record Date, beneficially own, or exercise control or direction over, directly or indirectly, approximately 11.9% of the voting rights attached to all of the Company Shares, have entered into Support and Voting Agreements under which they have agreed to vote **FOR** the Arrangement Resolution, subject to the terms of such agreements, and the existence of such Support and Voting Agreements which may discourage other parties from attempting to acquire the Company Shares, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement.

Anticipated benefits may not occur

The Combined Company may fail to realize growth opportunities and synergies currently anticipated due to, among other things, challenges associated with growing the business of the Company and Aditxt and the ability of the Combined Company to attract capital.

Risks associated with a fixed exchange ratio

Company Shareholders will receive a fixed number of Consideration Shares under the Arrangement, rather than Consideration Shares with a fixed market value. Because the number of Consideration Shares to be received in respect of each Company Share under the Arrangement will not be adjusted to reflect any change in the market value of Aditxt Shares, the market value of Aditxt Shares received under the Arrangement may vary significantly from the market value at the date of announcement of the Arrangement Agreement. If the market price of Aditxt Shares increases or decreases, the value of the Consideration that shareholders

of the Company receive pursuant to the Arrangement will correspondingly increase or decrease. There can be no assurance as to the market price of Aditxt Shares at the closing of the Arrangement.

In addition, the number of Consideration Shares being issued in connection with the Arrangement will not change despite decreases or increases in the market price of the Company Shares or Aditxt Shares.

Many of the factors that affect the market price of Aditxt Shares and the Company Shares are beyond the control of Aditxt and the Company, respectively. These factors include changes in market perceptions of the biotechnology industry, changes in the regulatory environment, adverse political developments and prevailing conditions in the capital markets.

The Termination Fee, if triggered, may discourage other parties from attempting to acquire the Company

Under the Arrangement Agreement, the Company is required to pay the Termination Fee in the event the Arrangement Agreement is terminated in certain circumstances. The Termination Fee may discourage other parties from attempting to acquire the Company Shares, even if those parties would otherwise be willing to offer greater value than that offered under the Arrangement.

The Company will incur substantial transaction-related costs in connection with the Arrangement

The Company expects to incur a number of non-recurring transaction-related costs associated with completing the Arrangement which will be incurred whether or not the Arrangement is completed. Such costs may offset any expected cost savings and other synergies from the Arrangement.

While the Arrangement is pending, the Company is restricted from taking certain actions

The Arrangement Agreement imposes certain restrictions on the conduct of the Company's business during the period between the execution of the Arrangement Agreement and the consummation of the Arrangement, which may have a negative impact on the Company's ability to obtain financing, its performance and may adversely affect the ability of the Company to execute certain business strategies. These restrictions may prevent the Company from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement. As the Arrangement is dependent upon the satisfaction of certain conditions, its completion is subject to uncertainty and the Company's suppliers and partners may delay or defer decisions concerning the Company, which could have a negative impact on the Company's business and operations, regardless of whether the Arrangement is ultimately completed. Under certain circumstances, there could be negative and irreparable impacts on the Company's business relationships (including with current and prospective employees, customers, suppliers, partners and regulators, among others).

The pending Arrangement may divert the attention of the Company's management

The pending Arrangement could cause the attention of the Company's management to be diverted from the day-to-day operations. These disruptions could be exacerbated by a delay in the completion of the Arrangement and could have an adverse effect on the business, operating results or prospects of the Company regardless of whether the Arrangement is ultimately completed.

Directors and senior officers of the Company may have interests in the Arrangement that are different from those of the Company Shareholders

In considering the recommendation of the Company Board to vote **FOR** the Arrangement Resolution, Company Shareholders should be aware that certain directors and certain senior officers of the Company

have interests in connection with the Arrangement that may present them with actual or potential conflicts of interest in connection with the Arrangement.

Risks Related to the Combined Company

The business and operations of the Combined Company will be subject to the risks described in the documents of Aditxt incorporated by reference in this Circular, including, without limitation, the risks described in Aditxt's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and the Definitive Proxy Statement of Aditxt dated July 5, 2024, which are incorporated by reference into this Circular. Upon completion of the Arrangement, the combined entity's business, financial condition, results of operations and cash flows could be materially adversely affected by any of these risks. The market or trading price of Aditxt's securities could decline due to any of these risks. Additional risks not presently known to Aditxt or that Aditxt currently deems immaterial may also impair the combined entity's business and operations. In addition to risks associated with Aditxt's business and operations, the following additional risks are associated with the combined entity.

Following completion of the Arrangement, the trading price of the Aditxt Shares cannot be guaranteed

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. The market price per Aditxt Share is also likely to be affected by changes in the Combined Company's financial condition or results of operations. Other factors unrelated to the performance of the Combined Company that may have an effect on the price of Aditxt Shares include the following: (i) current events affecting the economic situation in the United States, Canada and the global markets, (ii) regulatory and/or government actions, rulings or policies; (iii) changes in financial estimates and recommendations by securities analysts or rating agencies; (iv) acquisitions and financings completed by the Combined Company; (v) the economics of current and future projects and operations of the Combined Company; (vi) quarterly variations in operating results; (vii) the operating and share price performance of other companies, including those that investors may deem comparable; (viii) the issuance of additional equity securities of the Combined Company, as applicable, or the perception that such issuance may occur; and (ix) purchases or sales of blocks of the Aditxt Shares.

To illustrate the volatility of the Aditxt Shares, on March 29, 2024, the last trading day before the execution of the Arrangement Agreement was announced and before giving effect to the Aditxt Reverse Stock Split, the Aditxt Shares were trading at US$3.40. As of October 3, 2024, the Aditxt Shares were trading at US$1.94, which represents approximately US$0.0485 based on the Aditxt Shares if nullifying the effects of the Aditxt Reverse Stock Split.

The issuance and future sale of Aditxt Shares could affect the market price

Based on a closing share price for Aditxt Shares on the NASDAQ on March 29, 2024, the last trading day before the execution of the Arrangement Agreement was announced and before giving effect to the Aditxt Reverse Stock Split, of US$3.40, and the number of outstanding Company Shares as of such time, on a non-diluted basis, Aditxt expected to issue at the Effective Time an aggregate of approximately 8,322 Aditxt Shares (representing approximately 332,876 Aditxt Shares before giving effect to the Aditxt Reverse Stock

Split). The issuance of these shares, and the sale of Aditxt Shares in the public market from time to time, could depress the market price for Aditxt Shares.

The Aditxt Shares to be received by Company Shareholders as a result of the Arrangement will have different rights from the Company Shares

Aditxt is a Delaware corporation. The Company is a company existing under the OBCA. Upon completion of the Arrangement, Company Shareholders will become Aditxt Shareholders and their rights as shareholders will be governed by the Aditxt's constating documents and the Law of the state of Delaware. Certain of the rights associated with Aditxt Shares under Delaware Law are different from the rights associated with Company Shares under the OBCA. See "*COMPARISON OF SHAREHOLDER RIGHTS UNDER THE OBCA AND DELAWARE LAW*" in Appendix H to this Circular for a discussion of the different rights associated with Aditxt Shares.

Enforcement of rights against the combined entity in Canada

Aditxt is located outside Canada and, following the Effective Time, all or a majority of its directors, officers and experts are expected to reside outside of Canada. Accordingly, it may not be possible for Aditxt Shareholders to effect service of process within Canada upon the Aditxt after completion of the Arrangement or its directors, officers or experts, or to enforce judgments obtained in Canadian courts against Aditxt or its directors, officers or experts.

The completion of the Evofem Acquisition

It is contemplated that Aditxt will complete the acquisition of Evofem as set out herein. There is no guarantee that Aditxt will complete such proposed acquisition on the terms contemplated herein or at all. In the event that the Arrangement is completed, but Aditxt's acquisition of Evofem is not completed, Company Shareholders will not realize any of the benefits of Evofem's operations in the Combined Company.

The unaudited pro forma consolidated financial information of the Combined Company is presented for illustrative purposes only

The unaudited *pro forma* consolidated financial information contained in this Circular is presented for illustrative purposes only as of its respective dates and may not reflect the financial condition or results of operations of the Combined Company following the Arrangement for several reasons. The unaudited *pro forma* consolidated financial information has been derived from the respective historical financial statements of Appili, Aditxt and Evofem. The information upon which these adjustments and assumptions have been made is preliminary and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the unaudited *pro forma* consolidated financial information does not include, among other things, estimated cost or synergies, adjustments related to restructuring or integration activities, future acquisitions or disposals not yet known or probable, or impacts of Arrangement-related change in control provisions that are currently not factually supportable and/or probable of occurring. Therefore, the unaudited *pro forma* consolidated financial information is presented for informational purposes only and is not necessarily indicative of what the Combined Company's actual financial condition or results of operations would have been had the Arrangement been completed on the date indicated. Accordingly, the business, assets, results of operations and financial condition of the Combined Company may differ significantly from those indicated in the unaudited *pro forma* consolidated financial information.

PROCEDURES FOR THE SURRENDER OF SHARE CERTIFICATES OR DRS STATEMENTS AND PAYMENT OF CONSIDERATION

Letter of Transmittal

If the Arrangement is approved by Company Shareholders and the Arrangement is implemented, in order to receive the Consideration that you are entitled to, Registered Company Shareholders must complete and sign the Letter of Transmittal enclosed with the meeting material and deliver it (or an originally signed facsimile thereof), together with the certificates or DRS statements representing their Company Shares and the other relevant documents required by the instructions set out therein, to the Depositary in accordance with the instructions contained in the Letter of Transmittal. You can request additional copies of the Letter of Transmittal by contacting the Depositary. The Letter of Transmittal is also available under SEDAR+ at www.sedarplus.ca under the Company's profile.

The Letter of Transmittal contains procedural information relating to the Arrangement and should be reviewed carefully. The deposit of Company Shares pursuant to the procedures in the Letter of Transmittal will constitute a binding agreement between the depositing Registered Company Securityholder and the Buyer upon the terms and subject to the conditions of the Arrangement.

In all cases, delivery of the Consideration for Company Shares deposited will be made only after timely receipt by the Depositary of certificates or DRS statements, if any, representing such Company Shares, together with a properly completed and duly executed Letter of Transmittal in the form accompanying this Circular relating to such Company Shares, with signatures guaranteed if so required in accordance with the instructions in the Letter of Transmittal, and any other required documents.

Where a certificate for Company Shares has been destroyed, lost or stolen, the Registered Company Shareholder of that certificate should complete the Letter of Transmittal as fully as possible and forward it, together with a letter describing the loss, to the Depositary at its office specified in the Letter of Transmittal. The Depositary and/or the registrar and Transfer Agent for the Company Shares will respond with replacement requirements (which will include a bonding or indemnity requirement) that must be satisfied in order for the Registered Company Shareholder to receive the Consideration in accordance with the Arrangement. Alternatively, Company Shareholders who have lost, stolen, or destroyed their certificate(s) may participate in Computershare's blanket bond program with Aviva Insurance Company of Canada by completing BOX E in the Letter of Transmittal, and submitting the applicable certified cheque or money order made payable to Computershare.

If a Letter of Transmittal is executed by a person other than the Registered Company Shareholder of the certificate(s) or DRS statement(s) deposited therewith, the certificate(s) or DRS statement(s) must be endorsed or be accompanied by an appropriate share transfer power of attorney properly completed by the Registered Company Shareholder, and the signature on such endorsement or share transfer power of attorney must correspond exactly to the name of the Registered Company Shareholder as registered or as appearing on the certificates(s) or DRS statement(s) and must be guaranteed by an Eligible Institution.

All questions as to validity, form, eligibility (including timely receipt) and acceptance of any Company Shares deposited pursuant to the Arrangement will be determined by the Buyer in its sole discretion. Depositing Registered Company Shareholders agree that such determination will be final and binding. The Buyer reserves the right if it so elects in its absolute discretion to instruct the Depositary to waive any defect or irregularity contained in any Letter of Transmittal and/or accompanying documents received by it.

The method used to deliver the Letter of Transmittal and accompanying certificates or DRS statements representing Company Shares and all other required documents is at the option and risk of the person

depositing the same, and delivery will be deemed effective only when such documents are actually received by the Depositary. The Company recommends that such documents be delivered by hand to the Depositary and a receipt obtained. However, if documents are mailed, the Company recommends that registered mail be used and that appropriate insurance be obtained.

If you are a Non-Registered Company Shareholder, you should carefully follow the instructions from the Intermediary that holds Company Shares on your behalf in order to receive the Consideration for your Company Shares.

Currency

If you are a Registered Company Shareholder, you will receive the Cash Consideration per Company Share in the currency of the United States unless you exercise the right to elect in your Letter of Transmittal to receive the Cash Consideration per Company Share in respect of your Company Shares in the currency of Canada.

If you are a Non-Registered Company Shareholder, you will receive the Cash Consideration per Company Share in the currency of the United States unless you contact the Intermediary in whose name your Company Shares are registered and request that the Intermediary make an election on your behalf. If your Intermediary does not make an election on your behalf, you will receive payment in the currency of the United States.

An election for Canadian dollars must be made on or prior to the Effective Date. After the Effective Date, all payments will be issued in the currency of the United States.

The exchange rate that will be used to convert payments from United States dollars into Canadian dollars will be the rate established by Computershare Trust Company of Canada, in its capacity as foreign exchange service provider to the Buyer, on the date the funds are converted, which rate will be based on the prevailing market rate on the date the funds are converted. The risk of any fluctuations in such rates, including risks relating to the particular date and time at which funds are converted, will be solely borne by the Company Shareholder. Computershare Trust Company of Canada will act as principal in such currency conversion transactions.

No Fractional Shares and Rounding of Cash Consideration

In no event will any fractional Consideration Shares be issued under the Plan of Arrangement. Where the aggregate number of Consideration Shares to be issued to a Company Shareholder as consideration under the Plan of Arrangement would result in a fraction of a Consideration Share being issuable, then the number of Consideration Shares, as the case may be, to be issued to such Company Shareholder will be rounded down to the closest whole number without any payment in lieu. In any case where the aggregate cash payable to a particular Company Shareholder under the Arrangement would, but for this provision, include a fraction of $0.01, the cash consideration payable will be rounded to the nearest $0.01.

Withholding Rights

Each of the Company, Aditxt, the Buyer, the Depositary and any other Person that has any deduction or withholding obligation with respect to any amount to be paid or deemed paid under the Plan of Arrangement, will be entitled to deduct and withhold from any amounts payable to any person pursuant to the Plan of Arrangement such amounts as such persons, acting reasonable, determine are required or permitted to be deducted or withheld with respect to such payment under the Tax Act, the U.S. Tax Code or any provision of any other applicable Law. To the extent that amounts are so withheld or deducted and

remitted to the applicable Governmental Entity, such withheld or deducted amounts will be treated for all purposes as having been paid to such person. Each Person making a deduction or withholding under the Plan of Arrangement will be permitted to sell or otherwise dispose of, on behalf of any Person, such portion of the Consideration or other amounts deliverable under the Arrangement to such Person as is necessary to provide sufficient funds to enable the Person making the deduction or withholdings to deduct, withhold or remit any amount so required to be withheld, and the Person making such withholdings or deductions will notify the applicable Person of the details of such disposition, including the gross and net proceeds and any adjustments thereto, and will remit any unapplied balance of the net proceeds of such sale or other disposition to the Person.

COMPARISON OF SHAREHOLDER RIGHTS UNDER THE OBCA AND DELAWARE LAW

Aditxt is incorporated under the laws of Delaware. The rights of a shareholder of a Delaware corporation differ from the rights of a shareholder of an OBCA corporation. See Appendix H to this Circular for a summary comparison of the rights of Company Shareholders and Aditxt Shareholders.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

General

The following is, as of the date of this Circular a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to beneficial owners of Company Shares relating to the Arrangement, and who, for the purposes of the Tax Act and at all relevant times: (i) hold their Company Shares and will hold their Consideration Shares acquired on the completion of the Arrangement, as capital property; (ii) deal at arm's length with the Company, Aditxt and the Buyer; and (iii) are not "affiliated" with either the Company, Aditxt or the Buyer within the meaning of the Tax Act (each a "**Holder**"). Company Shares and Consideration Shares will generally be considered to be capital property to a Holder unless such securities are held by the Holder in the course of carrying on a business of buying and selling securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not address the tax consequences to holders of Company Options or Company Warrants, nor any holders who have acquired Shares on the exercise of an employee stock option (including Company Options) or other incentive through another equity-based employment compensation arrangement, or otherwise in the course of their employment. All such holders should consult their own tax advisors.

This summary is based on the facts set out in this Circular, the current provisions of the Tax Act, and Appili's understanding of the current publicly available administrative practices and assessing policies of the CRA. This summary also takes into account all specific proposals to amend the Tax Act (the "**Proposed Amendments**") announced by or on behalf of the Minister of Finance (Canada) in writing prior to the date hereof and assumes that all Proposed Amendments will be enacted in the form proposed although there can be no assurance that the Proposed Amendments will be enacted in the form proposed or at all. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action or decision, nor does it take into account other federal or any provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below. There can be no assurance that the CRA will not change its administrative policies or assessing practices.

This summary is not applicable to a Holder: (i) that is a "financial institution" as defined in the Tax Act for the purposes of the "mark-to-market property" rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) an interest in which is, whose Company Shares are, or

whose Consideration Shares will be, a "tax shelter investment" as defined in the Tax Act; (iv) that has elected to report its "Canadian tax results" (within the meaning of the Tax Act) in a currency other than Canadian currency; (v) that has entered, or will enter, into a "dividend rental arrangement", a "derivative forward agreement" or a "synthetic disposition arrangement", each as defined in the Tax Act, with respect to the Company Shares or Consideration Shares; (vi) that has acquired any Company Shares upon the exercise of an employee stock option; (vii) that is a "foreign affiliate" of a taxpayer resident in Canada, as defined in subsection 95(1) of the Tax Act; or (viii) that is a corporation resident in Canada and is or becomes, or does not deal at arm's length with a corporation resident in Canada that is or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of Aditxt Shares, controlled by a non-resident person, or a group of non-resident persons not dealing with each other at arm's length, for purposes of the foreign affiliate dumping rules in section 212.3 of the Tax Act. Any such Holder should consult its own tax advisor.

In general, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Aditxt Shares must be converted into Canadian dollars based on the applicable exchange rate quoted by the Bank of Canada for the relevant day or such other rate of exchange that is acceptable to the CRA.

THIS SUMMARY IS OF A GENERAL NATURE ONLY AND IS NOT, AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR HOLDER AND NO REPRESENTATIONS WITH RESPECT TO THE TAX CONSEQUENCES TO ANY PARTICULAR HOLDER ARE MADE. THIS SUMMARY IS NOT EXHAUSTIVE OF ALL CANADIAN FEDERAL INCOME TAX CONSIDERATIONS. ACCORDINGLY, HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES.

Holders Resident in Canada

The following portion of this summary applies to a Holder who, at all relevant times is or is deemed to be resident in Canada for purposes of the Tax Act (a "**Resident Holder**").

Certain Resident Holders whose Company Shares might not otherwise qualify as capital property may be entitled to make, or may have already made, an irrevocable election under subsection 39(4) of the Tax Act. This election may deem any Company Shares (and any other "Canadian security", as defined in the Tax Act) owned by such Resident Holders to be capital property in the taxation year in which the election is made and in all subsequent taxation years. Resident Holders whose Company Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Resident Holders should consult with their own tax advisors for advice with respect to whether an election under subsection 39(4) is available or advisable in their particular circumstances. This election will not be available in respect of the Adixt Shares.

Disposition of Company Shares under the Arrangement

A Resident Holder who disposes of their Company Shares pursuant to the Arrangement will generally realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the fair market value of the Consideration received is greater (or are less) than the adjusted cost base to the Resident Holder of the Company Shares immediately before the disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

Acquisition of Adixt Shares

The adjusted cost base to a Resident Holder of his/her/its Adixt Shares will be determined by averaging the cost of the Adixt Shares received pursuant to the Arrangement with the adjusted cost base (determined immediately before the acquisition of the Adixt Shares) of all other Adixt Shares held as capital property at that time by the Resident Holder.

Dividends on Aditxt Shares

A dividend received or deemed to be received on Aditxt Shares by a Resident Holder who is an individual will be included in computing such Resident Holder's income for the taxation year in which such dividends are received and will not be subject to the gross-up and dividend tax credit rules in the Tax Act.

A dividend received or deemed to be received on Aditxt Shares by a Resident Holder that is a corporation will be included in the corporation's income and will generally not be deductible in computing its taxable income.

Any U.S. non-resident withholding tax on such dividends generally should be eligible, subject to the specific rules and limitations under the Tax Act, to be credited against the Resident Holder's income tax or deducted from income.

Disposition of Aditxt Shares.

A disposition or deemed disposition of a Aditxt Share by a Resident Holder will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the total of (i) the adjusted cost base of the Aditxt Share to such Resident Holder, and (ii) any reasonable costs of disposition. The general tax treatment of capital gains and capital losses is discussed below under the section titled "*Taxation of Capital Gain or Capital Loss*".

Taxation of Capital Gain or Capital Loss

In general, for dispositions occurring prior to June 25, 2024, one-half of a capital gain realized by a Resident Holder must be included in computing such Resident Holder's income as a taxable capital gain. One-half of a capital loss must be deducted as an allowable capital loss against taxable capital gains realized by the Resident Holder in the year and any excess may be deducted against net taxable capital gains in any of the three preceding years or in any subsequent year, to the extent and under the circumstances set out in the Tax Act. On April 16, 2024 the Minister of Finance publicly announced proposals to amend the Tax Act to increase the capital gains inclusion rate from one half to two thirds for corporations and trusts, and from one half to two thirds on the portion of capital gains realized in the year that exceed $250,000 for individuals, for capital gains realized on or after June 25, 2024.

The amount of any capital loss realized on the disposition or deemed disposition of Aditxt Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such Aditxt Shares or shares substituted for such Aditxt Shares to the extent and in the circumstances specified by the Tax Act. Similar rules may apply where an Aditxt Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" as defined in the Tax Act or is a "substantive CCPC" (as proposed to be defined in the Proposed Amendments released on November 21, 2023) at any time in a taxation year may be liable to pay an

additional refundable tax on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains.

A taxable capital gain realized by an individual, or certain trusts, may give rise to a liability for alternative minimum tax under the Tax Act.

Foreign Property Information Reporting

A Resident Holder who is a "specified Canadian entity" as defined in the Tax Act for a taxation year or fiscal period whose total cost amount of "specified foreign property" as defined in the Tax Act, which includes the Aditxt Shares, at any time in the year or fiscal period exceeds $100,000, is required to file an information return for the year or period disclosing prescribed information in respect of such property. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Dissenting Resident Holders

A Resident Holder who exercises Dissent Rights and receives from the Buyer the fair value of such Resident Holder's Company Shares will dispose of the Company Shares for proceeds of disposition equal to the amount received by a dissenting Resident Holder (less the amount of any interest awarded by the Court). This disposition of Company Shares by the dissenting Resident Holder will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition exceed (or are less than) the total of (i) the adjusted cost base of such Company Shares to such Resident Holder, and (ii) any reasonable costs of disposition. The general tax treatment of capital gains and capital losses is discussed below under the section titled "Taxation of Capital Gain or Capital Loss".

Any interest awarded by the Court to a dissenting Resident Holder will be included in computing such dissenting Resident Holder's income for purposes of the Tax Act.

Eligibility for Investment

In the opinion of Dentons, counsel to Appili, based on the provisions of the Tax Act and the regulations thereunder as of the date hereof, the Aditxt Shares will be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans ("**DPSPs**"), registered education savings plans ("**RESPs**"), registered disability savings plans ("**RDSPs**"), tax-free savings accounts ("**TFSAs**") and first home savings account ("**FHSA**") (collectively, RRSPs, RRIFs, RESPs, RDSPs TFSAs and FHSAs are referred to as "**Registered Plans**"), provided that the Aditxt Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes NASDAQ).

The annuitant, holder or subscriber, as applicable, of a Registered Plan will be subject to a penalty tax in respect of the Aditxt Shares held by a trust governed by such Registered Plan, as the case may be, if such Aditxt Shares are a "prohibited investment" for such Registered Plan for the purposes of the Tax Act. The Aditxt Shares will not be a prohibited investment for a Registered Plan, provided that the annuitant, holder or subscriber of such a Registered Plan, as the case may be: (i) deals at arm's length with Aditxt for purposes of the Tax Act and (ii) does not have a "significant interest" within the meaning of the Tax Act in Aditxt. In addition, the Aditxt Shares will not be a prohibited investment if the Aditxt Shares are "excluded property" as defined in the Tax Act for trusts governed by a Registered Plan. Holders who intend to hold Aditxt Shares in a Registered Plan should consult their own tax advisors with respect to the application of the prohibited investment rules.

Holders Not Resident in Canada

The following portion of this summary applies to a Holder who at all relevant times, for the purposes of the Tax Act: (i) is not and is not deemed to be resident in Canada; and (ii) does not and will not use or hold, and is not and will not be deemed to use or hold, Company Shares or Consideration Shares in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is: (i) an insurer carrying on an insurance business in Canada and elsewhere; or (ii) an "authorized foreign bank" as defined in the Tax Act.

Taxation of Capital Gain or Capital Loss

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition of a Company Share under the Arrangement unless the Company Share constitutes "taxable Canadian property" to the Non-Resident Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty. Similarly, a Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition of an Aditxt Share unless the Aditxt Share constitutes "taxable Canadian property" to the Non-Resident Holder thereof for purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Generally, provided the Company Shares (and the Aditxt Shares) are listed on a "designated stock exchange" as defined in the Tax Act and which currently includes the TSX and the NASDAQ), at the time of disposition, the Company Shares (or the Aditxt Shares, as the case may be) will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60-month period immediately preceding the disposition the following two (2) conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length for the purposes of the Tax Act, partnerships in which the Non-Resident Holder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Company (or, in respect of their Aditxt Shares, Aditxt); and (ii) more than 50% of the fair market value of the Company Shares (or the Aditxt Shares) was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) and options in respect of, or interests in, or for civil law rights in, any of the foregoing property, whether or not such property exists. Notwithstanding the foregoing, in certain circumstances, a Company Share (and an Aditxt Share) may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act.

If the Company Shares (or the Aditxt Shares) constitute or are deemed to constitute taxable Canadian property to any Non-Resident Holder, such Non-Resident Holder may be entitled to relief under the provisions of an applicable income tax treaty or convention. Non- Resident Holders whose Company Shares (or Aditxt Shares) may be taxable Canadian property should consult their own tax advisors.

Dissenting Non-Resident Holders

A Non-Resident Holder who exercises Dissent Rights and receives from the Buyer the fair value of such Non-Resident Holder's Company Shares will dispose of the Company Shares, for proceeds of disposition equal to the amount received by such dissenting Non-Resident Holder (less the amount of any interest awarded by the court). A dissenting Non-Resident Holder for whom Company Shares are not taxable Canadian property (as described above under the section titled "*Holders Not Resident in Canada –*

Disposition of Company Shares Under the Arrangement") will not be subject to tax under the Tax Act in respect of any capital gain realized on the disposition of such Company Shares.

LEGAL MATTERS

Certain legal matters in connection with the Arrangement will be passed upon by Dentons Canada LLP, as counsel for the Company and Aird & Berlis LLP, as counsel for Aditxt and the Buyer.

OTHER BUSINESS

Management is not aware of any matters to come before the Meeting other than those set forth in the Notices of Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the form of proxy to vote the Company Shares represented thereby in accordance with their best judgment on such matter.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth herein, management of the Company is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year or of any associate or affiliate of any such persons, in any matter to be acted upon at the Meeting.

*See "*SECURITIES LAW MATTERS–*Securities Laws - Application of Multilateral Instrument 61-101 -* Minority Approval*".*

INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of the Company's (or its subsidiaries') executive officers, directors or employees, or former executive officers, directors or employees, is as at the date hereof, indebted to the Company or its subsidiaries or any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of the Company or its subsidiaries.

None of the Company's (or its subsidiaries') executive officers or directors, or former executive officers and directors, nor any associate of such individuals, is as at the date hereof, or has been, during the financial year ended March 31, 2024, indebted to the Company or its subsidiaries or any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding of the Company or its subsidiaries.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth herein, no informed person of the Company, any proposed director of the Company, or any associate or affiliate of any informed person or proposed director has any material interest, direct or indirect, in any transaction or in any proposed transaction within the past three (3) years from the date hereof which has materially affected or would materially affect the Company. An "**informed person**" means (i) a director or executive office of a reporting issuer, (ii) a director or executive officer of a person or company that is itself an informed person or subsidiary of a reporting issuer, (iii) any person or company who beneficially owns, directly or indirectly, voting shares of a reporting issuer or who exercises control or direction over shares of the reporting issuer or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the reporting issuer and (iv) a reporting issuer that has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

STATEMENT OF RIGHTS

Securities legislation in the provinces and territories of Canada provides security holders of the offeree issuer with, in addition to any other rights they may have at law, one or more rights of rescission, price revision or to damages, if there is a Misrepresentation in a circular or notice that is required to be delivered to those security holders. However, such rights must be exercised within prescribed time limits. Securityholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult a lawyer.

INFORMATION CONCERNING APPILI

Information relating to the Company can be found in Appendix I, which incorporates by reference the Company's filings on its profile on SEDAR+ at www.sedarplus.ca.

INFORMATION CONCERNING ADITXT

Information concerning Aditxt before and after the Arrangement can be found in Appendix J, which incorporates by reference Aditxt's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and certain sections indicated herein of the Definitive Proxy Statement of Aditxt dated July 5, 2024.

APPROVAL

The contents of this Circular and the sending thereof to each director of Appili, each Company Shareholder entitled to notice of the Meeting to which this Circular relates and to the auditor of Appili has been approved by the Company Board.

DATED at Toronto, Ontario as of this 4th day of October, 2024.

BY ORDER OF THE BOARD

By: *(Signed) "Armand Balboni"*
Name: Armand Balboni
Title: Chair of the Board

CONSENT OF BDO CANADA LLP.

To: The Board of Directors of Appili Therapeutics Inc.

We refer to the fairness opinion dated April 1, 2024, (the "**Fairness Opinion**") which we prepared for the special committee of the Board of Directors of Appili Therapeutics Inc. ("**Appili**") in connection with the plan of arrangement involving Appili and Aditxt, Inc. We consent to the filing of the Fairness Opinion in this information circular of Appili dated October 4**,** 2024(the "**Information Circular**") with the applicable securities regulatory authorities, the inclusion of the Fairness Opinion and a summary of the Fairness Opinion in the Information Circular, and all references to the Fairness Opinion and our firm in the Information Circular.

The Fairness Opinion was given as at April 1, 2024 and remains subject to the assumptions qualifications and limitations contained therein. In providing our consent, we do not intend that any person other than the special committee of the Board of Directors of Appili shall be entitled to rely upon the Fairness Opinion.

(Signed) "BDO Canada LLP."

BDO Canada LLP.

APPENDIX A
GLOSSARY

In this Circular, unless the subject matter or context is inconsistent therewith, the following terms have the meanings set forth below and grammatical variations thereof shall have the corresponding meanings.

"**Acquisition Proposal**" means, other than the transactions contemplated by the Arrangement Agreement, any bona fide expression of interest, offer, proposal or inquiry (whether written or oral) from, or public announcement by, any Person or group of Persons other than Aditxt or the Buyer (or any affiliate of either of them) after the date of the Arrangement Agreement relating to: (a) any direct or indirect sale, exchange, transfer, disposition, alliance or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as a disposition or sale), in a single transaction or series of related transactions, of assets (including assets and/or shares of the Subsidiary of the Company) representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue, as applicable, of the Company and its Subsidiary, taken as a whole; (b) any direct or indirect take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in a Person or group of Persons beneficially owning 20% or more of any class of voting or equity securities of the Company (and/or securities convertible into, or exchangeable or exercisable for, voting or equity securities of the Company); (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, share reclassification, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or similar transaction or series of transactions involving the Company or its Subsidiary; or (d) any other similar transaction or series of transactions involving the Company or its Subsidiary, the consummation of which would reasonably be expected to impede, interfere with, prevent, or delay the transactions contemplated by the Arrangement or the Arrangement Agreement or which could reasonably be expected to materially reduce the benefits to Aditxt or the Buyer of the Arrangement;

"**Additional Financial Disclosure**" has the meaning ascribed thereto under "THE ARRANGEMENT AGREEMENT–Covenants*"*;

"**Aditxt**" means Aditxt, Inc., a corporation existing under the laws of the State of Delaware;

"**Aditxt Acquisition Proposal**" means, other than the transactions contemplated by the Arrangement Agreement, any bona fide expression of interest, offer, proposal or inquiry (whether written or oral) from, or public announcement by, any Person or group of Persons other than the Company (or any affiliate of either of them) after the date of the Arrangement Agreement relating to: (a) any direct or indirect sale, exchange, transfer, disposition, alliance or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as a disposition or sale), in a single transaction or series of related transactions, of assets (including assets and/or shares of any Subsidiary of Aditxt) representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue, as applicable, of Aditxt, taken as a whole; (b) any direct or indirect take-over bid, tender offer, exchange offer, treasury issuance or other transaction that, if consummated, would result in a Person or group of Persons beneficially owning 20% or more of any class of voting or equity securities of Aditxt (and/or securities convertible into, or exchangeable or exercisable for, voting or equity securities of Aditxt); (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, share reclassification, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or similar transaction or series of transactions involving Aditxt or any of its Subsidiaries; or (d) any other similar transaction or series of transactions involving Aditxt or any of its Subsidiaries, the consummation of which would reasonably be expected to impede, interfere with, prevent, or delay the transactions contemplated by the Arrangement or the Arrangement Agreement or which could reasonably be expected to materially reduce the benefits to the Company of the Arrangement;

"**Aditxt Board**" means the board of directors of Aditxt as the same is constituted from time to time;

"**Aditxt Disclosure Letter**" means the disclosure letter dated as of the date of the Arrangement Agreement and delivered by Aditxt to the Company with the Arrangement Agreement;

"**Aditxt Options**" means the outstanding options to purchase Aditxt Shares issued pursuant to either (i) Aditxt's 2017 equity incentive plan established on October 6, 2017 and ratified on October 6, 2017 or (ii) Aditxt's 2021 omnibus equity incentive plan established on February 24, 2021 and approved by Aditxt Shareholders on March 19, 2021, each as amended from time to time;

"**Aditxt Reverse Stock Split**" has the meaning ascribed thereto under "GENERAL MATTERS – *Aditxt Shares"*;

"**Aditxt Shareholder**" means a holder of Aditxt Shares;

"**Aditxt Shares**" means the shares of common stock in the capital of Aditxt;

"**Aditxt Termination Fee Event**" has the meaning ascribed thereto under "THE ARRANGEMENT AGREEMENT– *Termination Fee"*;

"**Aditxt Warrants**" means the outstanding warrants of Aditxt to purchase or otherwise acquire Aditxt Shares;

"**affiliate**" has the meaning specified in National Instrument 45-106 – *Prospectus Exemptions* as in effect on the date of the Arrangement Agreement unless otherwise indicated;

"**Appointed Officers**" has the meaning set forth in the Arrangement Agreement;

"**Arrangement**" means the arrangement of the Company under section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement or made at the discretion of the Court in the Interim Order or the Final Order (with the prior written consent of the Company and Aditxt, each acting reasonably);

"**Arrangement Agreement**" means the arrangement agreement dated as of April 1, 2024, between the Buyer, Aditxt and the Company (including the schedules thereto) as amended on July 1, 2024, July 17, 2024 and August 20, 2024 as it may be further amended, modified or supplemented from time to time in accordance with the terms thereof;

"**Arrangement Resolution**" means the special resolution of the Company Shareholders approving the Plan of Arrangement, to be considered at the Meeting (together with any other matters that require the approval of the Company Shareholders in connection with the transactions contemplated under the Arrangement Agreement), substantially in the form of Appendix B, and any amendment or variation thereto made in accordance with the provisions of the Arrangement Agreement or made at the direction of the Court in the Interim Order with the prior written consent of Aditxt, the Buyer and the Company, each acting reasonably;

"**Articles of Arrangement**" means the articles of arrangement of the Company in respect of the Arrangement that are required by subsection of 183(1) of the OBCA to be sent to the Director after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to the Company and Aditxt, each acting reasonably;

"**associate**" has the meaning ascribed thereto in the *Securities Act* (Ontario);

"**BB Engagement Agreement**" means the engagement letter between the Company and BBSI dated July 19, 2023;

"**BBSI**" means Bloom Burton Securities Inc.;

"**BDO**" means BDO Canada LLP.;

"**BDO Engagement Agreement**" means the engagement letter between the Company and BDO dated March 20, 2024;

"**BDO Fairness Opinion**" means the opinion of BDO to the effect that, as of April 1, 2024, and based upon and subject to the assumptions, limitations and qualifications set forth in such opinion, the Consideration is fair, from a financial point of view, to the Company Shareholders;

"**Bloom Burton**" means Bloom Burton & Co. Inc.;

"**Bloom Burton GRID Note**" means the GRID Promissory Note Agreement dated April 26, 2024 between Bloom Burton and the Company;

"**Bloom Burton Promissory Note**" means the Second Amended and Restated Promissory Note Agreement dated December 14, 2023 between Bloom Burton and the Company;

"**Business Day**" means any day, other than a Saturday, a Sunday or any day on which major banks are closed for business in Halifax, Nova Scotia, Toronto, Ontario and New York, New York;

"**Buyer**" means Adivir, Inc., a corporation existing under the laws of the State of Delaware;

"**Canadian Securities Laws**" means the Securities Act and all other applicable securities laws, rules, regulations and published policies thereunder in a province or territory of Canada and the rules of the exchange applicable to companies listed thereon;

"**CBCA**" means the *Canada Business Corporations Act* and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**CDS**" means the Canadian Depository for Securities;

"**Certificate of Arrangement**" means the certificate of arrangement giving effect to the Arrangement, issued pursuant to subsection 183(2) of the OBCA after the Articles of Arrangement have been filed;

"**Chairperson**" means the chair of the Meeting;

"**Change in Recommendation**" has the meaning ascribed thereto under the heading "THE ARRANGEMENT AGREEMENT- *Termination of Arrangement Agreement*";

"**Circular**" means the Notice of Meeting and accompanying management information circular, including all schedules, appendices and exhibits hereto, to be sent to the Company Shareholders in connection with the Meeting, as amended, supplemented or otherwise modified from time to time;

"**Closing"** has the meaning ascribed thereto under the Arrangement Agreement;

"**Closing Company Payables**" has the meaning ascribed thereto under the heading "THE ARRANGEMENT AGREEMENT- *Conditions"*;

"**Combined Company**" means Aditxt following completion of the Arrangement;

"**Company**" or "**Appili**" means Appili Therapeutics Inc.;

"**Company AGM**" means the annual and special meeting of Company Shareholders held on September 17, 2024;

"**Company Board**" or "**Board of Directors**" means the board of directors of Appili as is constituted from time to time;

"**Company Board Recommendation**" means the unanimous determination of the Company Board, after consultation with its legal and financial advisors, that the Arrangement is in the best interests of the Company and the unanimous recommendation of the Company Board to Company Shareholders that they vote in favour of the Arrangement Resolution;

"**Company Change in Recommendation**" has the meaning ascribed thereto under "THE ARRANGEMENT AGREEMENT- *Termination of Arrangement Agreement*";

"**Company Disclosure Letter**" means the disclosure letter dated the date of the Arrangement Agreement and delivered by the Company to Aditxt in connection with the Arrangement Agreement;

"**Company Options**" means stock options to purchase Company Shares issued pursuant to the Stock Option Plan;

"**Company Securities**" means the Company Shares and any such securities of the Company acquired subsequent to the date hereof, and includes all securities which such Company Securities may be converted into, exchanged for or otherwise changed into;

"**Company Securityholders**" means, collectively, the Company Shareholders, the holders of the Company Options and the holders of the Company Warrants;

"**Company Shares**" means Class A common shares in the capital of the Company;

"**Company Shareholders**" means the registered and/or beneficial holders of Company Shares, as the context requires;

"**Company Special Committee**" means the special committee of the Company Board formed in relation to the proposal to effect the transactions contemplated by the Arrangement Agreement;

"**Company Termination Fee Event**" has the meaning ascribed thereto under "THE ARRANGEMENT AGREEMENT-*Termination Fee*";

"**Company Warrants**" means the outstanding warrants of the Company to purchase Company Shares;

"**Computershare**" means Computershare Investor Services Inc.;

"**Consideration**" means the consideration that a Company Shareholder is entitled to receive for each Company Share transferred or exchanged pursuant to the Plan of Arrangement, (i) 0.0000686251 of a share

of common stock of Aditxt and (ii) US$0.0467 all on the basis and subject to the terms and conditions set out in the Plan of Arrangement;

"**Consideration Shares**" means Aditxt Shares to be issued as the Consideration pursuant to the Arrangement;

"**Continuance**" means the continuance of the Company from the federal laws of Canada under the CBCA to the laws of the Province of Ontario under the OBCA;

"**Court**" means the Ontario Superior Court of Justice (Commercial List);

"**CRA**" means the Canada Revenue Agency;

"**Demand for Payment**" has the meaning ascribed thereto under the heading "DISSENTING SHAREHOLDERS' RIGHTS";

"**Dentons**" means Dentons Canada LLP;

"**Depositary**" means Computershare Investor Services Inc., as depositary, or any other bank, trust company or financial institution, as may be agreed to in writing by the Company and the Buyer;

"**Dissent Rights**" means the rights of dissent of the Company Shareholders in respect of the Arrangement Resolution as described in the Plan of Arrangement and as modified by the Interim Order;

"**Dissenting Company Shareholder**" means a Company Shareholder who has validly exercised Dissent Rights and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Company Shares in respect of which Dissent Rights are validly exercised by such Company Shareholder;

"**DPSP**" means deferred profit sharing plan;

"**DRS**" means direct registration system;

"**EDGAR**" means the Electronic Data Gathering, Analysis, and Retrieval system;

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement;

"**Effective Time**" means 12:01 a.m. (Toronto time), or such other time on the Effective Date as may be agreed to in writing by the Company and the Buyer;

"**Eligible Institution**" means a Canadian Schedule I Chartered Bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP);

"**Employee Plans**" means all employee benefit, health, dental or other medical, life, disability or other insurance (whether insured or self-insured), bonus, profit sharing, option, incentive compensation, deferred compensation, share purchase, share appreciation, pension, retirement, savings, supplemental retirement, unemployment, severance or termination pay, and any other material plans, policies, programs, agreements or arrangements for the benefit of employees, former employees, directors or former directors of the Company or its Subsidiary, or their respective dependents or beneficiaries, which are maintained by or binding upon the Company or its Subsidiary other than benefit plans established pursuant to statute, including the Canada Pension Plan, Quebec Pension Plan or any plan administered under applicable

provincial health tax, workers' compensation, workers' safety and insurance and employment insurance legislation;

"**Evofem**" means Evofem Biosciences, Inc.;

"**Evofem Acquisition**" means the proposed merger between Adicure, Inc., a wholly-owned subsidiary of Aditxt, and Evofem pursuant to an amended and restated merger agreement and plan of merger dated July 12, 2024, as amended from time to time;

"**Final Order**" means the final order of the Court under Section 182 of the OBCA in a form acceptable to the Company and the Buyer, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both the Company and the Buyer, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both the Company and the Buyer, each acting reasonably) on appeal;

"**Financing**" means an equity or debt financing by Aditxt with minimum gross proceeds of at least US$20,000,000;

"**Foreign Tax Jurisdiction**" has the meaning ascribed thereto under the heading "NOTICE TO SHAREHOLDERS IN THE UNITED STATES";

"**forward-looking information**" has the meaning ascribed thereto under the heading "CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION";

"**Governmental Entity**" means: (a) any international, national, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, body, commission, board, bureau, ministry, agency or instrumentality, domestic or foreign; (b) any subdivision or authority of any of the foregoing; (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (d) any stock exchange and "Governmental Entities" means more than one Governmental Entity;

"**Holder**" has the meaning ascribed thereto under the heading "CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS";

"**IFRS**" means International Financial Reporting Standards, as issued by the International Accounting Standards Board, applicable as at the date on which the calculation is made or required to be made, applied on a consistent basis;

"**including**" means including without limitation, and "**include**" and "**includes**" each have a corresponding meaning;

"**informed person**" has the meaning ascribed thereto under the heading "INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS";

"**Interested Parties**" has the meaning ascribed thereto under the heading "THE ARRANGEMENT - *BDO Fairness Opinion*";

"**Interim Order**" means the interim order of the Court contemplated by the Arrangement Agreement providing for, among other things, the calling and holding of the Meeting, as the same may be amended by the Court with the consent of the Company, the Buyer and Aditxt, each acting reasonably;

"**Intermediary**" has the meaning ascribed thereto under the heading "GENERAL PROXY INFORMATION - *Non-Registered Company Shareholders*";

"**Investment Canada Act**" means the *Investment Canada Act* (Canada), R.S.C. 1985, c.28 (1st Supp.);

"**Law**" or "**Laws**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, by-law, code, rule, regulation, order, injunction, judgment, decree, ruling or similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended, unless expressly specified otherwise;

"**Letter of Transmittal**" means the letter of transmittal sent by the Company to Registered Company Shareholders together with this Circular in connection with the Arrangement;

"**Lien**" means any mortgage, charge, pledge, encumbrance, hypothec, security interest, prior claim, restriction, easement, right of way, covenant, possessory interest, right of first refusal, preference, pre-emptive right, priority, option or lien (statutory or otherwise) and other similar encumbrance of any kind, in each case, whether fixed or floating, contingent or absolute;

"**Matching Period**" has the meaning ascribed thereto under the heading "THE ARRANGEMENT AGREEMENT - *Responding to a Company Superior Proposal*";

"**Material Adverse Effect**" means with respect to a Party, any change, event, occurrence, effect, state of facts, development or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, states of facts or circumstances, is or would reasonably be expected to be material and adverse to the business, operations, financial condition or results of operations of the Party and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, state of facts or circumstances resulting from: (a) any change affecting any of the industries in which the Party or any of its Subsidiaries operate; (b) any change in general economic, business, regulatory, political, financial, capital, securities or credit market conditions in Canada, the United States or globally; (c) any earthquake, hurricane, tornado, flood or other natural disaster, any outbreak of war or act of terrorism or any epidemic, pandemic or disease outbreak (including the COVID-19 virus or public health emergencies as declared by the World Health Organization); (d) any change in Law or GAAP; (e) any action taken (or omitted to be taken) by the Party or any of its Subsidiaries, which is required to be taken (or omitted to be taken) pursuant to the Arrangement Agreement or that is consented to by the other Parties in writing; (f) the announcement of the Arrangement Agreement or consummation of the Arrangement or the transactions contemplated hereby; (g) the failure of the Party to meet any internal or published projections, forecasts, guidance or estimate of revenues, earnings or cash flows for any period ending on or after the date of the Arrangement Agreement; provided, however, that the exception in this clause (g) shall not prevent the underlying facts giving rise or contributing to such failure, if not otherwise excluded from the definition of Material Adverse Effect, from being taken into account in determining whether a Material Adverse Effect has occurred; or (h) any change in the market price or trading volume of any securities of the Party provided, however, that the exception in this clause (h) shall not prevent the underlying facts giving rise or contributing to such change, if not otherwise excluded from the definition of Material Adverse Effect, from being taken into account in determining whether a Material Adverse Effect has occurred; provided, however, that (i) if any change, event, occurrence, effect, state of facts or circumstance in clauses (a) through and including (d) above has a materially disproportionate effect on the Party and its Subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the industries in which the Party or any of its Subsidiaries operate, such effect may be taken into account in determining whether a Material Adverse

Effect has occurred, and (ii) references in certain Sections of the Arrangement Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative for purposes of determining whether a "Material Adverse Effect" has occurred;

"**Meeting**" or "**Shareholder Meeting**" means the special meeting of the Company Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

"**MI 61-101**" means Multilateral Instrument 61-101 – P*rotection of Minority Security Holders in Special Transactions*;

"**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made;

"**NASDAQ**" means NASDAQ Stock Market LLC;

"**Non-Refusing Party**" has the meaning ascribed thereto under "THE ARRANGEMENT AGREEMENT-*Termination Fee*";

"**Non-Registered Company Shareholder**" has the meaning ascribed thereto under the heading "GENERAL PROXY INFORMATION - *Non-Registered Company Shareholders*";

"**Non-Resident Holder**" has the meaning ascribed thereto under the heading "CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS - *Holders Not Resident in Canada*";

"**Non-Voting Shares**" means the common non-voting shares in the capital of the Company;

"**Notice of Meeting**" has the meaning ascribed thereto under the heading "GENERAL MATTERS";

"**OBCA**" means the *Business Corporations Act* (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**OBCA Director**" means the Director appointed pursuant to section 278 of the OBCA;

"**officer**" has the meaning specified in the Securities Act;

"**ordinary course**" means, with respect to an action taken by a Party or its subsidiary, that such action is consistent with the past practices of such Party or such subsidiary and is taken in the ordinary course of the normal day-to-day operations of the business of such Party or such subsidiary but excludes non-arm's length transactions;

"**Outside Date**" means November 19, 2024;

"**Parties**" means the Buyer, Aditxt and Appili, and "**Party**" means either of them;

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative or government (including any Governmental Entity), syndicate or other entity, whether or not having legal status;

"**Plan of Arrangement**" means the plan of arrangement, substantially in the form of Appendix C, subject to any amendments or variations to such plan made in accordance with the Arrangement Agreement or the

Plan of Arrangement, or made at the direction of the Court in the Final Order with the prior written consent of the Company and Aditxt, each acting reasonably;

"**Potential Transaction**" has the meaning ascribed thereto under the heading "THE ARRANGEMENT - *Background to the Arrangement";*

"**Pre-Acquisition Reorganization**" has the meaning ascribed thereto under the heading "THE ARRANGEMENT AGREEMENT - *Pre-Acquisition Reorganization*"

"**Proposed Amendments**" has the meaning ascribed thereto under the heading "CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS";

"**RDSP**" means registered disability savings plan;

"**Record Date**" means October 2, 2024;

"**Reduced Cash Consideration Amount**" has the meaning ascribed thereto under "THE ARRANGEMENT AGREEMENT- *Consideration*"*;*

"**Refusing Party**" has the meaning ascribed thereto under "THE ARRANGEMENT AGREEMENT- *Termination Fee*"*;*

"**Registered Company Shareholder**" means a registered holder of Company Shares who is in possession of a physical share certificate or who is entitled to receive a physical certificate and whose name and address are recorded in the Company's shareholders' register maintained by Computershare;

"**Registered Plans**" means, collectively, RRSPs, RRIFs, DPSPs, RESPs, RDSPs and TFSAs;

"**Regulation S**" means Regulation S adopted by the SEC pursuant to the U.S. Securities Act;

"**Regulatory Approvals**" means any required regulatory approvals which the Parties may agree are necessary to complete the Arrangement and which are set out in the Company Disclosure Letter under the heading "Regulatory Approvals";

"**Resident Holders**" has the meaning ascribed thereto under the heading "CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS"*;*

"**RESP**" means registered education savings plan;

"**RRIF**" means registered retirement income fund;

"**RRSP**" means registered retirement savings plan;

"**SEC**" means the United States Securities and Exchange Commission;

"**Section 3(a)(10) Exemption**" means the exemption from the registration requirements of the U.S. Securities Act pursuant to Section 3(a)(10) thereof;

"**Securities Act**" means the *Securities Act* (Ontario) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**Securities Authorities**" means the Nova Scotia Securities Commission and the applicable securities commissions or securities regulatory authority of a province or territory of Canada;

"**Securities Laws**" means (a) the Securities Act and any other applicable securities laws, securities commissions or securities regulatory authority of a province or territory of Canada, (b) the U.S. Securities Act and the U.S. Exchange Act, (c) U.S. state securities Laws, in each case, to the extent applicable;

"**SEDAR+**" means the System for Electronic Document Analysis and Retrieval+.;

"**Shareholder Approval**" means, for the required level of approval for the Arrangement Resolution, (i) at least two-thirds ($66^{2/3}$%) of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting and entitled to vote thereat on the Arrangement Resolution; and (ii) a simple majority of the votes cast on the Arrangement Resolution by the Company Shareholders present or represented by proxy at the Meeting held by persons whose votes may not be included under the minority approval requirements for a business combination under MI 61-101;

"**Strategic Process**" means a process to explore strategic transactions, including an acquisition, disposition, merger, other business combination, financing or other strategic transaction;

"**Subject Securities**" has the meaning ascribed thereto in the applicable Support and Voting Agreement by and among Aditxt, and the Supporting Company Securityholders;

"**subsidiary**" has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus Exemptions;*

"**Superior Proposal**" means any bona fide written Acquisition Proposal made after the date of the Arrangement Agreement from a Person or Persons "acting jointly or in concert" (as such term is defined in NI 62-104) (other than the Buyer and its affiliates) that deals at arms' length with the Company, that did not result from a breach of the Arrangement Agreement, or any agreement between the Person or Persons making such Superior Proposal and the Company, to acquire, directly or indirectly, not less than all of the outstanding Company Shares or all or substantially all of the assets of the Company on a consolidated basis, that the Company Board determines in good faith, after consultation with its financial advisors and outside legal counsel: (a) is reasonably capable of being completed, without undue delay, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal; (b) is not subject to a financing condition and in respect of which it has been demonstrated to the satisfaction of the Company Board that adequate arrangements have been made in respect of any financing required to complete such Acquisition Proposal; (c) is not subject to a due diligence condition or access condition; (d) that requires the termination of the Arrangement Agreement in accordance with its terms; (e) in the event that the Company does not have the financial resources to pay the Termination Fee, the terms of such Acquisition Proposal provide that the Person making such Superior Proposal shall advance or otherwise provide the Company the cash required for the Company to pay the Termination Fee and such amount shall be advanced or provided on or before the date such Termination Fee becomes payable; and (f) would, if consummated in accordance with its terms (but without assuming away the risk of non-completion), result in a transaction which is more favourable, from a financial point of view, to Company Shareholders than the Arrangement (including any adjustment to the terms and conditions of the Arrangement proposed by Aditxt pursuant to the Arrangement Agreement);

"**Superior Proposal Notice**" has the meaning ascribed thereto under "THE ARRANGEMENT AGREEMENT– *Responding to an Acquisition Proposal"*;

"**Supporting Company Securityholders**" means the Persons who are party to the Support and Voting Agreements with Aditxt;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

"**Taxes**" means any and all domestic and foreign federal, state, provincial, municipal and local taxes, assessments, reassessments and other governmental charges, duties, impositions and liabilities of any kind imposed by any Governmental Entity, including tax instalment payments, unemployment insurance contributions and employment insurance contributions, Canada Pension Plan and provincial pension contributions (and similar foreign plans), worker's compensation and deductions at source, and including taxes based on or measured by gross receipts, income, profits, sales, capital, use and occupation, and including goods and services, value added, ad valorem, sales, use, capital, transfer, franchise, non-resident withholding, customs, payroll, recapture, employment, excise and property duties and taxes, together with all interest, penalties, fines and additions imposed with respect to such amounts;

"**Termination Fee**" means $1,250,000;

"**TFSA**" means tax-free savings account;

"**Third-Party Consents**" means all third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are listed in the Company Disclosure Letter under the heading "Third-Party Consents", in each case, on terms that are satisfactory to Aditxt, acting reasonably and in good faith;

"**Transfer Agent**" means Computershare Investor Services Inc.;

"**TSX**" means the Toronto Stock Exchange;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder;

"**U.S. GAAP**" means the accounting principles generally accepted in the United States;

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder;

"**U.S. Securities Laws**" means all applicable securities legislation in the U.S., including the U.S. Securities Act, the U.S. Exchange Act, including judicial and administrative interpretations thereof, and the securities laws of the states of the United States;

"**U.S. Tax Code**" means the United States Internal Revenue Code of 1986, as amended; and

"**Voting Support Agreements**" means the support and voting agreements by and among Aditxt, and the Supporting Company Securityholders.

APPENDIX B
ARRANGEMENT RESOLUTION

The text of the Arrangement Resolution which the Company Shareholders will be asked to pass at the Meeting is as follows:

ARRANGEMENT RESOLUTION

BE IT RESOLVED BY SPECIAL RESOLUTION THAT:

1. The arrangement (the "**Arrangement**") under section 182 of the *Business Corporations Act* (Ontario) (the "**OBCA**") involving Appili Therapeutics Inc. (the "**Company**"), more particularly described and set forth in the management proxy circular of the Company (the "**Circular**") dated October 4, 2024 and as the Arrangement may be amended, modified or supplemented in accordance with the arrangement agreement among the Company, Aditxt, Inc. and Adivir, Inc. dated as of April 1, 2024 as it may be modified, supplemented or amended from time to time in accordance with its terms (the "**Arrangement Agreement**"), all as more particularly described and forth in the Circular, and all transactions contemplated by the Arrangement Agreement are hereby authorized, approved and adopted.

2. The plan of arrangement, as it has been or may be modified, supplemented or amended in accordance with the Arrangement Agreement and its terms, involving the Company (the "**Plan of Arrangement**"), the full text of which is set out as Appendix C to the Circular, is hereby authorized, approved and adopted.

3. The Arrangement Agreement and all the transactions contemplated therein, the actions of the directors of the Company in approving the Arrangement and the Arrangement Agreement and the actions of the directors and officers of the Company in executing and delivering the Arrangement Agreement and any modifications, supplements or amendments thereto, and causing the performance by the Company of its obligations thereunder, are each hereby ratified and approved.

4. The Company is hereby authorized to apply for a final order from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement (as they may be, or may have been, modified, supplemented or amended).

5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the Company Shareholders (as defined in the Arrangement Agreement) or that the Arrangement has been approved by the Court, the directors of the Company are hereby authorized and empowered, at their discretion, without further notice to or approval of the Company Shareholders: (a) to amend or modify the Arrangement Agreement or the Plan of Arrangement to the extent permitted by their terms; and (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and any related transactions.

6. Any officer or director of the Company is hereby authorized and directed, for and on behalf of the Company, to make an application to the Court for an order approving the Arrangement and to execute, under the corporate seal of the Company or otherwise, and to deliver or cause to be delivered, for filing with the Director under the OBCA, articles of arrangement and such other documents and instruments as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement, such determination to be

conclusively evidenced by the execution and delivery of such articles of arrangement and any such other documents.

7. Any director or officer of the Company is hereby authorized, for and on behalf of the Company, to execute, with or without the corporate seal and, if appropriate, deliver any and all other agreements, applications, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do, or cause to be done, any and all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement, the completion of the Arrangement and related transactions in accordance with the Arrangement Agreement and the matters authorized hereby, including, without limitation: (a) all actions required to be taken by or on behalf of the Company, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by the Company, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument, and the taking or doing of any such action.

APPENDIX C
PLAN OF ARRANGEMENT

(begins on following page)

PLAN OF ARRANGEMENT UNDER SECTION 182

OF THE *BUSINESS CORPORATIONS ACT* (Ontario)

ARTICLE I
INTERPRETATION

1.1 Definitions

Unless indicated otherwise, where used in this Plan of Arrangement, capitalized terms used but not defined shall have the meanings ascribed thereto in the Arrangement Agreement (as defined below) and the following terms shall have the following meanings (and grammatical variations of such terms shall have corresponding meanings):

"**affiliate**" has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus Exemptions*;

"**Arrangement**" means an arrangement under the Section 182 of the OBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with Section 9.01 of the Arrangement Agreement or this Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Parent, each acting reasonably;

"**Arrangement Agreement**" means the arrangement agreement dated as of March 31, 2024 as amended on July 1, 2024, July 17, 2024 and August 20, 2024, between the Buyer, the Parent and the Company (including the schedules thereto) as it may be further amended, modified or supplemented from time to time in accordance with the terms thereof;

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement considered at the Company Meeting;

"**business day**" means any day, other than a Saturday, a Sunday or any day on which major banks are closed for business in Halifax, Nova Scotia, Toronto, Ontario and New York, New York;

"**Buyer**" means Adivir, Inc., a corporation existing under the laws of the State of Delaware;

"**Cash Consideration**" means US$0.0467 for each Company Share, on the basis set out in this Plan of this Plan of Arrangement;

"**CBCA**" means the *Canada Business Corporations Act* and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**Company**" means Appili Therapeutics Inc., a corporation existing under the laws of Ontario;

"**Company Circular**" means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices, and exhibits to, and information incorporated by reference in, such management information circular, to be sent to Company Shareholders in connection

with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement;

"**Company Meeting**" means the special meeting of Company Shareholders, including any adjournment or postponement thereof in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Company Circular and agreed to in writing by the Parent;

"**Company Option**" means the outstanding options to purchase Company Shares issued pursuant to the Company Stock Option Plan;

"**Company Securityholders**" means, collectively, the Company Shareholders, the holders of the Company Options and the holders of the Company Warrants.

"**Company Shareholders**" means the registered and/or beneficial owners of the Company Shares, as the context requires;

"**Company Shares**" means the Class A common shares in the capital of the Company;

"**Company Stock Option Plan**" means the Company's second amended and restated stock option plan approved by Company Shareholders on September 22, 2022, as may be amended from time to time;

"**Company Warrants**" means the outstanding warrants of the Company to purchase Company Shares;

"**Consideration**" means the consideration to be received by the Company Shareholders pursuant to the Plan of Arrangement as consideration for their Company Shares, consisting of: (a) the Share Consideration; and (b) the Cash Consideration;

"**Continuance**" means the continuance of the Company from the CBCA to the OBCA to occur prior to the Final Order;

"**Court**" means the Ontario Superior Court of Justice (Commercial List);

"**Depositary**" means such trust company, bank or other financial institution as the Company may appoint to act as depositary in relation to the Arrangement, with the consent of the Parent, acting reasonably;

"**Dissent Rights**" has the meaning ascribed thereto in Section 4.1;

"**Dissenting Shareholder**" means a registered holder of Company Shares who validly dissents in respect of the Arrangement Resolution in compliance with the Dissent Rights and has not withdrawn, or been deemed to have withdrawn, such exercise of Dissent Rights, but only in respect of the Company Shares in respect of which Dissent Rights are validly exercised by such registered holder;

"**Dissenting Shares**" means the Company Shares held by Dissenting Shareholders in respect of which such Dissenting Shareholders have given Notice of Dissent in respect of its Company Shares;

"**Effective Date**" means the date shown on the Certificate of Arrangement giving effect to the Arrangement;

"**Effective Time**" means 12:01 a.m. (Toronto time), or such other time on the Effective Date as may be agreed to in writing by the Company and the Buyer;

"**Final Order**" means the final order of the Court, in form and substance satisfactory to each Party, acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of each of the Parties, acting reasonably) at any time prior to the Effective Date or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended (provided that such affirmation or amendment is satisfactory to each of the Parties, acting reasonably) on appeal;

"**Governmental Entity**" means: (a) any international, national, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, court, tribunal, body, commission, board, bureau, ministry, agency or instrumentality, domestic or foreign; (b) any subdivision or authority of any of the foregoing; (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (d) any stock exchange;

"**holders**" means (a) when used with reference to the Company Shares, except where the context otherwise requires, the holders of the Company Shares shown from time to time in the registers maintained by or on behalf of the Company in respect of the Company Shares, and (b) when used with reference to the Company Options or the Company Warrants, the holders of Company Options or Company Warrants, respectively, shown from time to time in the registers or accounts maintained by or on behalf of the Company;

"**Interim Order**" means the interim order of the Court, in form and substance satisfactory to each Party, acting reasonably, and providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court with the consent of each of the Parties, acting reasonably;

"**Law**" or "**Laws**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, by-law, code, rule, regulation, order, injunction, judgment, decree, ruling or similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended, unless expressly specified otherwise;

"**Letter of Transmittal**" means the letter of transmittal to be delivered by the Company to the Company Shareholders for use in connection with the Arrangement;

"**Liens**" means any mortgage, charge, pledge, encumbrance, hypothec, security interest, prior claim, restriction, easement, right of way, covenant, possessory interest, right of first refusal, preference, pre-emptive right, priority, option or lien (statutory or otherwise) and other similar encumbrance of any kind, in each case, whether fixed or floating, contingent or absolute;

"**Notice of Dissent**" means a notice of dissent validly given by a registered holder of Company Shares exercising Dissent Rights as contemplated in the Interim Order and as described in Article IV;

"**OBCA**" means the *Business Corporations Act* (Ontario) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**Parent**" means Aditxt, Inc., a corporation existing under the laws of the State of Delaware;

"**Parent Share**" means a share of common stock in the capital of the Parent;

"**Parties**" means, collectively, the Company, the Parent and the Buyer, and "**Party**" means any of them;

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative or government (including any Governmental Entity), syndicate or other entity, whether or not having legal status;

"**Plan of Arrangement**" means this plan of arrangement and any amendments or variations hereto made in accordance with Section 9.01 of the Arrangement Agreement and this Plan of Arrangement or made at the direction of the Court in the Final Order with the written consent of the Parent and the Company, each acting reasonably;

"**Record Date**" means the record date for receiving notice of, and voting at, the Company Meeting as set out in the Interim Order;

"**Reference Price**" means $0.07598;

"**Share Consideration**" means 0.002745004 of a Parent Share for each Company Share, subject to adjustment in the manner and in the circumstances contemplated in Section 2.13 of the Arrangement Agreement, on the basis set out in this Plan of this Plan of Arrangement;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended;

"**U.S. Securities Act**" means the *United States Securities Act* of 1933;

"**U.S. Tax Code**" means the United Stated Internal Revenue Code of 1986, as amended;

"**Warrant Agent**" means Computershare Trust Company of Canada; and

"**Warrant Indentures**" means, collectively, the warrant indenture dated as of October 14, 2021 between the Company and the Warrant Agent, as warrant agent, and the warrant indenture dated as of May 26, 2022 between the Company and the Warrant Agent, as warrant agent, and "**Warrant Indenture**" means either of them.

1.2 Interpretation Not Affected by Headings

The division of this Plan of Arrangement into Articles, Sections, Appendices, subsections, paragraphs and clauses and the insertion of headings are for convenience of reference only and shall not affect in any way

the meaning or interpretation of this Plan of Arrangement. Unless the contrary intention appears, references in this Plan of Arrangement to an Article, Section, Appendix, subsection, paragraph or clause by number or letter or both refer to the Article, Section, Appendix, subsection, paragraph or clause, respectively, bearing that designation in this Plan of Arrangement. The words "hereof", "herein" and "hereunder" and words of like import used in this Plan of Arrangement shall refer to this Plan of Arrangement as a whole and not to any particular provision of this Plan of Arrangement.

1.3 Rules of Construction

In this Plan of Arrangement, unless the contrary intention appears, words importing the singular include the plural and *vice versa*, and words importing gender include all genders. References in this Plan of Arrangement to the words "include", "includes" or "including" shall be deemed to be followed by the words "without limitation" whether or not they are in fact followed by those words or words of like import.

1.4 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in, and all payments provided for herein shall be made in, Canadian currency and "**$**" refers to Canadian dollars.

1.5 Date for Any Action

If the date on which any action is required to be taken hereunder by a Person is not a business day, such action shall be required to be taken on the next succeeding day which is a business day.

1.6 References to Dates, Statutes, etc.

In this Plan of Arrangement, references from or through any date mean, unless otherwise specified, from and including that date and/or through and including that date, respectively. In this Plan of Arrangement, references to a particular statute or Law shall be to such statute or Law and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated thereunder or amended from time to time. References to any agreement, contract or plan are to that agreement, contract or plan as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. Any reference in this Plan of Arrangement to a Person includes its heirs, administrators, executors, legal personal representatives, predecessors, successors and permitted assigns of that Person.

1.7 Time

Time shall be of the essence in this Plan of Arrangement. All times expressed herein are Toronto, Ontario time unless otherwise stipulated herein.

1.8 Governing Law

This Plan of Arrangement shall be governed by and construed in accordance with the OBCA, and the Laws of the Province of Ontario and other federal Laws of Canada applicable therein.

ARTICLE II
THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement.

2.2 Binding Effect

This Plan of Arrangement will, without any further act or formality required on the part of any Person, become effective at, and be binding at and after, the times referred to in Section 3.1 on (i) the Buyer, the Parent and the Company, (ii) all holders and beneficial owners of Company Shares (including Dissenting Shareholders), Company Warrants and Company Options, (iii) all participants in the Company Stock Option Plan, (iv) the Depositary, (v) the Warrant Agent, and (vi) all other Persons.

2.3 Continuance

The Continuance shall have been completed as a preliminary step prior to, and shall be a condition precedent to, the implementation of the Plan of Arrangement.

ARTICLE III
ARRANGEMENT

3.1 The Arrangement

Commencing at the Effective Time, the following shall occur and shall be deemed to occur as set out below without any further authorization, act or formality, in each case effective as at two minute intervals starting at the Effective Time:

(1) each Company Share held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred, without any further act or formality by or on behalf of any Dissenting Shareholder, to the Buyer in consideration for a debt claim against the Buyer for the amount determined under Article IV, and:

(a) such Dissenting Shareholder shall cease to be the holder of such Company Shares and shall cease to have any rights as a Company Shareholder other than the right to be paid fair value for such Company Shares as set out in Section 4.1;

(b) such Dissenting Shareholder's name shall be removed as the holder of Company Shares from the register of Company Shareholders maintained by or on behalf of the Company; and

(c) the Buyer shall be deemed to be the transferee of such Company Shares free and clear of all Liens (other than the right to be paid fair value for such Shares as set

out in Section 4.1), and shall be entered in the applicable register of Company Shareholders maintained by or on behalf of the Company;

(2) each Company Share outstanding immediately prior to the Effective Time (other than Shares held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised under Section 3.1(1) and any Company Shares held by the Parent, the Buyer or any affiliates thereof) shall, without any further action by or on behalf, of any Company Shareholder, be deemed to be assigned and transferred by the holder thereof to the Buyer in exchange for the Consideration, and:

(a) each holder of such Company Shares shall cease to be the holder thereof and to have any rights as a Company Shareholder other than the right to be paid the Consideration per Company Share in accordance with this Plan of Arrangement;

(b) the name of each such holder shall be removed from the Company Share registers maintained by or on behalf of the Company; and

(c) the Buyer shall be deemed to be the transferee of such Company Shares free and clear of all Liens and shall be entered in the Company Share registers maintained by or on behalf of the Company;

(3) each Company Option outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Stock Option Plan and any agreements related to the Company Options, shall be deemed to be unconditionally vested and exercisable, and such Company Option shall, without any further action by or on behalf, of any holder of Company Options, be deemed to be assigned and transferred by the holder thereof to the Company, and:

(a) each holder of such Company Options shall cease to be the holder thereof and to have any rights as a holder of Company Options other than the right to be paid the amount (if any) by which the Reference Price exceeds the exercise price of such Company Option, less applicable withholdings, in accordance with this Plan of Arrangement and each such Company Option shall immediately be cancelled and, for greater certainty, where such amount is a negative amount, neither the Company nor the Buyer shall be obligated to pay the holder of such Company Option any amount in respect of such Company Option;

(b) the name of each such holder shall be removed from the Company Option registers maintained by or on behalf of the Company; and

(d) the Stock Option Plan and all agreements relating to the Company Options shall be terminated and shall be of no further force and effect;

(4) each Company Warrant outstanding immediately prior to the Effective Time (whether vested or unvested), notwithstanding the terms of the Warrant Indentures and the warrant certificates related to the Company Warrants, shall be deemed to be unconditionally

vested and exercisable, and such Company Warrant shall, without any further action by or on behalf, of any holder of Company Warrants, be deemed to be assigned and transferred by the holder thereof to the Company, and:

(a) each holder of such Company Warrants shall cease to be the holder thereof and to have any rights as a holder of Company Warrants other than the right to be paid the amount (if any) by which the Reference Price exceeds the exercise price of such Company Warrant, less applicable withholdings, in accordance with this Plan of Arrangement and each such Company Warrant shall immediately be cancelled and, for greater certainty, where such amount is a negative amount, neither the Company nor the Buyer shall be obligated to pay the holder of such Company Warrant any amount in respect of such Company Warrant;

(b) the name of each such holder shall be removed from the Company Warrant registers maintained by or on behalf of the Company; and

(c) the Warrant Indentures and the warrant certificates related to the Company Warrants shall be terminated and shall be of no further force and effect.

3.2 Transfers Free and Clear

Any exchange or transfer of any securities pursuant to the Arrangement shall be free and clear of all Liens or other claims of third parties of any kind.

3.3 Fractions

In no event shall any fractional Parent Shares be issued under this Plan of Arrangement. Where the aggregate number of Parent Shares to be issued to a Company Shareholder as consideration under this Plan of Arrangement would result in a fraction of a Parent Share being issuable, then the number of Parent Shares to be issued to such Company Shareholder shall be rounded down to the closest whole number without any payment in lieu.

ARTICLE IV
RIGHTS OF DISSENT

4.1 Rights of Dissent

Registered Company Shareholders may exercise rights of dissent with respect to their Company Shares pursuant to and in the manner set forth in section 185 of the OBCA as modified by the Interim Order and this Article IV (the "**Dissent Rights**"); provided that, notwithstanding subsection 185(6) of the OBCA, written notice setting forth such a registered Company Shareholder's objection to the Arrangement and exercise of Dissent Rights must be received by the Company not later than 5:00 p.m. (Toronto Time) on the business day which is two (2) business days preceding the date of the Company Meeting. Company Shareholders who duly exercise their Dissent Rights shall be deemed to have transferred their Company Shares to the Buyer as of the Effective Time as set out in Section 3.1(1) and if they:

(1) ultimately are entitled to be paid the fair value for their Company Shares by the Buyer determined in accordance with section 185 of the OBCA, shall be paid the fair value of such Company Shares and will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights; or

(2) ultimately are not entitled, for any reason, to be paid the fair value for their Company Shares by the Buyer, shall be deemed to have participated in the Arrangement on the same basis as any non-dissenting Company Shareholder.

4.2 Recognition of Dissenting Shareholders

(1) From and after the Effective Time, in no case shall the Parent, the Buyer, the Company or any other Person be required to recognize a Dissenting Shareholder as (i) a holder of Company Shares or (ii) as a holder of any securities of any of the Parent, the Buyer, the Company or any of their respective subsidiaries (other than as required pursuant to the terms and conditions of other securities of the Company held by such Dissenting Shareholder prior to the Effective Time) and the names of the Dissenting Shareholders shall be deleted from the central securities register of the Company and the Buyer shall be recorded as the holder of the Company Shares so transferred and shall be deemed the legal and beneficial owner thereof free and clear of any Liens.

(2) In addition to any other restrictions under the OBCA, none of the following shall be entitled to exercise Dissent Rights: (i) holders of Company Options with respect to such holder's Company Options, (ii) holders of Company Warrants with respect to such holder's Company Warrants and (iii) holders of Company Shares who vote or have instructed a proxyholder to vote such Company Shares in favour of the Arrangement Resolution.

ARTICLE V
DELIVERY OF CONSIDERATION

5.1 Delivery of Consideration

(1) Following receipt of the Final Order and prior to the Effective Date in accordance with the terms of the Arrangement Agreement, the Buyer shall deposit, or cause to be deposited, with the Depositary:

(a) such number of Parent Shares as is necessary in order to effect the exchange or settlement of the Share Consideration under Section 3.1 of this Plan of Arrangement; and

(b) such amount of cash as is required to satisfy the: (i) aggregate Cash Consideration payable to Company Shareholders (other than Company Shareholders who have exercised Dissent Rights); (ii) aggregate amount payable to the holders of Company Options; and (iii) aggregate amount payable to holders of Company Warrants, under Section 3.1 of this Plan of Arrangement.

(2) Upon the surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented outstanding Company Shares that were transferred pursuant to Section 3.1(2), together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the holder of the Company Shares represented by such surrendered certificate shall be entitled to receive in exchange therefor from the Depositary, and the Depositary shall deliver to such holder as soon as possible, a certificate or direct registration system statement representing the Parent Shares which such holder has the right to receive under the Arrangement for such Company Shares, less any amounts required to be withheld pursuant to Section 5.3, and any certificate so surrendered shall forthwith be cancelled.

(3) Until surrendered for cancellation as contemplated by this Section 5.1, each certificate that immediately prior to the Effective Time represented Company Shares (other than Company Shares in respect of which Dissent Rights have been validly exercised and not withdrawn) shall be deemed after the Effective Time to represent only the right to receive upon such surrender the Consideration in lieu of such certificate as contemplated in this Section 5.1, less any amounts withheld pursuant to Section 5.3. Any such certificate formerly representing Company Shares not duly surrendered on or before the sixth anniversary of the Effective Date shall cease to represent a claim by or interest of any former holder of Company Shares of any kind or nature against or in the Company or the Buyer. On such date, all Consideration to which such former holder was entitled shall be deemed to have been surrendered to the Buyer.

(4) No holder of Company Shares, Company Options or Company Warrants with respect to such securities shall be entitled to receive any consideration other than the consideration to which such holder is entitled to receive in accordance with Article III and this Section 5.1 and, for certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith, other than any declared but unpaid dividends with a record date prior to the Effective Date. No dividend or other distribution declared or made after the Effective Time with respect to the Company Shares with a record date on or after the Effective Date shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Date, represented outstanding Company Shares.

5.2 Lost Certificates

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding Company Shares that were transferred pursuant to Section 3.1(2) shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will deliver in exchange for such lost, stolen or destroyed certificate, the applicable Consideration deliverable in accordance with such holder's Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom such Consideration is to be delivered shall, as a condition precedent to the delivery of

such Consideration, give a bond satisfactory to the Buyer and the Depositary (each acting reasonably) in such sum as the Buyer may direct, or otherwise indemnify the Buyer, the Parent, the Company and the Depositary in a manner satisfactory to the Buyer, the Parent, the Company and the Depositary, acting reasonably, against any claim that may be made against the Buyer, the Parent, the Company and the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed.

5.3 Withholding Rights

The Company, the Buyer and the Depositary shall be entitled to deduct and withhold from any amount otherwise payable or otherwise deliverable to any Company Securityholder under this Plan of Arrangement thereof such amounts as the Company, the Buyer or the Depositary, as applicable, determines, acting reasonably, are required to be deducted or withheld with respect to such payment under the Tax Act, the U.S. Tax Code or any provision of applicable Law, and any such deducted or withheld amounts shall be remitted to the appropriate Governmental Entity. To the extent that the amounts are so deducted and withheld, such deducted and withheld amounts shall be treated for all purposes as having been paid to the affected Company Securityholder in respect of which such deduction and withholding was made; provided that such deducted or withheld amounts are actually remitted to the appropriate Governmental Entity.

5.4 U.S. Securities Laws Exemption

Notwithstanding any provision herein to the contrary, the Parties agree that the Plan of Arrangement will be carried out with the intention that all Parent Shares issued on completion of the Plan of Arrangement to the Company Shareholders will be issued by the Parent and delivered to the Company Shareholders in reliance on the exemption from the registration requirements of the U.S. Securities Act, as provided by Section 3(a)(10) thereof.

ARTICLE VI
AMENDMENTS

6.1 Amendments to Plan of Arrangement

(1) The Company may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be (a) set out in writing, (b) approved by the Parties, (c) filed with the Court and, if made following the Company Meeting, approved by the Court and (d) communicated to Company Shareholders and others as may be required by the Interim Order if and as required by the Court.

(2) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Company, at any time prior to the Company Meeting (provided that the Buyer and Parent shall have consented thereto in writing) with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Company Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

(3) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting shall be effective only if (a) it is consented to in writing by each of the Company, the Buyer and the Parent (in each case, acting reasonably), and (b) if required by the Court, it is consented to by Company Shareholders voting in the manner directed by the Court.

(4) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date by the Parties without approval of or communication to the Court or the Company Securityholders, provided that it concerns a matter which, in the reasonable opinion of the Parties, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any former holder of Company Shares, Company Options or Company Warrants.

ARTICLE VII
FURTHER ASSURANCES

7.1 Further Assurances

Notwithstanding that the transactions and events set out herein shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the Parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out herein.

APPENDIX D
INTERIM ORDER

(begins on following page)

Court File No.: CV-24-00725461-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	TUESDAY, THE 1ST DAY
JUSTICE W.D. BLACK	)	OF OCTOBER, 2024

IN THE MATTER OF an application under section 182 of the Ontario *Business Corporations Act*, RSO 1990, c. B.16, as amended;

AND IN THE MATTER OF Rules 14.05(2) and 14.05(3) of the *Rules of Civil Procedure*, RRO 1990, Reg 194;

AND IN THE MATTER OF a proposed arrangement of Appili Therapeutics Inc. involving its shareholders, Aditxt, Inc., and Adivir, Inc.

INTERIM ORDER

THIS MOTION made by the Applicant, Appili Therapeutics Inc. ("**Appili**"), for an interim order for advice and directions pursuant to section 182 of the Ontario *Business Corporations Act*, RSO 1990, c. B.16, as amended, (the "**OBCA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Amended Notice of Application amended on August 22, 2024 and the affidavit of Theresa Matkovits sworn September 26, 2024, (the "**Matkovits Affidavit**"), including the Plan of Arrangement, which is attached as Appendix "C" to the draft management information circular of Appili (the "**Information Circular**"), which is attached as Exhibit "B" to the Matkovits Affidavit, and on hearing the submissions of counsel for Appili and counsel for Aditxt, Inc. ("**Aditxt**") and Adivir, Inc. ("**Adivir**"), and on being advised that the Director appointed under the OBCA (the "**Director**") does not consider it necessary to appear.

Definitions

1. **THIS COURT ORDERS** that all definitions used in this Interim Order shall have the meaning ascribed thereto in the Information Circular or otherwise as specifically defined herein.

The Meeting

2. **THIS COURT ORDERS** that Appili is permitted to call, hold and conduct a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of Class "A" common shares ("**Company Shares**") of Appili to be held virtually on November 6, 2024 at 11:00 a.m. (Toronto time) in order for the Shareholders to, *inter alia*, consider and, if determined advisable, pass a special resolution authorizing, adopting and approving, with or without variation, the Arrangement and the Plan of Arrangement (the "**Arrangement Resolution**").

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the OBCA, the notice of meeting of Shareholders, which accompanies the Information Circular (the "**Notice of Meeting**") and the articles and by-laws of Appili, subject to what may be provided hereafter and subject to further order of this court.

4. **THIS COURT ORDERS** that the record date (the "**Record Date**") for determination of the shareholders entitled to notice of, and to vote at, the Meeting shall be October 2, 2024.

5. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be:

a) the Shareholders or their respective proxyholders;

b) the officers, directors, auditors and advisors of Appili;

c) representatives and advisors of Aditxt, and Adivir;

d) the Director; and

e) other persons who may receive the permission of the Chair of the Meeting.

6. **THIS COURT ORDERS** that Appili may transact such other business at the Meeting as is contemplated in the Information Circular, or as may otherwise be properly before the Meeting.

Quorum

7. **THIS COURT ORDERS** that the Chair of the Meeting shall be determined by Appili and that the quorum at the Meeting shall be not less than two persons present in person (virtually) at the opening of the Meeting who are entitled to vote at the Meeting either as Shareholders or proxyholders holding or representing not less than 5% of the votes attached to all shares entitled to be voted at the Meeting.

Amendments to the Arrangement and Plan of Arrangement

8. **THIS COURT ORDERS** that Appili is authorized to make, subject to the terms of the Arrangement Agreement, and paragraph 9, below, such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Shareholders, or others entitled to receive notice under paragraphs 12 and 13 hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review

and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement.

9. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as Appili may determine

Amendments to the Information Circular

10. **THIS COURT ORDERS** that Appili is authorized to make such amendments, revisions and/or supplements to the draft Information Circular as it may determine and the Information Circular, as so amended, revised and/or supplemental, shall be the Information Circular to be distributed in accordance with paragraphs 12 and 13.

Adjournments and Postponements

11. **THIS COURT ORDERS** that Appili, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as Appili may determine is appropriate in the

circumstances. This provision shall not limit the authority of the Chair of the Meeting in respect of adjournments and postponements.

Notice of Meeting

12. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, Appili shall send the Information Circular (including the Amended Notice of Application and this Interim Order), the Notice of Meeting, the form of proxy and the letter of transmittal, along with such amendments or additional documents as Appili may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "**Meeting Materials**"), to the following:

a) the registered Shareholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:

i) by pre-paid ordinary or first class mail at the addresses of the Shareholders as they appear on the books and records of Appili, or its registrar and transfer agent, at the close of business on the Record Date and if no address is shown therein, then the last address of the person known to the Corporate Secretary of Appili;

ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or

iii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of Appili, who requests such transmission in writing and,

if required by Appili, who is prepared to pay the charges for such transmission;

b) non-registered Shareholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and

c) the respective directors and auditors of Appili, and to the Director appointed under the OBCA, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

13. **THIS COURT ORDERS** that, in the event that Appili elects to distribute the Meeting Materials, Appili is hereby directed to distribute the Information Circular (including the Amended Notice of Application, and this Interim Order), and any other communications or documents determined by Appili to be necessary or desirable (collectively, the "**Court Materials**") to the holders of Company Options and Company Warrants by any method permitted for notice to Shareholders as set forth in paragraphs 12(a) or 12(b), above, or by e-mail or other electronic transmission or in-person or by inter-office mail, concurrently with the distribution described in paragraph 12 of this Interim Order (provided that delivery need only be made once notwithstanding that a person may be entitled to the Court Materials under more than one paragraph hereof).

Distribution to such persons shall be to their addresses as they appear on the books and records of Appili or its registrar and transfer agent at the close of business on the Record Date.

14. **THIS COURT ORDERS** that accidental failure or omission by Appili to give notice of the meeting or to distribute the Meeting Materials or Court Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of Appili, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of Appili, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

15. **THIS COURT ORDERS** that Appili is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials and Court Materials, as Appili may determine in accordance with the terms of the Arrangement Agreement ("**Additional Information**"), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as Appili may determine.

16. **THIS COURT ORDERS** that distribution of the Meeting Materials and Court Materials pursuant to paragraphs 12 and 13 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraphs 12 and 13 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or the Court Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the

Meeting to such persons or to any other persons, except to the extent required by paragraph 9, above.

Solicitation and Revocation of Proxies

17. **THIS COURT ORDERS** that Appili is authorized to use the letter of transmittal and proxies substantially in the form of the drafts accompanying the Information Circular, with such amendments and additional information as Appili may determine are necessary or desirable, subject to the terms of the Arrangement Agreement. Appili is authorized, at its expense, to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine. Appili may waive generally, in its discretion, the time limits set out in the Information Circular for the deposit or revocation of proxies by Shareholders, if Appili deems it advisable to do so.

18. **THIS COURT ORDERS** that Shareholders shall be entitled to revoke their proxies in accordance with section 110(4) of the OBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s. 110(4)(a) of the OBCA: (a) may be deposited at the registered office of Appili or with the transfer agent of Appili as set out in the Information Circular; and (b) any such instruments must be received by Appili or its transfer agent not later than 5:00 p.m. on the business day immediately preceding the Meeting (or any adjournment or postponement thereof).

Voting

19. **THIS COURT ORDERS** that the only persons entitled to vote in person (virtually) or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Shareholders who hold Company Shares as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

20. **THIS COURT ORDERS** that votes shall be taken at the Meeting on the basis of one vote per Company Share and that in order for the Plan of Arrangement to be implemented, subject to further Order of this Honourable Court, the Arrangement Resolution must be passed, with or without variation, at the Meeting by:

(i) an affirmative vote of at least two-thirds (66 ⅔%) of the votes cast in respect of the Arrangement Resolution at the Meeting in person (virtually) or by proxy by the Shareholders; and

(ii) a simple majority of the votes cast in respect of the Arrangement Resolution at the Meeting in person (virtually) or proxy by the Shareholders, other than Company Shares required to be excluded pursuant to Multilateral Instrument 61-101.

Such votes shall be sufficient to authorize Appili to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Information Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

21. **THIS COURT ORDERS** that in respect of matters properly brought before the Meeting pertaining to items of business affecting Appili (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each Company Share held.

Dissent Rights

22. **THIS COURT ORDERS** that each registered Shareholder shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in accordance with section 182 of the OBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 185(6) of the OBCA, any Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the Arrangement Resolution to Appili in the form required by section 185 of the OBCA and the Arrangement Agreement, which written objection must be received by Appili not later than 5:00 p.m. (Toronto time) on the date that is two business days immediately preceding the Meeting or any adjournment or postponement thereof, and must otherwise strictly comply with the requirements of the OBCA. For purposes of these proceedings, the "court" referred to in section 185 of the OBCA means this Honourable Court.

23. **THIS COURT ORDERS** that, notwithstanding section 185(4) of the OBCA, Adivir, not Appili, shall be required to offer to pay fair value, as of the day prior to approval of the Arrangement Resolution, for Company Shares held by Shareholders who duly exercise Dissent Rights, and to pay the amount to which such Shareholders may be entitled pursuant to the terms of the Arrangement Agreement or Plan of Arrangement. In accordance with the Plan of Arrangement and the Information Circular, all references to the "corporation" in subsections 185(4) and 185(14) to 185(30), inclusive, of the OBCA (except for the second reference to the

"corporation" in subsection 185(15)) shall be deemed to refer to Adivir in place of the "corporation", and Adivir shall have all of the rights, duties and obligations of the "corporation" under subsections 185(14) to 185(30), inclusive, of the OBCA.

24. **THIS COURT ORDERS** that any Shareholder who duly exercises such Dissent Rights set out in paragraph 22 above and who:

i) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its Company Shares, shall be deemed to have transferred those Company Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests to Adivir for cancellation in consideration for a payment of cash from Adivir equal to such fair value; or

ii) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its Company Shares pursuant to the exercise of the Dissent Right, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Shareholder;

but in no case shall Appili, Aditxt, Adivir or any other person be required to recognize such Shareholders as holders of Company Shares, as the case may be, at or after the date upon which the Arrangement becomes effective and the names of such Shareholders shall be deleted from Appili's register of holders of Company Shares, as the case may be, at that time.

Hearing of Application for Approval of the Arrangement

25. **THIS COURT ORDERS** that upon approval by the Shareholders of the Plan of Arrangement in the manner set forth in this Interim Order, Appili may apply to this Honourable Court for final approval of the Arrangement.

26. **THIS COURT ORDERS** that distribution of the Amended Notice of Application and the Interim Order in the Information Circular, when sent in accordance with paragraphs 12 and 13 shall constitute good and sufficient service of the Amended Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 27.

27. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Amended Notice of Application shall be served on the solicitors for Appili, with a copy to counsel for Aditxt and Adivir, as soon as reasonably practicable, and, in any event, no less than 7 days before the hearing of this Application at the following addresses:

DENTONS CANADA LLP
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

Matthew Fleming
LSO #: 48277D
Tel.: (416) 863-4634
Fax: (416) 863-4592
matthew.fleming@dentons.com

Ara Basmadjian
LSO #: 64315H
Tel.: (416) 863-4647
Fax: (416) 863-4592
ara.basmadjian@dentons.com

Janice Philteos
LSO #: 82862A
Tel.: (416) 863-4704
Fax: (416) 863-4592
janice.philteos@dentons.com

Lawyers for Appili

AIRD & BERLIS LLP
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Miranda Spence
Tel.: (416) 865-3414
Fax: (416) 863-1515
mspence@airdberlis.com

Lawyers for Aditxt and Adivir

28. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

i) Appili and its counsel;

ii) Aditxt and Adivir and their counsel;

iii) the Director; and

iv) any person who has filed a Notice of Appearance herein in accordance with the Amended Notice of Application, this Interim Order and the *Rules of Civil Procedure.*

29. **THIS COURT ORDERS** that any materials to be filed by Appili in support of the within Application for final approval of the Arrangement may be filed up to one day prior to the hearing of the Application without further order of this Honourable Court.

30. **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Amended Notice of Application, and is adjourned, only those persons who served and filed a Notice of Appearance in accordance with paragraph 27 shall be entitled to be given notice of the adjourned date.

Precedence

31. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Company Shares, Company Options, Company Warrants, or the articles or by-laws of Appili, this Interim Order shall govern.

Extra-Territorial Assistance

32. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

Variance

33. **THIS COURT ORDERS** that Appili shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.

Court File No.: CV-24-00725461-00CL

IN THE MATTER OF an application under section 182 of the Ontario *Business Corporations Act*, RSO 1990, c. B.16, as amended;
AND IN THE MATTER OF Rules 14.05(2) and 14.05(3) of the *Rules of Civil Procedure*, RRO 1990, Reg. 194;
AND IN THE MATTER OF a proposed arrangement of Appili Therapeutics Inc. involving its shareholders, Aditxt Inc., and Adivir, Inc.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding Commenced at Toronto

INTERIM ORDER

DENTONS CANADA LLP
77 King Street West, Suite 400
Toronto, ON M5K 0A1

Matthew Fleming
LSO #: 48277D
Tel.: (416) 863-4634
Fax: (416) 863-4592
matthew.fleming@dentons.com

Ara Basmadjian
LSO #: 64315H
Tel.: (416) 863-4647
Fax: (416) 863-4592
ara.basmadjian@dentons.com

Janice Philteos
LSO #: 82862A
Tel.: (416) 863-4704
Fax: (416) 863-4592
janice.philteos@dentons.com

Lawyers for the Applicant,
Appili Therapeutics Inc.

APPENDIX E
AMENDED NOTICE OF APPLICATION

(begins on following page)

Court File No.: CV-24-00725461-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF an application under section 182 of the Ontario *Business Corporations Act*, RSO 1990, c. B.16, as amended;

AND IN THE MATTER OF Rules 14.05(2) and 14.05(3) of the *Rules of Civil Procedure*, RRO 1990, Reg 194;

AND IN THE MATTER OF a proposed arrangement of Appili Therapeutics Inc. involving its shareholders, Aditxt, Inc., and Adivir, Inc.

AMENDED NOTICE OF APPLICATION

TO: THE RESPONDENT

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing *(choose one of the following)*

☐ In person

☐ By telephone conference

☒ By video conference

at the following location:

[*to be created and provided by court staff*]

on Thursday, November 14, 2024 at 10:00 a.m.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE

APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date _____ Issued by _____
Local Registrar

Address of court office: 330 University Avenue, 7th Floor
Toronto, ON M5G 1R7

TO: **ALL HOLDERS OF CLASS "A" COMMON SHARES IN THE CAPITAL OF APPILI THERAPEUTICS INC.**

AND TO: **ALL HOLDERS OF OPTIONS AND WARRANTS IN THE CAPITAL OF APPILI THERAPEUTICS INC.**

AND TO: **ALL DIRECTORS AND THE AUDITOR OF APPILI THERAPEUTICS INC.**

AND TO: **THE DIRECTOR APPOINTED UNDER THE OBCA**

AND TO: **AIRD & BERLIS LLP**
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Miranda Spence
Tel.: (416) 865-341
mspence@airdberlis.com

Lawyers for Aditxt, Inc. and Adivir, Inc.

APPLICATION

1. The applicant, Appili Therapeutics Inc. ("**Appili**"), makes application for:

   (a) an interim order (the "**Interim Order**") for advice and directions pursuant to section 182(5) of the Ontario *Business Corporations Act*, RSO 1990, c. B.16, as amended (the "**OBCA**"), with respect to an arrangement (the "**Arrangement**") between Appili, Aditxt, Inc., and Adivir, Inc. as proposed by Appili and described in its management information circular (the "**Circular**");

   (b) a final order approving the Arrangement pursuant to section 182 of the OBCA;

   (c) to the extent necessary, an order abridging the time for the service and filing, or dispensing with service, of the materials in support of the motion for the Interim Order or this application; and

   (d) such further and other relief as this Honourable Court deems just.

2. The grounds for the application are:

   (a) Appili is a corporation existing under the laws of Canada and its registered office is located in Toronto. The Arrangement is conditional upon the continuance of Appili from the *Canada Business Corporations Act*, RSC 1985, c. C-44 to the OBCA prior to the return of the motion for the Interim Order. Appili carries on business as a pharmaceutical company. Appili is

publicly traded on the Toronto Stock Exchange (the "**TSX**") under the symbol "APLI" and on the OTC Pink under the symbol "APLIF";

(b) Aditxt, Inc. ("**Aditxt**") is a corporation existing under the laws of the State of Delaware with its shares of common stock listed on the NASDAQ;

(c) Adivir, Inc. is a corporation existing under the laws of the State of Delaware and is a wholly-owned subsidiary of Aditxt;

(d) Appili wishes to effect a fundamental change in the nature of an arrangement under the provisions of the OBCA;

(e) pursuant to the Arrangement (as will be described in the Circular):

(i) Aditxt, through its wholly-owed subsidiary, Adivir, will acquire all of the issued and outstanding Class "A" common shares in the capital of Appili (the "**Company Shares**"); and

(ii) the holders of the Company Shares will be entitled to, for each Company Share they own: (i) US$0.0467 in cash (less applicable withholding taxes); and (ii) 0.002745004 of a share of common stock in the capital of Aditxt (subject to customary adjustment as contemplated in the arrangement agreement between the parties), representing a 117% premium to the trading price of the Company Shares based on the closing price of the Company Shares on April 1, 2024 (the last trading day prior to the execution of the arrangement agreement) and an approximately

141% premium to the 30-day volume weighted average price of the Company Shares prior to the date of the arrangement agreement);

(f) the Arrangement is an "arrangement" within the meaning of section 182(1) of the OBCA;

(g) all statutory requirements for an arrangement under the OBCA either have been fulfilled or will be fulfilled by the date of the return of the application;

(h) the directions set out and the approvals required pursuant to any Interim Order this court may grant have been followed and obtained, or will be followed and obtained by the return of this application;

(i) the Arrangement is put forward in good faith for a *bona fide* business purpose, and has a material connection to the Toronto Region;

(j) the Arrangement is fair and reasonable, and it is appropriate for this court to approve the Arrangement;

(k) section 182 of the OBCA;

(l) the *Rules of Civil Procedure*, RRO 1990, Reg 194, including Rules 1.04, 1.05, 3.02, 14.05, 16.04, 16.08, 17.02, 37, 38, and 39 thereof; and

(m) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

   (a) affidavits of an officer or director of Appili to be sworn or affirmed in support of Appili's motion for an Interim Order and this application; and

   (b) such further and other materials as counsel may advise and this Honourable Court may permit.

August 8, 2024

DENTONS CANADA LLP
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

Matthew Fleming
LSO #: 48277D
Tel.: (416) 863-4634
Fax: (416) 863-4592
matthew.fleming@dentons.com

Ara Basmadjian
LSO #: 64315H
Tel.: (416) 863-4647
Fax: (416) 863-4592
ara.basmadjian@dentons.com

Janice Philteos
LSO #: 82862A
Tel: (416) 863-4704
Fax: (416) 863-4592
janice.philteos@dentons.com

Lawyers for the Applicant,
Appili Therapeutics Inc.

Court File No.: CV-24-00725461-00C

IN THE MATTER OF an application under section 182 of the Ontario *Business Corporations Act*, RSO 1990, c. B.16, as amended;
AND IN THE MATTER OF Rules 14.05(2) and 14.05(3) of the *Rules of Civil Procedure*, RRO 1990, Reg. 194;
AND IN THE MATTER OF a proposed arrangement of Appili Therapeutics Inc. involving its shareholders, Aditxt Inc., and Adivir, Inc.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding Commenced at Toronto

AMENDED NOTICE OF APPLICATION

DENTONS CANADA LLP
77 King Street West, Suite 400
Toronto-Dominion Centre
Toronto, ON M5K 0A1

Matthew Fleming
LSO #: 48277D
Tel.: (416) 863-4634
Fax: (416) 863-4592
matthew.fleming@dentons.com

Ara Basmadjian
LSO #: 64315H
Tel.: (416) 863-4647
Fax: (416) 863-4592
ara.basmadjian@dentons.com

Janice Philteos
LSO #: 82862A
Tel.: (416) 863-4704
Fax: (416) 863-4592
janice.philteos@dentons.com

Lawyers for the Applicant,
Appili Therapeutics Inc.

APPENDIX F
SECTION 185 OF THE OBCA

Rights of dissenting shareholders

185(1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,

(a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;

(b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;

(c) amalgamate with another corporation under sections 175 and 176;

(d) be continued under the laws of another jurisdiction under section 181;

(d.1) be continued under the Co-operative Corporations Act under section 181.1;

(d.2) be continued under the Not-for-Profit Corporations Act, 2010 under section 181.2; or

(e) sell, lease or exchange all or substantially all its property under subsection 184(3), a holder of shares of any class or series entitled to vote on the resolution may dissent.

Idem

(2) If a corporation resolves to amend its articles in a manner referred to in subsection 170(1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in, (a) clause 170(1)(a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or (b) subsection 170(5) or (6).

One class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

Exception

(3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

(a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or

(b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986.

Shareholder's right to be paid fair value

(4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the

shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted.

No partial dissent

(5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

Objection

(6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent.

Idem

(7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6).

Notice of adoption of resolution

(8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection.

Idem

(9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights.

Demand for payment of fair value

(10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

(a) the shareholder's name and address;

(b) the number and class of shares in respect of which the shareholder dissents; and

(c) a demand for payment of the fair value of such shares.

Certificates to be sent in

(11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates, if any, representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

Idem

(12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section.

Endorsement on certificate

(13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder.

Rights of dissenting shareholder

(14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

(a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);

(b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or

(c) the directors revoke a resolution to amend the articles under subsection 168(3), terminate an amalgamation agreement under subsection 176(5) or an application for continuance under subsection 181(5), or abandon a sale, lease or exchange under subsection 184(8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10).

Same

(14.1) A dissenting shareholder whose rights are reinstated under subsection (14) is entitled, upon presentation and surrender to the corporation or its transfer agent of any share certificate that has been endorsed in accordance with subsection (13),

(a) to be issued, without payment of any fee, a new certificate representing the same number, class and series of shares as the certificate so surrendered; or

(b) if a resolution is passed by the directors under subsection 54(2) with respect to that class and series of shares, (i) to be issued the same number, class and series of uncertificated shares as represented by the certificate so surrendered, and (ii) to be sent the notice referred to in subsection 54(3).

Same

(14.2) A dissenting shareholder whose rights are reinstated under subsection (14) and who held uncertificated shares at the time of sending a notice to the corporation under subsection (10) is entitled,

(a) to be issued the same number, class and series of uncertificated shares as those held by the dissenting shareholder at the time of sending the notice under subsection (10); and

(b) to be sent the notice referred to in subsection 54(3).

Offer to pay

(15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

(a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or

(b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

Idem

(16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms.

Idem

(17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

Application to court to fix fair value

(18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder.

Idem

(19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow.

Idem

(20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19).

Costs

(21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders.

Notice to shareholders

(22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

(a) has sent to the corporation the notice referred to in subsection (10); and

(b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions.

Parties joined

(23) All dissenting shareholders who satisfy the conditions set out in clauses (22)(a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application.

Idem

(24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders.

Appraisers

(25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

Final order

(26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22)(a) and (b).

Interest

(27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

Where corporation unable to pay

(28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

Idem

(29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

(a) withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or

(b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

Idem

(30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

(a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or

(b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

Court order

(31) Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission.

Commission may appear

(32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation.

APPENDIX G
BDO FAIRNESS OPINION

(begins on following page)

Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
222 Bay Street, Suite 2200
Toronto, ON M5K 1H1

April 1, 2024

Theresa Matkovits
Chair of the Independent Special Committee of the Board of Directors of Appili Therapeutics Inc. (**"Special Committee"**)
Appili Therapeutics Inc.
21-1344 Summer Street
Halifax, Nova Scotia, B3H 0A8

Dear Ms. Matkovits:

ATTENTION: THE INDEPENDENT SPECIAL COMMITTEE OF THE BOARD DIRECTORS

INTRODUCTION AND PURPOSE

BDO Canada LLP (**"BDO"**) understands that Aditxt, Inc. (**"Aditxt"**) has agreed to make an offer (**"Proposed Transaction"**) to acquire all of the issued and outstanding common shares of Appili Therapeutics Inc. (**"Appili"** or **"Company"**) per the arrangement agreement between Appili, Aditxt and Adivir, Inc. (**"Adivir"**) dated April 1, 2024 (**"Arrangement Agreement"**). The Arrangement Agreement outlines Adivir, the subsidiary of Aditxt, as the buyer in the Proposed Transaction.

The Arrangement Agreement contemplates the issuance of (a) 0.002745004 shares of Aditxt common stock (**"Aditxt Common Shares"**) for each Class A common share of Appili (**"Appili Common Shares"**) (**"Share Consideration"**); and (b) cash consideration of US$0.0467 for each Appili Common Share (**"Cash Consideration"**) (the Share Consideration and Cash Consideration are collectively referred to as **"Consideration"**). Additionally, holders of any options or warrants to acquire Appili Common Shares (**"Appili Options and Warrants"**) will be paid in cash the amount by which of $0.07598 (**"Reference Price"**) exceeds the exercise price of the Appili Options and Warrants, less applicable withholdings. The Appili Common Shares are listed on the Toronto Stock Exchange (**"TSX"**) and operates as a biopharmaceutical company focusing on the acquisition and development of novel medicines for unmet needs for infectious disease.

The above description is summary in nature. BDO has been engaged by the Special Committee to provide the Special Committee with an opinion (**"Fairness Opinion"**), including a report (**"Fairness Opinion Report"**), as to the fairness of the Proposed Transaction, from a financial point of view to the shareholders of the Company (**"Appili Shareholders"**) as at the date of the Arrangement Agreement (**"Valuation Date"**).

BDO was not engaged to prepare a formal valuation under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (**"MI 61-101"**) or Multilateral CSA Staff Notice 61-302. BDO notes that the Fairness Opinion will be filed with the court under the plan of arrangement.

All dollar amounts referred to herein are expressed in Canadian dollars (**"CAD"**) unless otherwise specifically noted.

ENGAGEMENT OF BDO CANADA LLP

BDO was formally engaged by the Special Committee by letter dated March 20, 2024 ("**Engagement Agreement**") to provide this Fairness Opinion. The terms of the Engagement Agreement provide that BDO is to be paid a fixed fee. In addition, BDO is to be reimbursed for its reasonable out-of-pocket expenses and be indemnified by Appili in respect of certain liabilities, which may be incurred by BDO in connection with the provision of its services. No part of BDO's fee is contingent upon the conclusions reached in this Fairness Opinion or on the successful completion of the Proposed Transaction.

CREDENTIALS OF BDO CANADA LLP

The firms of the BDO global network provide industry-focused assurance, tax, and specialist advisory services to enhance value for clients and their stakeholders. More than 100,000 people in 166 countries and territories across our network share their expertise and thought leadership to develop practical solutions for clients. In Canada, BDO and its related entities have more than 4,000 partners and staff in over 100 offices across the country. The firm's specialist advisory capabilities include significant experience advising on mergers & acquisitions and valuation matters for both public and privately held businesses. BDO's Fairness Opinion expressed herein represents the opinion of BDO, and the form and content thereof has been approved for release by partners of BDO, each of whom is a member of the Chartered Professional Accountants of Canada and the Canadian Institute of Chartered Business Valuators, and who each have experience in merger, acquisition, divestiture, valuation, fairness opinion, and related matters.

INDEPENDENCE OF BDO

The BDO engagement team preparing the Fairness Opinion does not have any present or contemplated interest in the business, asset, liability, or ownership interest being valued. The fees quoted for the Fairness Opinion are not contingent upon our conclusion, our findings, or any other event.

BDO is independent of Appili and Aditxt. Prior to accepting the Engagement Agreement and rendering the Fairness Opinion hereunder, an internal search of BDO records was performed to identify any potential client conflicts based on the names of the parties that Appili provided.

Based on our conflicts search, we are not aware of any conflicts that would affect our ability to act impartially. The principal preparer and other staff involved in the preparation of the Fairness Opinion are all independent of Appili and Aditxt. Neither BDO nor any of its affiliates is an "insider", "associate", or "affiliate" of Appili, Aditxt, or any of their affiliates.

BDO did not act as a financial advisor to Appili, Aditxt, or any of their respective associates or affiliates in connection with any aspect of the Proposed Transaction other than the preparation of the Fairness Opinion.

DEFINITIONS

For the purpose of the Fairness Opinion, fair market value (**"FMV"**), as defined by MI 61-101, is the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act.

FMV as defined above is a concept of value, which may or may not equal the purchase or sale price in an actual market transaction. Within the marketplace, there may exist "special purchasers" who may be willing to pay higher prices, as a result of reduced or eliminated competition, ensured source of sales, cost savings arising on business combinations following acquisitions, or other strategic advantages that could be realized by the purchaser.

Given the nature and stated purpose of this engagement, we will not expose any of the Appili Common Shares to the marketplace to determine whether some special purchasers, for their own reasons, might perceive a value different from that considered by us in arriving at our Fairness Opinion. We have not considered the potential value to the Appili Shareholders of any other transaction that might be undertaken as an alternative to the Proposed Transaction.

In arriving at the Fairness Opinion conclusion, BDO considered whether the Consideration to be received as part of the Proposed Transaction is greater than or equal to the FMV of the Appili Common Shares to be given up.

SCOPE OF REVIEW

In connection with preparing and rendering this Fairness Opinion, BDO has reviewed, and where it considered appropriate, relied upon, or undertaken, among other things, the following:

a) Organizational chart for Appili;

b) Internal financial models prepared by Appili's management ("**Management**") for ATI-1501, ATI-1701 and ATI-1801;

c) Exclusive Licensing Agreement between Appili Therapeutics Inc. and Saptalis Pharmaceuticals LLC;

d) PRV Legal Opinion by Dentons US LLP provided by Management;

e) Letter of Intent from Aditxt for the acquisition of Appili dated January 19, 2024;

f) Plan of Arrangement forming part of the Arrangement Agreement;

g) The Arrangement Agreement;

h) Appili Therapeutics Corporate Deck provided by Management;

i) Unaudited interim consolidated financial statements of Appili as at September 30, 2023 and December 31, 2023;

j) Presentation titled: "Commercialization Licensing Deal Analysis" dated January 2023 as provided by Management;

k) Management discussion and analysis for the interim period ended June 30, 2023 and September 30, 2023;

l) Financial information and related materials of Appili that were contained in the data room prepared in connection with Proposed Transaction;

m) Certain publicly available information on the Company;

n) Corporate tax return of Appili for the taxation year ended March 31, 2023;

o) BIO Industry Analysis – Clinical Development Success Rates 2006-2015;

p) BIO Industry Analysis – Clinical Development Success Rates 2011-2020;

q) Certain internal information, primarily financial in nature, concerning the business and operations of the Company prepared by Management;

r) Summaries of correspondence, including binding and non-binding letters of intent from other bidders as provided to us by the Special Committee;

s) Certain publicly available financial information and stock market data relating to selected public companies that we considered might have relevance to our Fairness Opinion;

t) Financial terms, to the extent publicly available, of certain corporate acquisition transactions that we considered might have relevance to our Fairness Opinion;

u) Various reports published by equity research analysts and industry sources BDO considered relevant;

v) A letter of representation from Appili dated April 1, 2024, as to certain factual matters and the completeness and accuracy of certain information upon which the Fairness Opinion is based on;

w) Other industry, financial, and market information and analyses considered necessary or appropriate in the circumstances; and

x) Conducted other studies, analyses, and inquiries as we deemed necessary or appropriate.

BDO's work consisted primarily of inquiry, consideration, analysis, and discussion of this information. Our reliance on this information is based, in part, on Management's representations as to the completeness and accuracy of the information provided by Appili.

MAJOR ASSUMPTIONS

In connection with preparing and rendering this Fairness Opinion, BDO has reviewed, and where it considered appropriate, relied upon, or undertaken, among other things, the following:

a) All assets and liabilities of Appili as at March 31, 2021 to 2023 and as at December 31, 2023 were recorded in accordance with International Financial Reporting Standards (**"IFRS"**) in their respective financial statements;

b) All revenues and expenses of Appili were recorded in accordance with IFRS in their respective financial statements for the fiscal years ended March 31, 2021 to 2023 and for the nine-month period ended December 31, 2023;

c) The reported earnings of Appili contain no material non-recurring or unusual items of sales and expense, except as noted herein;

d) There were no significant non-arm's length transactions (at other than FMV) during the period under review, except as noted herein or in the Company's public record;

e) The balance sheets of Appili as at March 31, 2021 to March 31, 2023 and as at December 31, 2023 contained no material unrecorded, undisclosed or contingent assets, liabilities or commitments;

f) The balance sheet of Appili as at December 31, 2023 contained no redundant assets (liabilities), except as noted herein;

g) The market values of the tangible assets owned by Appili were not materially different at the Valuation Date than the amounts as indicated in this Fairness Opinion, except as noted herein;

h) The financial projections, including estimates for working capital requirements and capital expenditures, represent Management's best estimate of future results as at the Valuation Date;

i) There are no strategic initiatives or contemplated transactions that have not been disclosed to us, which would reasonably be expected to impact our conclusions; and

j) All offers to purchase Appili during the 24 months preceding the Valuation Date have been fully disclosed to us.

BDO's work consisted primarily of inquiry, consideration, analysis, and discussion of this information. Our reliance on this information is based, in part, on Management's representations as to the completeness and accuracy of the information provided by Appili.

RESTRICTIONS AND LIMITATIONS

BDO has been engaged by the Special Committee to provide the Special Committee with a Fairness Opinion as to the fairness of the Proposed Transaction, from a financial point of view, to the Appili Shareholders as at the Valuation Date. BDO was not engaged to prepare and did not prepare a "formal valuation" in connection with the Fairness Opinion, as defined in Canadian securities rules and regulations.

BDO understands that the Fairness Opinion and a summary thereof will be included in an information circular (or equivalent) to be mailed to the Appili Shareholders in connection with the Proposed Transaction and consents to the foregoing. Reference to the Fairness Opinion and BDO in connection therewith may also be included in any press releases issued by either Appili or Aditxt.

We further understand that BDO was not engaged to prepare a formal valuation per MI 61-101 or Multilateral CSA Staff Notice 61-302. BDO notes that the Fairness Opinion will be filed with the court under the plan of arrangement.

BDO has relied upon the completeness, accuracy, and fair presentation of all of the financial and other information, data, advice, opinions, or representations obtained from public sources and Appili (**"Information"**). The Fairness Opinion is conditional upon the completeness, accuracy, and fair presentation of such Information. Subject to the exercise of professional judgment, we have not attempted to verify independently the completeness, accuracy, or

fair presentation of any of the Information. BDO has assumed that the projections provided to it by Management represents the best estimate of the most probable results for the Company for the periods presented therein. In preparing the Fairness Opinion, BDO has made certain assumptions in addition to those noted herein, which it considered to be reasonable and appropriate in the circumstances.

In connection with the preparation of the Fairness Opinion, BDO's mandate did not include the solicitation of interest from any other party with respect to any other extraordinary transaction involving Appili or to evaluate alternatives to the Proposed Transaction.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial, and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise of Appili, as they were reflected in the Information and as they have been represented to us in discussions with Management. In our analyses and in preparing the Fairness Opinion, we made assumptions with respect to industry performance, general business and economic conditions, and other matters.

The Fairness Opinion does not constitute a recommendation to the Special Committee as to whether they should approve, or recommend approval of, the Proposed Transaction. The Fairness Opinion in entirety or a summary thereof (in a form acceptable to BDO), is not to be reproduced, disseminated, quoted from, or referred to (in whole or in part) without the prior written consent of BDO.

The Fairness Opinion is not, and should not be construed as, advice as to the price at which the Appili Common Shares may be sold at any time and no recommendation is made to Appili Shareholders with respect to the Proposed Transaction, including how they should vote in respect of the Proposed Transaction. BDO has not been engaged to review, and does not express any view or opinion on, any legal, tax, accounting or regulatory aspects of the Proposed Transaction and the Fairness Opinion does not address any such matters. BDO has relied upon, without independent verification, the assessment of Appili and its legal counsel with respect to such matters. In addition, the Fairness Opinion does not address the relative merits of the Proposed Transaction as compared to any other strategic alternatives that may be available to Appili. The Fairness Opinion is limited solely to the Consideration to be paid pursuant to the Proposed Transaction and does not address any other aspect of the Proposed Transaction.

The Fairness Opinion is rendered as of the date hereof and BDO disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to the attention of BDO after the date hereof. Without limiting the foregoing, if BDO learns that any of the information it relied upon in preparing the Fairness Opinion was inaccurate, incomplete, or misleading in any material respect, BDO reserves the right to, but shall not be under and obligation to, change or withdraw the Fairness Opinion.

BDO has based the Fairness Opinion upon a variety of factors considered in aggregate. Accordingly, BDO believes that its analyses must be considered as a whole. Selecting portions of its analyses or the factors considered by BDO, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

In preparing the Fairness Opinion, BDO has made important assumptions including that all final versions of all agreements and documents to be executed and delivered in respect of or in connection with the Proposed Transaction will conform in all material respects to the drafts and summaries provided to BDO; that all conditions precedent to the Proposed Transaction can be satisfied; that all approvals, authorizations, consents, permissions, exemptions or orders of relevant regulatory authorities required in respect of or in connection with the Proposed Transaction will be obtained without adverse condition or qualification; and that all steps or procedures being followed to implement the Proposed Transaction are valid and effective.

CORPORATE OVERVIEW

APPILI THERAPEUTICS INC.

Appili (TSX:APLI) is a publicly traded pharmaceutical company on the TSX and is headquartered in Halifax, Canada. The Company is focused on the acquisition and development of novel medicines targeting unmet needs in infectious disease. Since incorporation in 2015, the Company has been focused on building and advancing a diverse portfolio of anti-infective programs. The Company's anti-infective portfolio includes:

- ATI-1501, a taste-masked liquid oral suspension formulation of an antibiotic, metronidazole;
- ATI-1801, a novel topical formulation of paromomycin for the treatment of cutaneous leishmaniasis; and
- ATI-1701, a live attenuated vaccine for Francisella tularensis.

ADITXT INC.

Aditxt (NasdaqCM:ADTX) is a publicly traded biotechnology company on the Nasdaq. Aditxt develops technologies focused on improving the health of the immune system through immune mapping and reprogramming. Aditxt develops AditxtScore that allows individuals to understand, manage, and monitor their immune profiles in order to be informed about attacks on or by their immune system; and Apoptotic DNA Immunotherapy, a nucleic acid-based technology that utilizes an approach that mimics the way the body naturally induces tolerance to its own tissues. It is also developing ADi products for organ transplantation, including skin grafting, autoimmune diseases, and allergies. Aditxt Inc. has a license agreement with Loma Linda University and Leland Stanford Junior University. Aditxt, Inc. was incorporated in 2017 and is headquartered in Richmond, Virginia.

APPROACH

The assessment of fairness, from a financial point of view, must be determined in the context of each particular transaction. BDO has based this Fairness Opinion on methods and techniques that it considered appropriate in the circumstances as well as a number of factors relating to the Proposed Transaction, which it considered to be relevant.

As discussed earlier, the preparation of a fairness opinion is a complex process and it is not necessarily susceptible to partial analysis or a summary description. Accordingly, BDO's analyses must be considered as a whole and the selection of portions of BDO's analyses or the factors considered by us, without considering all factors and analyses together, could create a misleading view of the approaches underlying this Fairness Opinion. This Fairness Opinion is not to be construed as a recommendation to any holder of the Appili Common Shares to support or reject the Proposed Transaction.

VALUATION PRINCIPLES AND APPROACHES

There are three generally acceptable approaches to determining the FMV being the income, market, and asset approaches:

1. The income approach ascribes value to the interest in the company based on its ability to generate future discretionary cash flow and earn a reasonable return on investment after consideration of risks related thereto. Examples of the income approach include the capitalized earnings/cash flow and the discounted cash flow methods;
2. The market approach involves determining the FMV of a company based on value relationships or activity ratios derived or implied from the analysis of guideline public trading prices and market transactions that can be applied to the company in question. Both merger and acquisition activity and stock market activity are considered in deriving various value measures to apply; and
3. The asset approach considers the current value of a company's net assets as the prime determinant of value. This approach is generally used where a company is properly valued as a going concern but where the going concern value is closely related to the value of its underlying assets (i.e., limited goodwill and intangible assets) or where a business is not viable as a going concern and it, therefore, maximized value under liquidation.

VALUATION OF CONSIDERATION

SHARE CONSIDERATION	
Implied price per share of Aditxt (at BDO DCF mid-point)[1]	$3.487
Share conversion ratio	0.003
Share Consideration per Appili Common Share outstanding	**$0.010**
CASH CONSIDERATION	
Cash Consideration per Appili Common Share outstanding[2]	**$0.063**
Total Consideration per Appili Common Share outstanding	**$0.073**

[1] The implied price per Appili Common Share is determined on a post Proposed Transaction basis calculated as the combined equity value of Appili and Aditxt (**"Combined Equity Value"**) divided by the total number of Aditxt Common Shares post the Proposed Transaction. The Combined Equity Value is comprised of: (i) equity value of Appili; plus (ii) the equity value of Aditxt as at March 28, 2024; less (iii) Cash Consideration; and less (iv) cash paid to holders of Appili warrants and options. The total number of Aditxt Common Shares available post the Proposed Transaction include: (i) Aditxt Common Shares issued to Appili Shareholders; plus (ii) the Aditxt Common Shares outstanding as at March 28, 2024.

[2] $US0.0467 converted to $CAD at the $CADUSD FX Rate of $1.353 as at the Valuation Date.

VALUATION OF APPILI THERAPEUTICS INC.

In order to assess the fairness of the Proposed Transaction, from a financial point of view to the Appili Shareholders, BDO principally considered the discounted cash flow analysis. The FMV of the Appili Common Shares was determined based on the sum of the following components:

1. FMV of ATI-1501 (**"LIKEMEZ"** or **"1501"**);
2. Add: FMV of ATI-1701 (**"1701"**);
3. Add: FMV of ATI-1801 (**"1801"**);
4. Add: Present value of loss carryforwards; and
5. Less: Net debt

A summary of the range of intrinsic value of the Company is provided in the table below.

	Discounted Cash Flow			Market Cap
	Low	Midpoint	High	Actual
Discounted cash flow – ATI-1501	5,025,000	5,584,000	6,143,000	n/a
Discounted cash flow – ATI-1701	-	-	-	n/a
Discounted cash flow – ATI-1801	3,609,000	4,010,000	4,410,000	n/a
PV of loss carryforwards	5,254,000	5,254,000	5,254,000	n/a
Enterprise value	**13,880,000**	**14,848,000**	**15,807,000**	**12,115,000**
Less: Net debt as at December 31, 2023	(7,409,146)	(7,409,146)	(7,409,146)	(7,409,146)
Equity value (rounded)	**6,479,000**	**7,439,000**	**8,398,000**	**4,706,000**
Less: Equity value attributable to warrants	(461,928)	(461,928)	(461,928)	(461,928)
Equity value attributable to Appili Common Shares (rounded)	**6,017,000**	**6,977,000**	**7,936,000**	**4,244,000**
Appili Common Shares outstanding as at March 28, 2024	121,266,120	121,266,120	121,266,120	121,266,120
Equity value per share	***$0.050***	***$0.058***	***$0.065***	***$0.035***
Total Consideration per share	***$0.072***	***$0.073***	***$0.074***	***$0.069***
Premium ($)	**$0.022**	**$0.015**	**$0.009**	**$0.034**
Premium (%)	***44.1%***	***26.6%***	***13.3%***	***97.4%***

DISCOUNTED CASH FLOW METHOD

BDO considered the sum of the parts DCF analysis of ATI-1501, ATI-1701 and ATI-1801 in determining the FMV of the Appili Common Shares. In our view, this approach would most likely be employed by a prospective purchaser of the Appili Common Shares given the cash flow profile of Appili as projected by Management.

In the tables below, BDO has summarized key assumptions for each program: ATI-1501, ATI-1701 and ATI-1801.

ATI-1501 – LIKEMEZ™ METRONIDAZOLE LIQUID ORAL SUSPENSION

Key Assumptions	
Fair market value (mid-point)	$5,584,000
Discount rate (WACC)[1]	18.00%
Clinical stage	Approved by the United States Food and Drug Administration (**"FDA"**) (no probability adjustment)
Geographies targeted	United States
Markets targeted	Geriatric and Pediatric market
Market growth rate	0.5%
Market penetration[2]	3.0%
Forecast period	2024-2039
Exclusive license agreement partner	Saptalis Pharmaceuticals LLC (**"Saptalis"**)
Royalty rate[3]	10.0%
Milestone payments[3]	US$500,000 in 2027 and US$500,000 in 2029

[1] Weighted average cost of capital is the rate of return an investor would require for an investment in an asset with similar risk and business characteristics to Appili's ATI-1501 program.

[2] The market penetration rate is based on the Oral Drug Solution Reformulation Case Studies prepared by Bloom Burton & Co. market rates adjusted for Management expectations.

[3] Royalty rate of 10.0% is outlined in the exclusive licensing agreement between Appili and Saptalis. Granted Saptalis exceeds net sales performance milestones outlined in this agreement, Appili is eligible to receive milestone payments.

ATI-1701 – TULAREMIA VACCINE

Key Assumptions	
Fair market value (mid-point)	$nil
Discount rate (WACC)[1]	11.00%
Clinical stage	Pre-clinical (probability adjusted)
Anticipated FDA approval	2028
Geographies targeted	United States
Forecast period	2024-2030
Revenue – Stockpiling contract[2]	2028-2030
Revenue – Non-dilutive funding/grant[3]	2024-2028; 15.0% probability adjusted
Revenue – PRV revenue[4]	US$95,000,000 in 2028

[1] Weighted average cost of capital is the implied rate of return an investor would require for an investment in a company with similar risk and business characteristics to Appili's ATI-1701 program.

[2] Stockpiling Contract - Consistent with the average tenure of historical stockpiling contracts, Management has outlined the projected stockpiling contract to span three years.

[3] Non-dilutive funding/grants from the Department of Defense - Funding has been probability adjusted by 15.0% based on the likelihood of receiving Department of Defense funding per discussions with Management and market research.

*[4] Priority review voucher ("**PRV**") revenue – The average value of PRV sales of US$95.0 million has been selected based on discussions with Management, and a review of historical PRV transactions over the past five years. ATI-1701 is a new product that has never been approved for any drug globally, and as a result, the PRV does not need to be risk adjusted outside of the clinical trial success probability rates.*

ATI-1801 – CUTANEOUS LEISHMANIASIS TOPICAL TREATMENT

Key Assumptions	
Fair market value (mid-point)	$4,010,000
Discount rate (WACC)[1]	14.75%
Clinical stage	Phase 3 (probability adjusted)
Anticipated FDA approval	2028
Geographies targeted	Middle East & North Africa ("**MENA**") and Latin America
Forecast period	2024-2040 + Terminal year
Revenue – MENA and Latin America[2]	¶ 2029-2040 + Terminal year; ¶ 50.0% market penetration; and ¶ Royalty rate – 20.0%.
Revenue – WHO contract[3]	2028-2030
Revenue – PRV revenue[4]	US$47,500,000 in 2028

[1] Weighted average cost of capital is the implied rate of return an investor would require for an investment in a company with similar risk and business characteristics to Appili's ATI-1801 program.

[2] MENA and Latin America Revenue – Revenue is forecasted based on cases of cutaneous leishmaniasis in 2022 in the MENA and Latin American regions x $50.71 (price per treatment course. Revenue is forecasted until 2040 based on population growth per country in the MENA and Latin American regions. Market penetration is based on Management's expectations.

[3] PRV Revenue – The average value of PRV sales of US$95.0 million has been selected based on discussions with Management, and a review of historical PRV transactions over the past five years. PRV of US$95.0 million is risk adjusted by 50.0%, on top of the clinical trial success rates, based on Management's assumption that the PRV eligible for ATI-1801 is a result of a technical loophole that poses additional risk to expected cash flows.

*[4] World Health Organization ("**WHO**") Contract – WHO will only procure ATI-1801 once it has been approved by the FDA which is anticipated to occur in 2028.*

Clinical Trial Success Rates

As shown above, ATI-1701 and ATI-1801 have not received FDA approval. Based on discussions with Management, BDO has applied estimates of clinical trial success rates to the expected cash flows for ATI-1701 and ATI-1801 dependent on the product's current trial phase. BDO has leveraged the following sources to apply clinical trial success rates:

Industry Estimates of Clinical Trial Success Rates	Phase 1 to Phase 2	Phase 2 to Phase 3	Phase 3 to NDA/BLA	NDA/BLA to Approval
BIO Industry Analysis – Clinical Development Success Rates 2006-2015	69.5%	42.7%	72.7%	88.7%
BIO Industry Analysis – Clinical Development Success Rates 2011-2020	57.8%	38.4%	64.0%	92.9%
Average	**63.7%**	**40.6%**	**68.4%**	**90.8%**

DCF Summary

The DCF methodology reflects the growth prospects and risks inherent in Appili's business by taking into account the amount, timing, and relative certainty of projected unlevered after-tax free cash flows expected to be generated by Appili. The DCF analysis requires certain assumptions to be made, among other things, regarding the future unlevered after-tax free cash flows, discount rates, and terminal values. Under the DCF method unlevered free cash flows are discounted at a specific rate to determine the present value which makes up the business enterprise value ("**BEV**").

Based on discussions with Management, the Company's ATI-1501 and ATI-1701 programs do not have a terminal value because they are not anticipated to generate cash flows beyond the end of their life cycle, 2039 and 2030, respectively. However, ATI-1801 has a terminal value beyond its life cycle given the product is priced as a generic drug with continued cash flows expected after 2040.

As noted above, BDO considered a sum of the parts valuation. The BEV of each program, ATI-1501, ATI-1701 and ATI-1801 was totaled to arrive at the total BEV of Appili as a whole as of the Valuation Date.

LOSS CARRYFORWARDS AND NET DEBT

Loss Carryforwards

As of March 31, 2023, Appili had a loss carryforward balance of $56,362,827. The loss carryforward utilization for each year is calculated as the minimum of: (a) opening balance in each fiscal year; and (b) earnings against which the loss can be applied. Losses over the forecast period are a sum of the losses per program (ATI-1501, ATI-1701, and ATI-1801). The loss carryforwards over the forecast period (2024 to 2040) have been discounted by 40.0% to account for the uncertainty of use related to the loss carryforward balance. The present value of the loss carryforward as at the Valuation Date of $5,254,000 is added to arrive to the total BEV of Appili.

Net Debt

As at December 31, 2023, Appili had net debt of $7,409,000 which was made up of long-term debt, short-term debt and cash. The debt portion was made up of amounts owed to ACOA Business Development Program, Long Zone Holdings Inc. and Bloom Burton Securities Inc. Net debt is deducted from the BEV of Appili to arrive at the equity value of Appili.

OTHER CONSIDERATIONS

In addition to the aforementioned business valuation methodologies, BDO also considered the following:

1. Market capitalization:
   a) The price performance of the Appili Common Shares and Aditxt Common Shares; and
   b) The relative liquidity of the Appili Common Shares and Aditxt Common Shares.
2. The process undertaken by the Special Committee;
3. Going concern considerations; and
4. The proposed terms of the Proposed Transaction.

Market Capitalization

In preparing the Fairness Opinion, BDO observed market data up until the Valuation Date. Market data subsequent to this date has not been reviewed or included in our analysis, unless otherwise specifically noted.

Price Performance of Appili Common Shares and Aditxt Common Shares

Appili Therapeutics Inc. (TSX:APLI)

During the past twelve-months leading up to the Valuation Date, the share price of Appili has steadily declined from a 52-week high of $0.053 per share on July 19, 2023 to a 52-week low of $0.018 per share on February 28, 2024. The average 1-month, 3-month and 6-month share prices were $0.025, $0.023 and $0.025, respectively. Appili's share price closed at a price below the Consideration approximately 100% of the time, over the past twelve-months to the Valuation Date, given the Consideration of the Proposed Transaction amounted to $0.073 per Appili Common Share at the midpoint.

Aditxt Inc. (NasdaqCM:ADTX)

During the past twelve-months leading up to the Valuation Date, the share price of Aditxt has sharply declined from a 52-week high of $74.432 per share on August 31, 2023 to a 52-week low of $4.114 per share on March 27, 2024. It

is to be noted that on August 18, 2023, Aditxt Inc. announced a 1-for-40 reverse stock split which drove up the share price to the 52-week high of $74.432 per share. The average 1-month, 3-month, and 6-month share prices were $4.607, $5.372 and $6.929, respectively. As at the Valuation Date of the Proposed Transaction, Aditxt's share price closed at its lowest of $4.601 per share. Relative Liquidity of Appili Common Shares and Aditxt Common Shares

Appili Therapeutics Inc. (TSX:APLI)

In our view, after analyzing the trading volume over the past 12-months, the Appili Common Shares are relatively thinly-traded as compared to select comparable public companies, despite Appili having a high public float of 88.1%.

The total volume of Appili Common Shares traded in the past twelve months to the Valuation Date was approximately 39.1 million shares. However, this is skewed due to Appili's announcement of FDA approval for LIKEMEZ on September 30, 2023 where the volume of Appili Common Shares were traded at an all-time high of 4.9 million shares, in the twelve-month period leading up to the Valuation Date. Excluding this event, the total volume of Appili Common Shares traded in the past twelve months to the Valuation Date was approximately 34.2 million shares with total dollar value of trades equivalent to $1.86 million. As of the Valuation Date, Appili had 121.3 million shares outstanding.

Lastly, the Appili Common Shares are not covered by any nationally recognized investment banking equity analysts, which likely has a negative impact on liquidity, extent, and strength of momentum and general market perception.

Aditxt Inc. (NasdaqCM:ADTX)

The Consideration is comprised of Share Consideration and Cash Consideration. To determine the Cash Consideration, we obtained the share price of Aditxt as at the Valuation Date to form the basis for calculating the Cash Consideration per Appili Common Share outstanding of US$0.0467.

In our view, after analyzing the trading volume over the past 12-months, we note that Aditxt Common Shares are relatively thinly traded as compared to select comparable public companies despite having a high public float of 98.2%.

The total volume of Aditxt Common Shares traded in the past twelve months leading up to the Valuation Date was approximately 104.6 million which is skewed because of two main events: (a) on December 12, 2023, Aditxt entered into a definitive agreement to acquire Evofem Biosciences, Inc., creator of Phexxi, the first and only FDA-approved hormone-free contraceptive gel to address diverse reproductive health needs of women globally; and (b) on December 29, 2023, Aditxt announced a US$6,000,000 private placement priced at the market under Nasdaq rules. Excluding these events, the total trading volume of Aditxt Common Shares was 41.3 million in the past twelve months leading up to the Valuation Date.

Lastly, the Aditxt Common Shares are not covered by any nationally recognized investment banking equity analysts, which likely has a negative impact on liquidity, extent, and strength of momentum and general market perception.

The Process Undertaken by the Special Committee

The sale process was the responsibility of Management and was overseen by the Special Committee. A summary of the sale process is described below.

1. Appili reformed a special committee of the board on May 15, 2023as Appili explored strategic initiatives in light of its cash position and pipeline. The Special Committee met regularly to consider strategic initiatives and monitor progress of existing products. Bloom Burton Securities Inc. (**"Bloom Burton"**) was given a mandate to run a process to find a buyer of the entire business.
2. Approximately two years preceding the entering into of the Arrangement Agreement, Appili engaged in discussions with Aditxt regarding a prospective acquisition, which ultimately did not materialize. In late 2023, representatives from Appili re-engaged with Aditxt to explore potential interest for an acquisition.
3. On January 19, 2024, Aditxt and Appili entered into an expression of interest agreement.
4. On March 20, 2024, BDO was formally retained to prepare a Fairness Opinion regarding the fairness of the Proposed Transaction.

5. On March 29, 2024, BDO presented our verbal fairness opinion on fairness to the Special Committee.

To our knowledge, no logical potential purchaser was specifically excluded from the process. The Consideration reflects the broad canvassing of the market and contemporaneous negotiations with several potential purchasers.

Going Concern Considerations

Appili has reported losses for the past three fiscal years and has accumulated a deficit of $9.8 million as at December 31, 2023. In addition to ongoing working capital requirements, Appili must secure sufficient funding through financing activities to cover research and development expenditures to advance the programs in its pipeline. Appili's ability to remain in compliance with minimum cash balance requirements to its lenders (i.e., Long Zone Holdings Inc.) is dependent on receiving funding from the US Air Force Academy (**"USAFA"**) for the development of ATI-1701. As a result of certain delays in funding, Management has requested and obtained a waiver from the lenders with respect to the minimum cash balance requirements. Such waiver may be extended from time to time until March 2024. However, future delays in USAFA funding may cause the Company to be in breach of the minimum cash balance beyond March 2024.

Long-Term Debt	December 31, 2023
AOCA Business Development Program	$1,035,000
Long Zone Holdings Inc.	$6,695,497
Bloom Burton	$281,533
Total Long-Term Debt	**$8,012,030**

The loan from Long Zone Holdings Inc., includes a default interest feature whereby the Company will owe 5.0% in additional interest if an event of default occurs. The loan requires the Company to maintain a minimum cash balance of US$360,000 at all times unless a waiver is obtained from Long Zone Holdings Inc. As discussed above, the Company obtained a waiver of the minimum cash balance.

Appili will need to move forward with the Proposed Transaction to ensure they do not default on the Long Zone Holdings Inc. loan. Based on discussions with Management, we understand Long Zone Holdings Inc. is in favor of the Proposed Transaction.

The Proposed Terms of the Proposed Transaction

The Proposed Transaction consists of Cash Consideration and Share Consideration. The Arrangement Agreement contemplates the issuance of (a) 0.002745004 Aditxt Common Shares for each Appili Common Share; and (b) Cash Consideration. Additionally, holders of Appili Options and Warrants will be paid in cash the amount by which the Reference Price exceeds the exercise price of the Appili Options and Warrants, less applicable withholdings.

Consequently, by accepting the Proposed Transaction, the Appili Shareholders minimize additional risk associated with future stock market fluctuations given majority of the Consideration is comprised of Cash Consideration. The Cash Consideration of US$0.0467 is higher than the equity value per share at both the low and mid-point scenarios and makes up 96.7% of the high scenario.

FAIRNESS CONCLUSION

Subject to the assumptions, limitations, and qualifications set out herein, BDO is of the opinion that, as of the date hereof, the Consideration is fair from a financial point of view to the Appili Shareholders.

Yours very truly,

BDO Canada LLP

APPENDIX H
COMPARISON OF SHAREHOLDER RIGHTS UNDER THE OBCA AND DELAWARE LAW

	Company Shareholder Rights	Aditxt Stockholder Rights
Requisition of Shareholders' Meetings by Shareholders	The *Business Corporations Act* (Ontario) (the "**OBCA**") permits the holders of not less than 5% of the issued shares of a corporation that carry the right to vote at a meeting to require the directors to call and hold a meeting of the shareholders of the corporation for the purposes stated in the requisition. Subject to certain exceptions, if the directors fail to provide notice of a meeting within 21 days of receiving the requisition, any shareholder who signed the requisition may call the meeting.	Under the *Delaware General Corporation Law* (the "**DGCL**"), a meeting of stockholders may be called only by the board of directors or by persons authorized in the certificate of incorporation or the by-laws.
Distributions and Dividends; Repurchases and Redemptions	Under the OBCA a corporation may pay dividends to its shareholders, subject to its articles of the corporation and any unanimous shareholders agreement, by shares or property, including money, unless the corporation has reasonable grounds for believing that (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes. In the case of payment by a corporation to purchase or redeem shares, under the OBCA, a corporation may purchase or redeem any redeemable shares issued by it at prices not exceeding the redemption price thereof stated in the articles or calculated according to a formula stated in the articles unless there are reasonable grounds for believing that (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or (b) realizable value of the corporation's assets would after the payment be less than the aggregate of, (i) its liabilities, and (ii) the amount that would be required to pay the holders of shares that have a right to be paid, on a redemption or in a liquidation, rateably with or before the holders of the shares to be purchased or redeemed, to the extent that the amount has not been included in its liabilities.	Under the DGCL, the directors of a corporation, subject to any restrictions in its certificate of incorporation, may declare and pay dividends upon the shares of its capital stock either (1) out of surplus, as defined in and computed in accordance with §§ 154 and 244 of the DGCL, or (2) if there is no such surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. However, if the capital of the corporation shall have been diminished by depreciation in the value of its property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, the directors of such corporation shall not declare and pay out of such net profits any dividends upon any shares of any classes of its capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired. "Surplus" is defined as the excess of the net assets over capital, as such capital may be adjusted by the board of directors. A Delaware corporation may purchase or redeem shares of any class except

		when its capital is impaired or when such purchase or redemption would cause any impairment of the capital of the corporation. A corporation may, however, purchase or redeem out of capital, any of its own shares that are entitled upon any distribution of its assets, whether by dividend or in liquidation, to a preference over another class or series of its stock or, if no such shares entitled to such preference are outstanding, any of its own shares if such shares are to be retired upon their acquisition and the capital of the corporation reduced.
Number of Directors; Vacancies on the Board of Directors	The OBCA also requires a minimum of three directors for a public corporation, but requires that at least one-third of those directors not be officers or employees of the corporation or its affiliates. Under the OBCA, subject to the articles of the corporation, a vacancy among the directors may be filled at a meeting of shareholders or by a quorum of directors except when the vacancy results from an increase in the number or the minimum or maximum number of directors or from a failure to elect the minimum number of directors provided for in the articles or a failure to elect the number of directors required to be elected at any meeting of shareholders. Each director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of shareholders following his or her election unless their office is vacated earlier. Where a minimum and maximum number of directors of a corporation is provided for in its articles, the number of directors of the corporation and the number of directors to be elected at the annual meeting of the shareholders shall be such number as shall be determined from time to time by special resolution or, if the special resolution empowers the directors to determine the number, by resolution of the directors. Where such special resolution has been passed, the directors may not, between meetings of shareholders, appoint an additional director if, after such appointment, the	The DGCL provides that the board of directors of a corporation must consist of one or more members, each of whom shall be a natural person. (a) Unless otherwise provided in the certificate of incorporation or bylaws: (1) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director; (2) Whenever the holders of any class or classes of stock or series thereof are entitled to elect 1 or more directors by the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected. If at any time, by reason of death, resignation or other cause, a corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the certificate of incorporation or the bylaws, or may apply to the Court of Chancery for a decree summarily

	total number of directors would be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders.	ordering an election as provided in § 211 or § 215 of the DGCL. (b) In the case of a corporation the directors of which are divided into classes, any directors chosen under subsection (a) of this section shall hold office until the next election of the class for which such directors shall have been chosen, and until their successors shall be elected and qualified. (c) If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the voting stock at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by § 211 or § 215 of the DGCL, as applicable. (d) Unless otherwise provided in the certificate of incorporation or bylaws, when 1 or more directors shall resign from the board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.
Constitution and Residency of Directors	The OBCA prohibits the following persons from being directors of a corporation: (a) anyone who is less than eighteen years of age, (b) anyone who has been found under the *Substitute Decisions Act, 1992* or under the *Mental Health Act* to be incapable of managing property or who has been found to be incapable by a court in Canada or elsewhere, (c) a person who is not an individual and (d) a person who has the status of bankrupt. There is no	The DGCL requires that directors of Delaware corporations be natural persons.

	requirement for a certain number of directors to be resident Canadians.	
Removal of Directors; Terms of Directors	The OBCA provides that the shareholders of a corporation may by ordinary resolution at an annual or special meeting remove any director or directors from office. An ordinary resolution under the OBCA requires the resolution to be passed by a majority of votes cast by the shareholders who voted in respect of that resolution. The OBCA further provides that where the holders of any class or series of shares of a corporation have an exclusive right to elect one or more directors, a director so elected may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series. Under the OBCA, unless expressly elected for a stated term, each director ceases to hold office at the close of the first annual meeting of shareholders following their election. The shareholders of a corporation shall, by ordinary resolution at each annual meeting at which an election of directors is required, elect directors to hold office for a term ending not later than the close of the third annual meeting of shareholders following the election. If a director is appointed or elected to fill a vacancy, that director holds office for the unexpired term of the director's predecessor.	Under the DGCL, the directors of a corporation may, by the certificate of incorporation or bylaw, be divided into one, two or three classes. Under the DGCL, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares entitled to vote at an election of directors, except (1) unless the certificate of incorporation otherwise provides, in the case of a corporation whose board is classified, stockholders may effect such removal only for cause or (2) in the case of a corporation having cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against such director's removal would be sufficient to elect such director if then cumulatively voted at an election of the entire board of directors, or, if there be classes of directors, at an election of the class of directors of which such director is a part. Whenever the holders of any class or series are entitled to elect 1 or more directors by the certificate of incorporation, this subsection shall apply, in respect to the removal without cause of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole.
Indemnification of Directors and Officers	Under the OBCA, a corporation may indemnify a director or officer, a former director or officer or another individual who acts or acted at the corporation's request as a director or officer, or another individual acting or has acted in similar capacity, of another entity (each an "**Indemnifiable Person**"), against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association	Under the DGCL, a corporation is generally permitted to indemnify its directors and officers against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with a third party action, suit or proceeding, or a derivative action, and against expenses actually and reasonably incurred in the defense or settlement of such action or suit (with certain restrictions applicable to indemnification of expenses in a derivative action), provided that there is a determination that the individual acted

	with the corporation or other entity. A corporation may not indemnify an individual unless: (a) the individual acted honestly and in good faith with a view to the best interests of the corporation or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the corporation's request; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that the individual's conduct was lawful. A corporation may with the approval of a court, indemnify an Indemnifiable Person, or advance monies to an Indemnifiable Person, in respect of an action by or on behalf of the corporation or other entity to procure a judgment in its favour, to which the individual is made party because of the individual's association with the corporation or other entity against all costs, charges and expenses reasonably incurred by individual in connection with such action, if the individual fulfils the requirements under (a) and (b), above. An Indemnifiable Person is entitled to indemnity from the corporation if he or she was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done and fulfilled the conditions set out in (a) and (b), above.	in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe the individual's conduct was unlawful. Indemnification determinations for current directors and officers must be made by: (i) a majority of the disinterested directors, even though less than a quorum; (ii) a committee of such disinterested directors designated by a majority vote of such disinterested directors, even though less than a quorum; (iii) independent legal counsel in a written opinion if there are no such disinterested directors or if such directors so direct; or (iv) the stockholders. The DGCL requires indemnification of current or former directors and officers for expenses actually and reasonably incurred by such person relating to a successful defense on the merits or otherwise of a derivative or third-party action. Under the DGCL, a corporation may advance expenses relating to the defense of any action, suit or proceeding to directors, officers, employees, and agents contingent in certain circumstances upon those individuals' entering into an undertaking to repay any advances if it is determined ultimately that those individuals are not entitled to be indemnified.
Limited Liability of Directors	A director has complied with their duties to: (a) act honestly and in good faith with a view to the best interests of the corporation and (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, if the director exercised the care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances, including reliance in good faith on: (i) financial statements of the corporation represented to him or her by an officer of the corporation or in a written report of the auditor of the corporation to present fairly the financial position of the corporation in accordance with generally	The DGCL permits the adoption of a provision in a corporation's certificate of incorporation limiting or eliminating the personal liability of a director to a corporation or its stockholders for monetary damages by reason of a director's breach of the fiduciary duty as a director. The DGCL does not permit any limitation of the liability of a director for: (i) breaching the duty of loyalty to the corporation or its stockholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or a known violation of law; (iii) instances where the corporation willfully or negligently repurchases stock or issues dividends

	accepted accounting principles; (ii) on an interim or other financial report of the corporation represented to him or her by an officer of the corporation to present fairly the financial position of the corporation in accordance with generally accepted accounting principles; (iii) a report or advice of an officer or employee of the corporation, where it is reasonable in the circumstances to rely on the report or advice; or (iv) a report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.	where those distributions would exceed corporate surplus, the directors under whose administration the violation occurred shall be jointly and severally liable to the corporation, and to its creditors in the event of its dissolution or insolvency, to the full amount unlawfully paid, with interest; or (iv) any transaction in which a director obtains an improper personal benefit from the corporation. However, with regard to provision (iv), directors will be protected from liability under the DGCL if they rely in good faith upon corporate records, officers, board committees, or other experts as to the value and amount of the assets, liabilities and/or net profits of the corporation or any other facts pertinent to the existence and amount of surplus or other funds from which dividends might properly be declared and paid, or with which the corporation's stock might properly be purchased or redeemed.
Derivative Actions	Under the OBCA, registered or beneficial shareholders, registered or beneficial former shareholders, directors or officers or former directors or former officers of a corporation or its affiliates, a Director appointed by the Minister of Consumer and Corporate Affairs (the "**Director**") and any person who, in the discretion of the court, may apply to a court for leave to bring an action in the name and on behalf of a corporation or any of its subsidiaries, or intervene in an action to which any such body corporate is a party, for the purpose of prosecuting, defending or discontinuing the action on behalf of the body corporate. No action may be brought and no intervention in an action may be made unless the court is satisfied that: (a) the complainant has given notice to the directors of the corporation or its subsidiary of the complainant's intention to apply to the court not less than fourteen days before bringing the application, or as otherwise ordered by the court, if the directors of the corporation or its subsidiary do not bring, diligently prosecute or defend or discontinue the action, (b) the complainant is acting in good faith; and (c) it appears to be in the	Under the DGCL, a stockholder bringing a derivative suit must have been a stockholder at the time of the wrong complained of or the stockholder must have received shares in the corporation by operation of law from a person who was such a stockholder at the time of the wrong complained of. In addition, the stockholder must remain a stockholder throughout the litigation. There is no requirement under the DGCL to advance the expenses of a lawsuit to a stockholder bringing a derivative suit.

	interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued. A complainant is not required to give notice if all of the directors of the corporation or its subsidiary are defendants in the action.	
Inspection of Books and Records	The OBCA provides that registered holders of shares, beneficial owners of shares and creditors of a corporation, their agents and legal representatives may examine certain of the corporation's records during usual business hours of the corporation and take extracts from those records free of charge, and if the corporation is a distributing corporation, any other person may do so upon payment of a reasonable fee. Registered holders, beneficial owners of shares and creditors of a corporation, their agents and legal representatives and, if the corporation is an offering corporation, any other person, may obtain a list of registered shareholders upon payment of a reasonable fee and sending the corporation or its agent or mandatary a statutory declaration that complies with the OBCA.	Under the DGCL, any stockholder, in person or by attorney or other agent, may, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose, and to make copies and extracts from the corporation's stock ledger, a list of its stockholders, and its other books and records and a subsidiary's books subject to certain exceptions as set forth in § 220(b)(2) of the DGCL.
Amendment of Governing Documents	Under the OBCA, certain amendments to the charter documents of a corporation (such as changing its name, creating new classes of shares or dividing a class of shares) require a resolution passed by not less than $66^{2/3}$% of the votes cast by the shareholders (a "**special resolution**") voting on the resolution authorizing the amendments and, where certain specified rights of the holders of a class or series of shares are affected by the amendments differently than the rights of the holders of other classes or series of shares, such holders are entitled to vote separately as a class or series, whether or not such class or series of shares otherwise carry the right to vote. A resolution to amalgamate an OBCA corporation or continue an OBCA corporation to another jurisdiction requires a special resolution passed by the holders of each share, whether or not such shares otherwise carry the right to vote.	Under the DGCL, every amendment authorized by subsection (a) of §242 of the DGCL must be made and effection in the following manner: (1) if the corporation has capital stock, the board of directors sets forth the proposed amendment in a resolution, declares the advisability of the amendment and either calls a special meeting of the stockholders entitled to vote in respect thereof for the consideration of such amendment or directs that the amendment proposed be considered at the next annual meeting of the stockholders; and (2) subject to certain exceptions, the holders of a majority of shares entitled to vote on the matter adopt the amendment, unless the certificate of incorporation requires the vote of a greater number of shares. In addition, under the DGCL, class voting rights exist with respect to amendments to the certificate of incorporation that (i) subject to certain exceptions, increase or decrease the aggregate number of authorized shares of such class, (ii) increase or decrease

	the par value of the shares of such class, or (iii) alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely, provided that if the amendment adversely affects one or more series of a class but not the entire class, then only the series of shares so affected are entitled to vote. Class voting rights do not exist as to other extraordinary matters, unless the certificate of incorporation provides otherwise. Under the DGCL, the board of directors may amend a corporation's by-laws if so authorized in the certificate of incorporation.

APPENDIX I
INFORMATION CONCERNING APPILI

The following information, including information contained in documents incorporated by reference herein, contains forward-looking information about Appili, including information following completion of the Arrangement. See "*Cautionary Statement Regarding Forward-Looking Information*" in this Circular in respect of forward-looking information that is included in this Appendix and in the documents incorporated by reference herein.

The following information was prepared and provided by Appili for inclusion in this Circular and Appili is responsible for its completeness and accuracy. All capitalized terms used in this Appendix I and not defined herein have the meaning ascribed to such terms in Appendix A or elsewhere in this Circular. The information contained in this Appendix, unless otherwise indicated, is given as of the date of this Circular and should be read in conjunction with the information about Appili contained elsewhere or incorporated by reference in this Circular.

Upon completion of the Arrangement, Company Shareholders will become shareholders of Aditxt, other than those Company Shareholders who are Dissenting Company Shareholders.

General Overview of Appili

Name, Address and Incorporation

Appili's head office is located at #21 - 1344 Summer Street, Halifax, Nova Scotia B3H 0A8 and its registered office is located at 77 King Street West, Suite 400, Toronto-Dominion Centre Toronto, Ontario M5K 0A1 Canada.

The Company was incorporated under the name "Appili Therapeutics Inc." pursuant to the *Companies Act* (Nova Scotia) on May 7, 2015. The Company's articles of association were amended on July 10, 2015, to allow for the issuance of uncertificated securities. On November 15, 2018, the Company was continued as a federal corporation under the provisions of the CBCA. The articles of continuance of the Company filed in connection with such continuance contained provisions amending the existing authorized capital of the Company to permit (in addition to the issuance of Company Shares) the issuance of (i) an unlimited number of Class B non-voting common shares and (ii) an unlimited number of preferred shares issuable in series, with such rights, privileges, restrictions and conditions as the board of directors of the Company may determine from time to time. On May 3, 2019, the Company amended the Articles to subdivide its Company Shares on the basis of 3.86 post-subdivision Company Shares for each one pre-subdivision Company Shares. On September 24, 2024 the Company continued from the CBCA to the OBCA. Upon the Continuance, the CBCA ceased to apply to the Company and the Company became subject to the OBCA, as if it had been originally incorporated as a corporation under the provincial laws of Ontario.

The Company Shares trade on the TSX under the symbol "APLI" and on the OTCPink under the symbol "APLIF".

Overview of the Company

Appili is a pharmaceutical company focused on the acquisition and development of novel medicines targeting unmet needs in infectious disease. Since incorporation in 2015, the Company has been focused on building and advancing a diverse portfolio of anti-infective programs. Key activities have included the acquisition and development of novel technologies, the development of strategic partnerships, targeted

hiring and building out drug development capabilities, securing intellectual property, and raising funds through equity capital raises and non-dilutive funding mechanisms.

The Company's anti-infective portfolio currently includes three programs, described below: LIKMEZ™ (ATI-1501), ATI-1701 and ATI-1801.

Subject to the renewal of certain legislation, Appili expects that two of its programs (ATI-1801 and ATI-1701) may be eligible for a PRV if approved by the United States Food and Drug Administration ("**FDA**"). The PRV program was developed to incentivize drug development in US government priority areas including tropical disease and medical countermeasures. Once issued, a PRV can be used by its holder to accelerate the review of a subsequent drug submission. PRVs are transferrable and the secondary market for PRVs is well established with over 30 transactions reported publicly and recent transactions often exceeding US$100 million.

LIKMEZ (ATI-1501)

LIKMEZ (ATI-1501) is Appili's most advanced commercial stage asset, a liquid oral reformulation of the antibiotic metronidazole, which has been licensed to Saptalis Pharmaceuticals LLC ("Saptalis") for commercialization in the U.S., and other selected territories. Metronidazole is a front-line antibiotic for the treatment of anaerobic bacterial and parasitic infections (Quintiles 2016, Solomkin 2010, Flagyl® FDA Label 2018). In many jurisdictions, including the United States and Canada, the only approved oral metronidazole products are in solid dose formats. Elderly and pediatric patients with difficulty swallowing typically crush the tablets to ingest them. Metronidazole has a strong bitter and metallic taste that is exacerbated by crushing and can reduce patient adherence to treatment. ATI-1501 is aimed at making it easier for patients with difficulties swallowing and sensitivity to taste to take metronidazole, improving patient adherence to therapy and clinical outcomes.

ATI-1701

ATI-1701 is a novel, live-attenuated vaccine for *Francisella tularensis* ("***F. tularensis***"). *F. tularensis*, which causes tularemia, is a Category A pathogen which can be aerosolized and is over 1,000 times more infectious than anthrax (PHAC PSDS Anthrax 2011, PHAC PSDS Tularemia 2011). Category A pathogens are those organisms or biological agents that, according to the National Institutes of Health, pose the highest risk to National Security and public health (NIH website). The signs, symptoms, and prognosis of tularemia depends on the route of infection. Pneumonic tularemia, caused by inhalation of *F. tularensis*, is among the most severe forms of tularemia, causing respiratory issues and difficulty breathing, and can be fatal if untreated (Centers for Disease Control and Prevention ("**CDC**") 2018, WHO 2007). Since it is a highly infectious pathogen capable of causing severe illness, medical counter measures for *F. tularensis* are a biodefense priority for the United States and other governments around the world. There is currently no approved vaccine for the prevention of tularemia in the United States or other major global markets.

ATI-1801

ATI-1801 is a novel topical formulation of paromomycin (15% w/w) under advanced clinical development for the treatment of cutaneous leishmaniasis, a disfiguring infection of the skin that affects hundreds of thousands of people around the world annually and is characterized by the formation of lesions and ulcers that often lead to scarring, disfigurement, disability, and stigmatization of the infected individual (CDC 2020. WHO 2022, Okwor 2016). ATI-1801 has demonstrated safety and efficacy for the treatment of cutaneous leishmaniasis in a Phase 3 study completed in Tunisia. Appili plans to meet with the FDA after manufacturing ATI-1801 with a new manufacturer, potentially later this year. The purpose of this meeting is to discuss the previously generated Phase 3 data, the topical cream formulation, and agree on the

necessary registration package to support a new drug application ("NDA") submission, which the Company expects will include available nonclinical, manufacturing, and clinical data generated to date, along with additional non-clinical data necessary to bring the Investigational New Drug up to current standards and, pending alignment with the FDA, an additional clinical bridging study to demonstrate the comparability of the product produced by the new manufacturer to the prior manufacturer. Appili expects to pursue funding and partnership opportunities with NGOs and government agencies which share the Company's focus on tropical diseases to help complete remaining development work. The Company's current plans, assuming the availability of non-dilutive funding, would be to complete the additional work indicated above and submit an NDA in the future.

Description of Appili Securities

The authorized capital of the Company consists of an unlimited number of Company Shares (of which 121,266,120 Company Shares are issued and outstanding as of the date of this Circular), an unlimited number of Non-Voting Shares (of which nil are issued and outstanding) and an unlimited number of Preferred Shares (of which nil are issued and outstanding).

The following summarizes the rights attached to each class of shares of the Company.

The following discussion is a general summary of the Company Shares. Notwithstanding the following, each Company Share will entitle the holder thereof as of the Record Date to one (1) vote in respect of the Arrangement Resolution at the Meeting.

Company Shares

Each Company Share entitles the holder thereof to one vote at any meeting of our shareholders. Subject to the rights of the holders of any Preferred Shares, the holders of Company Shares are entitled to receive equally with the holders of the Non-Voting Shares if, as and when declared by the Company Board, dividends in such amounts as shall be determined by the Company Board. Subject to the rights of the holders of any Preferred Shares, in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Company Shares shall be entitled to receive equally with the Non-Voting Shares the remaining property and assets of the Company.

Each Company Share is entitled to one (1) vote on each matter to be voted upon at the Meeting.

Non-Voting Shares

Subject to the rights of the holders of any Preferred Shares, the holders of the Non-Voting Shares shall be entitled to receive equally with the Company Shares, as and when properly declared by the Company Board, dividends on the Non-Voting Shares at any time outstanding which the directors may determine to declare and pay in any fiscal year of the Company. Subject to the rights of the holders of the Preferred Shares, in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the Non-Voting Shares shall be entitled to receive equally with the Company Shares the remaining property and assets of the Company. The holders of Non-Voting Shares shall not be entitled to vote at any meeting of our shareholders; provided, however, that any amendment to the articles of the Company to delete or vary any right, privilege, restriction or condition attaching to the Non-Voting Shares or to create shares ranking in priority to or on a parity with the Non-Voting Shares, in addition to the authorization by special resolution, shall be authorized by at least two-thirds of the votes cast at a meeting of the holders of the Company Shares duly called for that purpose.

Preferred Shares

The Preferred Shares may include one or more series of shares. Subject to the provisions of the OBCA, the directors may, by resolution, if none of the shares of any particular series are issued, alter the Articles to: (i) determine the maximum number of shares of that series that the Company is authorized to issue, determine that there is no such maximum number, or alter any such determination; (ii) create an identifying name by which the share of that series may be identified, or alter any such identifying name; and (iii) attach special rights or restrictions to the shares of that series, including, but without limiting or restricting the generality of the foregoing, the rate or amount of dividends (whether cumulative, non-cumulative or partially cumulative), the dates and places of payment thereof, the consideration for, and the terms and conditions of, any purchase for cancellation or redemption thereof (including redemption after a fixed term or at a premium), conversion or exchange rights into other shares, bonds, debentures, securities or otherwise, the terms and conditions of any share purchase plan or sinking fund, restrictions respecting payment of dividends on, or the repayment of capital in respect of, any other shares of the Company and voting rights and restrictions; or alter any such special rights or restrictions.

Dividends

As of the date of this Circular, the Company has not declared dividends on its Company Shares for its three most recently completed fiscal years and has no intention to declare dividends on its Company Shares in the immediate or foreseeable future.

Prior Sales

The following table summarizes the issuance by Appili of Company Securities during the twelve (12) month period preceding the date of this Circular:

Date of Issuance	Description of Transaction	Price/Exercise Price per Company Security	Number of Securities
November 15, 2023	Company Options	$0.04	140,000
April 29, 2024	Company Options	$0.04	3,563,281

Trading Price and Volume

The Company Shares commenced trading on the TSXV under the symbol "APLI", on June 25, 2019. The Company Shares are traded on the TSX under the symbol "APLI". The following table sets forth the high and low price range and total monthly trading volume of the Company Shares for the twelve (12) month period preceding the date of this circular.

Month	High	Low	Total Monthly Volume
October 2023	$0.060	$0.035	5,034,211
November 2023	$0.040	$0.30	1,531,201
December 2023	$0.040	$0.030	1,285,010

Month	High	Low	Total Monthly Volume
January 2024	$0.035	$0.025	3237,584
February 2024	$0.035	$0.025	1,557,111
March 2024	$0.040	$0.025	1,361,158
April 2024	$0.060	$0.030	9,208,840
May 2024	$0.040	$0.030	2,141,530
June 2024	$0.050	$0.035	2,495,608
July 2024	$0.045	$0.030	2,970,758
August 2024	$0.045	$0.030	976,129
September 2024	$0.035	$0.025	1,541,200
October 1 - 3, 2024	$0.030	$0.025	307,034

On April 1, 2024, the last trading day prior to the public announcement of the Arrangement, the closing price of the Company Shares on the TSX was $0.0350. If the Arrangement is completed, all of the Company Shares will be owned by the Buyer and the Company Shares will be delisted from the TSX, subject to the rules and policies of the TSX.

Ownership of Securities

For complete details regarding the securities held by each officer and director of the Company, please see "*The Arrangement – Interests of Certain Persons in the Arrangement – Ownership of Company Shares*" in the Circular.

Material Changes

Other than as disclosed in this Circular, there are no plans or proposals for material changes in the affairs of the Company expected to arise as a result of the Arrangement.

Risks Related to the Company

The Company's financial condition and capital requirements

As of June 30, 2024, the Company has approximately 4.52 million in accounts payable and accrued liabilities and approximately 10.1 million in long-term debt. If the Company is unable to repay these accounts payable and accrued liabilities and its long-term debt at maturity, and the Company is unable to extend the maturity dates or refinance these obligations, the Company would be in default. The Company cannot provide any assurances that the Company will be able to raise the necessary amount of capital to repay these obligations or that we will be able to extend the maturity dates or otherwise refinance these obligations. Upon a default, creditors would have the right to exercise their rights and remedies to collect.

Accordingly, a default would have a material adverse effect on the Company's business, and the Company may be forced to seek bankruptcy protection.

In addition to the foregoing, if the Arrangement is not completed, the Company will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. Such risk factors are set forth and described in the Company's annual information form for the fiscal year ended March 31, 2024, a copy of which is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

Arrangements Between the Company and Securityholders

Other than as disclosed in this Circular, there are no arrangements, commitments or understandings made or proposed to be made between the Company and a securityholder of the Company related to the Arrangement. See "*The Arrangement – Interests of Certain Persons in the Arrangement*" in the Circular.

Auditor and Transfer Agent

PricewaterhouseCoopers LLP is Appili's independent auditor and was appointed on September 7, 2017. The offices of PricewaterhouseCoopers LLP are located at 2000 Barrington St #1101, Halifax, NS B3J 3K1.

Computershare, at their offices in Montreal, Quebec, are the registrar and transfer agent for Appili's securities.

Additional Information

Additional information relating to Appili, including Appili's financial statements and management's discussion and analysis for its most recently completed financial year ended March 31, 2024 may be found on SEDAR+ at www.sedarplus.ca or Appili's website at https://appilitherapeutics.com/. Company Shareholders may request copies of the documents incorporated in this Circular free of charge by contacting Appili at Info@AppiliTherapeutics.com. Financial information relating to the Company is provided in the Company's annual audited consolidated financial statements for the fiscal years ended March 31, 2024 and the interim consolidated financial statements for the three month period ended June 30, 2024, which are posted at www.sedarplus.ca.

.

APPENDIX J
INFORMATION CONCERNING ADITXT BEFORE AND AFTER THE ARRANGEMENT AND EVOFEM

(begins on following page)

Appendix J
Information Concerning Aditxt

The following information is presented on a pre-Arrangement basis (except where otherwise indicated) and is reflective of the current business, financial and share capital position of Aditxt and its subsidiaries. Notwithstanding anything stated to the contrary in the body of the Circular to which this Appendix J is attached, references to "Aditxt" in this Appendix J refer to Aditxt and its subsidiaries, except where stated or the context otherwise indicates. Capitalized terms used but not otherwise defined in this Appendix J shall have the meanings ascribed to them in the Circular to which this Appendix J is attached. Such information should be read together with the Annual Report on Form 10-K for the fiscal year end December 31, 2023 (the "**Aditxt 2023 Annual Report**") and certain sections indicated herein of the Definitive Proxy Statement of Aditxt dated July 5, 2024 (the "**Aditxt Proxy Statement**") incorporated by reference into this Appendix J, and the information concerning Aditxt appearing elsewhere in the Circular to which this Appendix J is attached.

The information contained in this Appendix J, unless otherwise indicated, is given as of the date of this Circular. Certain statements contained in this Appendix J, and in the documents incorporated by reference herein, constitute forward-looking information. Such forward-looking statements relate to future events or Aditxt's future performance and readers are cautioned that actual results may vary. See "*Cautionary Statement Regarding Forward-Looking Information*" in the Circular. Readers should also carefully consider the matters and cautionary statements discussed under the heading "*Risk Factors*" in the Circular and "*Risk Factors*" in the Aditxt 2023 Annual Report.

Unless otherwise indicated, all references to "$" or "dollars" set forth in this Appendix J are to the currency of the United States.

Cautionary Note Regarding Forward-Looking Statements

The following Appendix J of this Circular contains or incorporates by reference "forward-looking statements" which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "**Securities Act**"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Forward-looking statements and forward-looking information are generally identified by their use of such terms and phrases as "intend," "goal," "strategy," "estimate," "expect," "project," "projections," "forecasts," "plans," "seeks," "anticipates," "potential," "proposed," "will," "should," "could," "would," "may," "likely," "designed to," "foreseeable future," "believe," "scheduled" and other similar expressions. Examples of such statements include statements with respect to: the timing and outcome of the Arrangement; the anticipated benefits of the Arrangement; the satisfaction or waiver of the closing conditions set out in the Arrangement Agreement, including receipt of all Regulatory Approvals and completion of the Financing; the anticipated timing of closing of the Arrangement; and expectations for other economic, business, and/or competitive factors.

Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information, including: Aditxt has not generated significant revenue from commercial sales to date and its future profitability is uncertain; Aditxt may fail to obtain the capital necessary to fund its operations, and would, therefore, be unable to continue or complete its product development; Aditxt's financial situation creates doubt whether it will continue as a going concern; Aditxt may need to raise additional funding, which may not be available on acceptable terms; the regulatory approval process is expensive, time-consuming and uncertain and may prevent Aditxt from obtaining approvals for the commercialization of its future product candidates, if any; Aditxt may encounter substantial delays in completing its clinical studies which in turn will require additional costs, or Aditxt may fail to demonstrate

adequate safety and efficacy to the satisfaction of applicable regulatory authorities; if Aditxt's future pre-clinical development and future clinical Phase I/II studies are unsuccessful, it may be unable to obtain regulatory approval of, or commercialize, its product candidates on a timely basis or at all; even if Aditxt receives regulatory approval for any of its product candidates, it may not be able to successfully commercialize the product and the revenue that it generates from its sales, if any, may be limited; adverse events involving the products may lead the U.S. Food and Drug Administration ("**FDA**") or applicable foreign regulatory agency to delay or deny clearance for our products or result in product recalls that could harm Aditxt's reputation, business and financial results; certain technologies are subject to licenses from LLU and Standford (both as defined herein), each of which are revocable in certain circumstances, including in the event that Aditxt does not achieve certain payments and milestone deadlines; Aditxt faces substantial competition, which may result in other discovering, developing or commercializing products before or more successfully than Aditxt does; Aditxt's acquisition strategy exposes the company to substantial risk; Aditxt may experience difficulties as they evaluate, acquire and integrate acquired businesses, which could result in drains on their resources including the attention of management and disruption of the on-going business; Aditxt may not be able to successfully fund acquisitions due to the unavailability of equity or debt financing on acceptable terms, which could impede the implementation of Aditxt's acquisition strategy; there can be no assurance that the transactions contemplated by the Merger Agreement (as defined herein) will be consummated or, that if such transactions are consummated, they will be accretive to shareholder value; and such other risks contained in the Aditxt 2023 Annual Report, which is incorporated by reference.

All of the forward-looking statements are as of the date of this Circular. In each case, actual results may differ materially from such forward-looking information. Aditxt can give no assurance that such expectations or forward-looking statements will prove to be correct. An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Circular or included in other public disclosures or other periodic reports or other documents or filings filed with or furnished to the SEC could materially and adversely affect Aditxt's business, prospects, financial condition, and results of operations. Except as required by law, Aditxt does not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections or other circumstances affecting such forward-looking statements occurring after the date of this Circular, even if such results, changes, or circumstances make it clear that any forward-looking information will not be realized.

Upon completion of the Arrangement, Company Shareholders will become shareholders of Aditxt, other than those Company Shareholders who are Dissenting Company Shareholders.

Aditxt Overview

Aditxt was incorporated in the State of Delaware on September 28, 2017 under the name "Aditxt Therapeutics, Inc.". Aditxt currently has four wholly owned subsidiaries, being Adifem, Inc. (formerly, Adicure, Inc.) ("**Merger Sub**"), Adivir, Inc. ("**Adivir**"), Adivue, Inc., and Adimune, Inc. ("**Adimune**"), and one majority owned subsidiary, Pearsanta, Inc. ("**Pearsanta**"), all of which are incorporated in the State of Delaware. On July 6, 2021, Aditxt changed its corporate name from "Aditx Therapeutics, Inc." to "Aditxt, Inc.". The name change was effective following approval by the Aditxt Board through the filing of a Certificate of Amendment to Aditxt's Amended and Restated Certificate of Incorporation. Aditxt's corporate headquarters are located at 2569 Wyandotte Street, Suite 101, Mountain View, CA 94043.

Intercorporate Relationships

Aditxt conducts its business through its various subsidiaries. As of the date hereof, all of Aditxt's subsidiaries are directly owned by Aditxt. The following table lists Aditxt's subsidiaries, including the

percentage of votes attaching to all voting securities of each subsidiary that are beneficially owned, or controlled or directed, directly or indirectly, by Aditxt, and where each subsidiary was incorporated, continued, formed or organized:

Name of Subsidiary	Jurisdiction	Percentage Owned
Pearsanta, Inc.	Delaware	97.6%
Adifem, Inc. (formerly, Adicure, Inc.)	Delaware	100%
Adivir, Inc.	Delaware	100%
Adivue, Inc.	Delaware	100%
Adimune, Inc.	Delaware	100%

Note:

(1) Pearsanta is majority owned by Aditxt. (1) Aditxt holds 60,000,000 shares of common stock of Pearsanta (the "**Pearsanta Shares**"), (2) the former Chief Executive Officer of Pearsanta holds 1,000,000 Pearsanta Shares, (3) First Vitals, LLC holds 500,000 Pearsanta Shares and (4) MDNA Life Sciences, Inc. holds 5,000 Series A Preferred Shares of Pearsanta, which are convertible on a standard basis into 5,000,000 Pearsanta Shares.

If the Arrangement is completed, the Buyer will acquire all of the outstanding Company Shares and the Company will become an indirect wholly-owned subsidiary of Aditxt.

Business Overview

Aditxt is a life sciences company developing technologies specifically focused on improving the health of the immune system through immune reprogramming and monitoring. Aditxt is not about a single idea or a single molecule. It is about making sure the right innovation is made possible. Aditxt's business model has three main components as follows:

(1) Securing an Innovation: Aditxt's process begins with identifying and securing innovations through licensing or acquisition of an innovation asset. Assets come from a variety of sources including research institutions, government agencies, and private organizations.

(2) Growing an Innovation: Once an innovation is secured, Aditxt works to surround it with activation resources that take a systemized approach to bringing that idea to life. Aditxt's activation resources include innovation, operations, commercialization, finance, content and engagement, personnel, and administration.

(3) Monetizing an Innovation: Aditxt's goal is for each innovation to become commercial-stage and financially and operationally self-sustainable, to create shareholder value.

Aditxt engages various stakeholders for each of its programs on every level, including (i) identifying researchers and research institution partners, such as Stanford University; (ii) engaging leading health institutions to establish critical trials, such as Mayo Clinic; (iii) establishing relationships with manufacturing partners to assist with taking innovations from preclinical to clinical; and (iv) working with municipalities and governments, such as the city of Richmond and the state of Virginia and public health agencies in order to launch programs.

Aditxt's pipeline is currently made up of three main programs that are primarily developed through three of its subsidiaries, Adimune, Pearsanta and Adivir.

Adimune

Formed in January 2023, Adimune is focused on leading Aditxt's immune modulation therapeutic programs. Adimune's proprietary immune modulation product Apoptotic DNA Immunotherapy™, or ADI-100™, utilizes a novel approach that mimics the way our bodies naturally induce tolerance to our own tissues. It includes two DNA molecules designed to deliver signals to induce tolerance. ADI-100 has been successfully tested in several preclinical models (e.g., skin grafting, psoriasis, type 1 diabetes, multiple sclerosis).

In May 2023, Adimune entered into a clinical trial agreement with Mayo Clinic to advance clinical studies targeting autoimmune diseases of the central nervous system ("**CNS**") with the initial focus on the rare, but debilitating, autoimmune disease Stiff Person Syndrome ("**SPS**"). According to the National Organization of Rare Diseases, the exact incidence and prevalence of SPS is unknown; however, one estimate places the incidence at approximately one in one million individuals in the general population.

Pending approval by the International Review Board and FDA, a human trial for SPS is expected to get underway in 2024[1] with enrollment of 10-15 patients, some of whom may also have type 1 diabetes. ADI-100 will initially be tested for safety and efficacy. ADI-100 is designed to tolerize against an antigen known as glutamic acid decarboxylase, which is implicated in type-1 diabetes, psoriasis, and in many autoimmune diseases of the CNS. IND-enabling work is also near completion in support of a Clinical Trial Application submission to the Paul Ehrlich Institute, the regulatory agency in Germany, to initiate clinical trials in psoriasis and type 1 diabetes.

On March 15, 2018, Aditxt entered into a License Agreement with Loma Linda University ("**LLU**"), which was subsequently amended on July 1, 2020. Pursuant to the LLU License Agreement, Aditxt obtained the exclusive royalty-bearing worldwide license to all intellectual property, including patents, technical information, trade secrets, proprietary rights, technology, know-how, data, formulas, drawings, and specifications, owned or controlled by LLU and/or any of its and related to therapy for immune-mediated inflammatory diseases (the ADI™ technology). ADI uses a novel approach that mimics the way the body naturally induces tolerance to our own tissues ("therapeutically induced immune tolerance"). While immune suppression requires continuous administration to prevent rejection of a transplanted organ, induction of tolerance has the potential to retrain the immune system to accept the organ for longer periods of time. ADI may allow patients to live with transplanted organs with significantly reduced immune suppression. ADI is a technology platform which Aditxt believes can be engineered to address a wide variety of indications.

Aditxt, through Adimune, is developing ADI™ products for organ transplantation including skin allografting, autoimmune diseases, and allergies, with the initial focus on psoriasis, type 1 diabetes and skin allografting, indications for which we have compelling preclinical data.

To submit a Biologics License Application for a biopharmaceutical product, clinical safety and efficacy must be demonstrated in clinical studies conducted with human subjects. The first-in-human trials will be a combination of Phase I (safety/tolerability) and Phase II (efficacy) in affected subjects. To obtain approval to initiate the Phase I/IIa studies, an Investigational New Drug ("**IND**") or Clinical Trial Application ("**CTA**") will be submitted that will include a compilation of non-clinical efficacy data as well as manufacturing and pre-clinical safety/toxicology data. To date, Aditxt has conducted non-clinical studies in a stringent model of skin transplantation using genetically mismatched donor and recipient animals demonstrating a 3-fold increase in the survival of the skin allograft in animals that were tolerized with

[1] This forward-looking statement is based on the following material factors and assumptions: (a) all necessary regulatory approvals will be obtained within Aditxt's anticipated timeline; (b) pre-clinical studies will yield positive results that justify proceeding to human trials; and (c) Aditxt will have sufficient financial resources.

ADI™ compared to animals that receive immune suppression alone. Prolongation of graft life was observed despite discontinuation of immune suppression after the first 5 weeks. In a non-obese diabetic mouse model of type 1 diabetes ("**T1D**"), Aditxt showed reversal of hyperglycemia with 80% of the animals showing durable glycemic control for the 40-week study period. Additionally, in an induced non-clinical model for psoriasis, ADI™ treatment resulted in a 69% reduction in skin thickness and a 38% decrease in skin flaking (two clinical parameters for assessment of psoriasis skin lesions). The Phase I/IIa studies in psoriasis will evaluate the safety/tolerability of ADI™ in patients diagnosed with psoriasis. Since the drug will be administered in subjects diagnosed with psoriasis, effectiveness of the drug to improve psoriatic lesions will also be evaluated. In the type 1 diabetes clinical studies, newly diagnosed subjects will receive ADI™ treatment to evaluate safety and efficacy. In another Phase I/IIa study, patients requiring skin allografts will receive weekly intra-dermal injections of ADI™ in combination with standard immune suppression to assess safety/tolerability and possibility of reducing levels of immunosuppressive drugs as well as prolongation of graft life.

Pre-Clinical and Clinical Plans

The resources and efforts used for the IND-enabling work summarized below supports both the psoriasis and TID clinical programs:

(1) *Objectives for Psoriasis Clinical Program:*

a. Completion of IND-Enabling Work: Aditxt has initiated GMP manufacturing of clinical grade material that will be used for the first-in-human studies in subjects with psoriatic lesions. Included in the manufacturing program is stability studies; the regulatory agency requires one month of stability data for the GMP material for submission of the clinical trial application (CTA). Stability data will continue to be gathered while the clinical trials are ongoing and up to 24 months. Aditxt has also completed the in-life portion of the toxicology studies. Safety data have been recorded and Aditxt is now awaiting immunotoxicology data, which are forthcoming.
b. Submission of CTA to Initiate Phase I/II Trials: Upon completion of drug product formation, stability studies and potency assay, a CTA will be submitted to initiate the Phase I/II clinical trials. The clinical studies will combine Phase 1 (designed to test clinical safety) and Phase IIa (designed to obtain proof of effectiveness in human subjects), in subjects with psoriatic skin lesions.
c. Initiating Clinical Trials: Aditxt has identified a contract research organization with capabilities to conduct a multi-center study and ability to recruit the needed number of subjects to complete the clinical trials. Upon approval by the regulatory agency clinical trials will be initiated.

(2) *Objectives for T1D Clinical Program:*

a. Completion of IND-Enabling Work: Aditxt has initiated GMP manufacturing of clinical grade material that will be used for the first-in-human studies in subjects with psoriatic lesions. Included in the manufacturing program is stability studies; the regulatory agency requires one month of stability data for the GMP material for submission of the CTA. Stability data will continue to be gathered while the clinical trials are ongoing and up to 24 months. Aditxt has also completed the in-life portion of the toxicology studies. Safety data have been recorded and Aditxt is now awaiting immunotoxicology data, which are forthcoming.
b. Initiating Clinical Trials: The clinical studies will combine Phase 1 (designed to test clinical safety) and Phase IIa (designed to obtain proof of effectiveness in human subjects), in T1D patients. Aditxt will be identifying clinical trial centers with adequate patients. Upon approval by the FDA and/or the applicable regulatory agency clinical trials will be initiated.

(3) *Objectives for Skin Allograft Clinical Program:*

a. Preclinical Studies: Completion of preclinical studies to identify the appropriate protocol for dosing and combination of ADI™ with immune suppression protocols.
b. IND-Enabling Work: Completion of IND-enabling work, including GMP manufacturing and toxicology studies.
c. Initiating Clinical Trials: Clinical Phase I/II study to demonstrate safety and clinical proof-of-concept in patients requiring skin allografts. Aditxt will be identifying clinical trial centers with adequate patients. Upon approval by the FDA and/or the applicable regulatory agency clinical trials will be initiated.

Drug Approval Process

In the United States, FDA approval is required before any new drugs can be introduced to the market. Aditxt currently has a product candidate for the first-in-human studies, but as of the date hereof, has not submitted an application to the regulatory agencies for approval. Aditxt is continuing to work with a contract manufacturer who has the know-how, product ingredients including plasmid DNA molecules, and our patent-pending bacterial strain. Several batch runs have been successfully completed to demonstrate the ability to produce the DNA plasmids in a GMP facility. The contract manufacturer has provided a proposal for manufacturing of the clinical grade material, which will be signed and accepted once Aditxt is ready to initiate GMP manufacturing. Aditxt is not currently a party to an agreement with this contract manufacturer.

The product candidate selected for clinical trials must be subjected to pre-clinical safety/toxicology studies by an independent Good Laboratory Practice laboratory to demonstrate its suitability for clinical testing in human patients. Upon completion of manufacturing and safety/toxicology testing, an IND application will be prepared for submission to the regulatory agencies.

Upon receipt of clearance to initiate clinical testing, the ADI™ product can be tested in human patients. The ADI™ product will be tested in clinical trials, one in patients with psoriasis and one in patients who require skin allografting. Therefore, the first-in-human studies will be combined Phase I/Phase II studies in which safety and efficacy data will be obtained. Aditxt plans to start with in skin indications (psoriasis and skin allografting) as it believes these indications will be most efficient in providing safety and efficacy data in clinical trials. In parallel, Aditxt plans to continue to develop additional product formulations for other indications.

Pearsanta

Formed in January 2023, Pearsanta seeks to take personalized medicine to a new level by delivering "Health by the Numbers." On November 22, 2023, Pearsanta entered into an assignment agreement with FirstVitals LLC, an entity controlled by Pearsanta's CEO, Ernie Lee ("**FirstVitals**"), pursuant to which FirstVitals assigned its rights in certain intellectual property and website domain to Pearsanta in consideration of the issuance of 500,000 Pearsanta Shares to FirstVitals.

Since its founding, Pearsanta has been building the platform for enabling Aditxt's vision of lab quality testing, anytime, anywhere. Aditxt's plan for Pearsanta's platform is for it to be the transactional backbone for sample collection, sample processing (on- and off-site), and reporting. This will require the development and convergence of multiple components developed by Pearsanta, or through transactions with third parties, including collection devices, "lab-on-a-chip" technologies, Lab Developed Test ("**LDT**") assays, a data-driven analysis engine, and telemedicine.

Pearsanta's platform is being developed as a seamless digital healthcare solution. This platform will integrate at-location sample collection, Point-of-Care ("**POC**") and LDT assays, and an analytical reporting engine, with telemedicine-enabled visits with licensed physicians to review test results and, if necessary, order a prescription. Pearsanta's goal of extending its platform to enable consumers to monitor their health more proactively as the goal is to provide a more complete picture about someone's dynamic health status, factoring in genetic makeup and their response to medication. The POC component of Pearsanta would enable diagnostic testing at-home, at work, in pharmacies, and more to generate results quickly so that an individual can access necessary treatment faster. With certain infections, prescribing the most effective treatment according to one's numbers can prevent hospital emergency room admissions and potentially life-threatening consequences.

Examples of indication-focused tests for the evaluation of advanced urinary tract infections, COVID-19/flu/respiratory syncytial virus, sexually transmitted infections, gut health, pharmacogenomics (i.e., how your genes affect the way your body responds to certain therapeutics), and sepsis. We believe that these offerings are novel and needed as the current standard of care using broad spectrum antibiotic treatment can be ineffective and potentially life-threatening.

Aditxt issued Pearsanta an exclusive worldwide sub-license for commercializing the AditxtScore™ technology which provides a personalized comprehensive profile of the immune system. AditxtScore™ is intended to detect individual immune responses to viruses, bacteria, peptides, drugs, supplements, bone marrow and solid organ transplants, and cancer. It has broad applicability to many other agents of clinical interest impacting the immune system, including those not yet identified such as emerging infectious agents.

AditxtScore™ is being designed to enable individuals and their healthcare providers to understand, manage and monitor their immune profiles and to stay informed about attacks on or by their immune system. Aditxt believes that AditxtScore™ can also assist the medical community and individuals by being able to anticipate the immune system's potential response to viruses, bacteria, allergens, and foreign tissues such as transplanted organs. This technology may be able to serve as a warning signal, thereby allowing for more time to respond appropriately. Its advantages include the ability to provide simple, rapid, accurate, high throughput assays that can be multiplexed to determine the immune status with respect to several factors simultaneously, in approximately 3-16 hours. In addition, it can determine and differentiate between distinct types of cellular and humoral immune responses (e.g., T and B cells and other cell types). It also provides for simultaneous monitoring of cell activation and levels of cytokine release (i.e., cytokine storms).

Aditxt plans to utilize AditxtScore™ in its upcoming pre-clinical and clinical studies to monitor subjects' immune response before, during and after ADI™ drug administration. It is also evaluating plans to obtain regulatory approval for AditxtScore™'s use as a clinical assay and seeking to secure manufacturing, marketing and distribution partnerships for application in the various markets. To obtain regulatory approval to use AditxtScore™ as a clinical assay, we have conducted validation studies to evaluate its performance in detection of antibodies and plan to continue conducting additional validation studies for new applications in autoimmune diseases and transplantation, including organ rejection, autoimmunity, allergies, drug/vaccine response, disease susceptibility, and infectious diseases.

On February 3, 2020, Aditxt entered into an exclusive license agreement (the "**February 2020 License Agreement**") with Leland Stanford Junior University ("**Stanford**") with regard to a patent concerning a method for detection and measurement of specific cellular responses. Pursuant to the February 2020 License Agreement, Aditxt received an exclusive worldwide license to Stanford's patent with regard to use, import, offer, and sale of Licensed Products (as defined in the agreement). The license to the patented technology is exclusive, including the right to sublicense, beginning on the effective date of the agreement, and ending when the patent expires. On December 29, 2021, Aditxt entered into an amendment to the February 2020

License Agreement which extended the exclusive right to license the technology deployed in AditxtScore™ and securing worldwide exclusivity in all fields of use of the licensed technology.

MDNA

On December 17, 2023, Aditxt entered into an Asset Purchase Agreement with Pearsanta, and MDNA Life Sciences, Inc. ("**MDNA**"), pursuant to which Pearsanta agreed to acquire certain intellectual property and other specified assets relating to MDNA's early cancer detection platform (the "**Acquired Assets**"). MDNA's Mitomic™ technology provides a tool for identifying biomarkers associated with various diseases that lead to mtDNA mutations. The Acquired Assets include, but are not limited to, the following:

- The Mitomic Endometriosis Test (MET™) is in development as a blood-based assay for diagnosis of endometriosis. This test aims to provide early diagnostic insights, potentially reducing delays in diagnosing endometriosis.
- The Mitomic Prostate Test (MPT™) is currently under development as a blood-based assay for diagnosis of prostate cancer. Aditxt believes that this test holds the potential to provide more specific and clinically informative data especially in the prostate-specific antigen (PSA) grey zone. It aims to address the challenges of over-diagnosis and mitigate risks associated with low-grade cancers.

On January 4, 2024, Aditxt completed its acquisition of the Acquired Assets.

Intellectual Property

Aditxt's innovation portfolio includes: (1) ADI™ immune modulation technologies, which are currently at the pre-clinical stage and are designed to retrain the immune system to induce tolerance with an objective of addressing rejection of transplanted organs, autoimmune diseases, and allergies; and (2) AditxtScore™ immune monitoring technologies designed to provide a personalized comprehensive profile of the immune system. Both categories are protected by multiple families of patents and patent applications, including several issued U.S. and non-U.S. patents.

The projected expiration dates for the ADI™ patents and patents issuing from pending applications extend until 2043 for some patents. As of the date hereof, our patent portfolio for ADI™ includes both patents and patent applications licensed from LLU or Stanford and patent applications owned solely by Aditxt, including 120 granted patents, 2 allowed patent applications and 30 pending patent applications in U.S. and other regions. These patents and patent applications cover three different technical aspects of ADI™, treatment of autoimmune diseases and T1D, treatment of organ transplantation, and development of a new class of immunotherapeutics for various indications. The patents and patent applications cover both methods of treatment for these indications as well as compositions of matter including plasmids that are able to induce tolerance to antigens or prevention of immune attack on antigens, depending on the indication, along with methods of producing such plasmids.

The AditxtScore™ technology is also protected by multiple families of patents and patent applications, including several issued U.S. and non-U.S. patents. The projected expiration dates for these AditxtScore™ patents and patents issuing from pending applications ranges from 2037 to 2043. As of the date hereof, Aditxt's patent portfolio for AditxtScore™ includes both patents and patent applications licensed from Stanford and patent applications owned solely by Aditxt, including two granted patents, one pending patent and 11 applications originated by Aditxt. These patents and patent applications encompass methods, systems and kits for detection and measurement of specific immune responses.

Adivir

Formed in April of 2023, Adivir is Aditxt's most recently formed wholly owned subsidiary, dedicated to the clinical and commercial development efforts of innovative antiviral products, which have the potential to address a wide range of infectious diseases, including those that currently lack viable treatment options.

On April 18, 2023, Aditxt entered into an Asset Purchase Agreement (the "**Asset Purchase Agreement**") with Cellvera Global Holdings LLC ("**Cellvera Global**"), Cellvera Holdings Ltd. ("**BVI Holdco**"), Cellvera, Ltd. ("**Cellvera Ltd**."), Cellvera Development LLC ("**Cellvera Development**" and together with Cellvera Global, BVI Holdco, Cellvera Ltd. and Cellvera Development (the "**Sellers**"), AiPharma Group Ltd. ("**Seller Owner**" and collectively with the Sellers, "**Cellvera**"), and the legal representative of Cellvera, pursuant to which, Aditxt agreed to purchase Cellvera's 50% ownership interest in G Response Aid FZE ("**GRA**"), certain other intellectual property and all goodwill related thereto. GRA holds an exclusive, worldwide license for the antiviral medication, Avigan® 200mg, excluding Japan, China and Russia. The other 50% interest in GRA is held by Agility, Inc. Closing of the transaction is subject to certain closing conditions. There can be no assurance that the conditions to closing will be satisfied or that the proposed acquisition will be completed as proposed or at all.

Three Year History and Recent Developments

The following is a history of material developments of Aditxt's business during the three-year period prior to December 31, 2023 and up to the date of the Circular.

Three-Year History

Officer and Director Updates

On February 24, 2021, Aditxt entered into an employment agreement with Mr. Amro Albanna, the Chief Executive Officer and President of Aditxt and a member of the Aditxt Board (the "**Employment Agreement**"). The term of Mr. Albanna's engagement under the Employment Agreement commences as of the Effective Date (as defined in the Employment Agreement) and continues until September 28, 2023, unless earlier terminated in accordance with the terms of the Employment Agreement. The term of Mr. Albanna's Employment Agreement is automatically renewed for successive one (1) year periods until terminated by Mr. Albanna or Aditxt.

On March 19, 2021, the Aditxt Board appointed Thomas J. Farley as Principal Accounting Officer of Aditxt. Mr. Farley previously served as the Controller of Aditxt.

Effective June 16, 2021, the Aditxt Board approved an increase to the number of directors on the Aditxt Board from six (6) to seven (7) (the "**Board Increase**"), and subsequently appointed Dr. Lauren Chung to fill the one (1) vacancy as a result of the Board Increase.

On June 16, 2021, the Aditxt Board appointed Dr. Jeffrey Runge as Aditxt's lead independent director. Dr. Runge has served as a member of the Aditxt Board since July 2020.

On September 25, 2021, the Aditxt Board appointed Corinne Pankovcin as President of Aditxt. Ms. Pankovcin previously served as Chief Financial Officer of Aditxt since July 2020.

On September 25, 2021, the Aditxt Board appointed Thomas J. Farley as Chief Financial of Aditxt. Mr. Farley previously served as the Controller of Aditxt since October 2020 and served as Adtixt's Principal Accounting Officer since March 2021.

Effective December 31, 2021, Lauren Chung and Laura Anthony both resigned from the Aditxt Board.

On January 28, 2022, Aditxt entered into an employment agreement with Mr. Matthew Shatzkes, the Chief Legal Officer and General Counsel (the "**Shatzkes Employment Agreement**"). The term of Mr. Shatzkes' engagement under the Shatzkes Employment Agreement commenced as of the Effective Date (as defined in the Employment Agreement) and continued until January 16, 2024, unless earlier terminated in accordance with the terms of the Employment Agreement. The term of the Shatzkes Employment Agreement is automatically renewed for successive one (1) year periods until terminated by Mr. Shatzkes or Aditxt.

On July 21, 2023, Matthew Shatzkes tendered his resignation as Chief Legal Officer, General Counsel and Corporate Secretary of Aditxt.

On November 3, 2023, Namvar Kiaie notified the Aditxt Board that he intended to resign as a member of the Board and as a member of Aditxt's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee effective November 3, 2023.

On November 3, 2023, the Aditxt Board, with the recommendation of the Nominating and Corporate Governance Committee, appointed Mr. Charles Athle Nelson as a member of the Aditxt Board and as a member of the Aditxt Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, to become effective on November 3, 2023 following the resignation of Mr. Kiaie. Mr. Nelson was also appointed to serve as the Chair of Aditxt's Compensation Committee, a role previously held by Mr. Kiaie. The Board has determined that Mr. Nelson is independent in accordance with the applicable rules of the Nasdaq Stock Market LLC.

Acquisitions and Dispositions

AiPharma Global Holdings LLC

On August 25, 2021, Aditxt announced that it had signed a letter of intent to acquire a biopharmaceutical company, commercializing COVID-19 antiviral oral therapy (the "**Letter of Intent**").

As contemplated by the Letter of Intent, on August 30, 2021, Aditxt entered into a secured credit agreement dated August 27, 2021 (the "**Credit Agreement**") with the target company and certain affiliated entities, pursuant to which Aditxt made a secured loan to the target company in the principal amount of $6.5 million (the "**Loan**"). The Loan was funded on August 31, 2021. The Loan bears interest at a rate of 8% per annum and matures on November 30, 2021 or upon such earlier date as the Letter of Intent or exclusivity period is terminated in accordance with the terms thereof. The Loan is secured by certain accounts receivable and other assets of the target company and certain of its affiliates.

On October 4, 2021, Aditxt entered into a transaction agreement (the "**Transaction Agreement**") with AiPharma Global Holdings LLC ("**AiPharma Global**"), pursuant to which Aditxt agreed to reach a definitive agreement later than November 30, 2021 to acquire a subsidiary ("**AiPharma Subsidiary**") of AiPharma Global, which is to own all of the assets of AiPharma Global following a restructuring of AiPharma Global, subject to certain termination rights. On October 5, 2021, Aditxt issued a press release announcing signing of the Transaction Agreement and the identity of the target company as AiPharma Global. AiPharma Global is a biopharmaceutical company that holds directly, or through its affiliates worldwide (excluding Japan), exclusive rights to certain oral antiviral drugs that target COVID-19.

Pursuant to the Transaction Agreement, Aditxt also agreed to permit AiPharma Global to borrow an additional principal amount of $8.5 million under the Credit Agreement. Aditxt and AiPharma Global agreed to amend the Credit Agreement and related documents as promptly as practicable and to extend the maturity date under the Credit Agreement to November 30, 2021.

On December 1, 2021, Aditxt entered into an amendment to the Transaction Agreement (the "**Transaction Agreement Amendment**") with AiPharma Global, pursuant to which Aditxt agreed to: (i) extend the outside date by which the parties shall reach a definitive agreement from November 30, 2021 to December 16, 2021 (the "**Outside Date**"), (ii) to remove the Termination Fee (as defined in the Transaction Agreement) and (iii) to required Aditxt to make an aggregate cash payment of $500,000, in one or more payments, upon the initial closing or secondary closing under the Transaction Agreement. In connection with the Transaction Agreement Amendment, Aditxt entered into an amendment to the Credit Agreement with AiPharma Global, pursuant to which Aditxt agreed to: (i) reduce the borrowing capacity under the Credit Agreement from $8.5 million to $8 million, and (ii) extend the maturity date of the loan to December 16, 2021.

On December 7, 2021, Aditxt entered into a second amendment to the Transaction Agreement with AiPharma Global, pursuant to which Aditxt agreed to: (i) eliminate the covenant that prohibited the parties from soliciting, encouraging, negotiating, accepting or discussing any alternative transactions with other parties, (ii) eliminate the covenant prohibiting either party from issuing any equity interests and to allow for the issuance of equity interests following consultation with the other party, and (iii) eliminate AiPharma Global's rights to terminate the Transaction Agreement as a result of any equity issuances that were previously prohibited, including any such issuances that would result in the aggregate amount of shares to be issued to AiPharma Global, at the initial closing and secondary closing under the Transaction Agreement, to fall below 50.1%.

On December 17, 2021, Aditxt entered into a third amendment to the Transaction Agreement (the "**Third Transaction Agreement Amendment**") with AiPharma Global, pursuant to which the Outside Date was extended to December 22, 2021. In connection with the Third Transaction Agreement Amendment, on December 17, 2021, Aditxt entered into an amendment to the Credit Agreement with AiPharma Global pursuant to which the maturity date of the loan to AiPharma was extended to December 22, 2021.

On December 23, 2021, Aditxt entered into a fourth amendment to the Transaction Agreement (the "**Fourth Transaction Agreement Amendment**") with AiPharma Global, pursuant to which the Outside Date was extended to December 31, 2021. In connection with the Fourth Transaction Agreement Amendment, on December 23, 2021, Aditxt entered into an amendment to the Credit Agreement with AiPharma Global pursuant to which the maturity date of the loan to AiPharma was extended to December 31, 2021.

On December 28, 2021, Aditxt and AiPharma Group Ltd. (the AiPharma Subsidiary) entered into a Share Exchange Agreement ("**Share Exchange Agreement**") pursuant to which, among other things, Aditxt will: (i) acquire 9.5% of the issued and outstanding equity interests in AiPharma in exchange for the issuance of 120,404 Aditxt Shares and a cash payment of $250,000, at an initial closing (the "**Initial Closing**") upon the satisfaction or waiver of certain conditions to closing; and (ii) acquire the remaining 90.5% of the issued and outstanding equity interests in AiPharma Subsidiary in exchange for the issuance of 998,199 Aditxt Shares and a cash payment of $250,000 at a secondary closing upon the satisfaction or waiver of certain conditions to closing.

In connection with the Share Exchange Agreement, on December 28, 2021, Aditxt entered into an amendment to the Credit Agreement with AiPharma Global pursuant to which the maturity date of the loan to AiPharma Global was extended to the earlier to occur of January 31, 2022, or the termination of the Share Exchange Agreement.

On February 14, 2022, Aditxt entered into a Forbearance Agreement and Seventh Amendment to Secured Credit Agreement (the "**Forbearance Agreement**") with AiPharma Global. As of January 31, 2022, Aditxt's $14.5 million loan to AiPharma Global became fully due and payable under the Credit Agreement dated as of August 27, 2021, as amended to date. Pursuant to the Forbearance Agreement, Aditxt agreed to forbear from exercising its rights and remedies against AiPharma Global and certain affiliated guarantor parties until the earlier of (i) June 30, 2022 or (ii) the date of occurrence of any event of default under the Forbearance Agreement (the "**Forbearance Period**"). Given that the parties continue to conduct due diligence in connection with the Share Exchange Agreement, Aditxt and AiPharma Global also agreed that should the initial closing occur under the Share Exchange Agreement, the existing event of default will be waived.

On April 4, 2022, Aditxt and Cellvera Global Holdings LLC (formerly, AiPharma Global) ("**Cellvera**") entered into a Forbearance Agreement and Eighth Amendment to Secured Credit Agreement (the "**April Forbearance Agreement**") pursuant to which among other things (i) Aditxt agreed to extend the Forbearance Period until the earlier of March 31, 2023 or the date of occurrence of any event of default under the April Forbearance Agreement, (ii) Cellvera shall be permitted to factor of certain receivables by Cellvera, and (iii) certain conforming changes were made relating to the Revenue Sharing Agreement (as defined below). In connection with the Forbearance Agreement, Aditxt entered into a series of security agreements with Cellvera and certain affiliated entities pursuant to which Cellvera enhanced Aditxt's security interest in connection with the Credit Agreement. In addition, and as a condition to entering into the April Forbearance Agreement, Aditxt required that Cellvera enter into a Revenue Sharing Agreement (the "**Revenue Sharing Agreement**"), pursuant to which, among other things, Cellvera agreed to pay Aditxt a certain portion of its revenues up to the aggregate amount of $30 million.

On April 4, 2022, concurrently with the execution of the April Forbearance Agreement and the Revenue Sharing Agreement, Aditxt and AiPharma Subsidiary entered into an amendment to the Share Exchange Agreement which amended the Share Exchange Agreement to, among other things: (i) modify the financial statements required to be delivered by AiPharma Subsidiary at the Initial Closing to include the unaudited financial statements for the three months ended March 31, 2022 and 2021, and (ii) permit Aditxt to amend its Certificate of Incorporation without the consent of AiPharma Subsidiary in order to effect a reverse stock split of the Aditxt Shares, if necessary, in order to maintain its listing on the Nasdaq Capital Market.

On June 10, 2022, Aditxt and AiPharma Subsidiary entered into a second amendment to the Share Exchange Agreement which amended the Share Exchange Agreement to remove Section 5.2 of the Share Exchange Agreement, which contained certain covenants of Aditxt to obtain consent from AiPharma Subsidiary prior to taking certain actions, including but not limited to: (i) amending, modifying or supplementing the Aditxt's organizational documents, (ii) taking any action in violation of Aditxt's organizational documents, (iii) proposing or adopting a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization, (iv) issuing any shares or common stock or any options, warrants, or rights to acquire any shares of common stock, subject to certain permitted exceptions, (v) any acquisition, merger or joint venture transactions, (vi) incurring any indebtedness, (vii) settling of litigation, or (viii) making any material changes to accounting principles or practices.

On April 18, 2023, Aditxt entered into an Asset Purchase Agreement (the "**Asset Purchase Agreement**") with Cellvera, Cellvera Holdings Ltd. ("**BVI Holdco**"), Cellvera, Ltd. ("**Cellvera Ltd.**"), Cellvera Development LLC ("**Cellvera Development**" and together with Cellvera, BVI Holdco, Cellvera Ltd. and Cellvera Development (the "**Sellers**"), AiPharma Subsidiary ("**Seller Owner**" and collectively with the Sellers, "**Cellvera**"), and the legal representative of Cellvera, pursuant to which, Aditxt will purchase Cellvera's 50% ownership interest in G Response Aid FZE ("**GRA**"), certain other intellectual property and all goodwill related thereto (the "**Acquired Assets**"). to the Asset Purchase Agreement, the consideration for the Acquired Assets consists of (A) $24.5 million, comprised of: (i) the forgiveness of

Aditxt's $14.5 million loan to Cellvera, and (ii) approximately $10 million in cash, and (B) future revenue sharing payments for a term of seven years. GRA holds an exclusive, worldwide license for the antiviral medication, Avigan® 200mg, excluding Japan, China and Russia. The other 50% interest in GRA is held by Agility, Inc. Additionally, upon the closing, the Share Exchange Agreement previously entered into as of December 28, 2021, between Cellvera (together with other affiliates and subsidiaries) and Aditxt, and all other related agreements will be terminated.

December 2021 Letter of Intent

On December 13, 2021, Aditxt announced that it had entered into a non-binding letter of intent (the "**December 2021 Letter of Intent**") to acquire a rapid diagnostic technology development company (the "**Target Company**"). As contemplated by the December 2021 Letter of Intent, Aditxt entered into a secured credit agreement dated December 8, 2021 and signed on December 10, 2021 with the Target Company, pursuant to which Aditxt made a secured loan to the Target Company in the principal amount of $500,000 and agreed to make additional secured loans, as requested by the Target Company and approved by Aditxt, in an amount not to exceed $4.5 million (the "**2021 Loans**"). The 2021 Loans bear interest at a rate of 8% per annum and mature on December 8, 2022, provided, that the December 2021 Letter of Intent currently contemplates that the 2021 Loans will be forgivable upon the closing of the acquisition contemplated by the December 2021 Letter of Intent.

Evofem Acquisition.

On December 11, 2023, Aditxt entered into an Agreement and Plan of Merger (the "**Merger Agreement**") with Merger Sub and Evofem Biosciences, Inc., a Delaware corporation ("**Evofem**"), pursuant to which, Merger Sub will be merged with Evofem (the "**Merger**"), with Evofem surviving the Merger as a wholly-owned subsidiary of Aditxt. Evofem is a commercial-stage women's health company with a strong focus on innovation. Evofem is the creator of an FDA-approved hormone-fee contraceptive gel, Phexxi®.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "**Effective Time**"), (i) all issued and outstanding shares of common stock, par value $0.0001 per share of Evofem ("**Evofem Common Stock**"), other than any shares of Evofem Common Stock held by Aditxt or Merger Sub immediately prior to the Effective Time, would be converted into the right to receive an aggregate of 15,250 Aditxt Shares; and (ii) all issued and outstanding shares of Series E-1 Preferred Stock, par value $0.0001 of Evofem (the "**Evofem Unconverted Preferred Stock**"), other than any shares of Evofem Unconverted Preferred Stock held by Aditxt and Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 2,327 shares of Series A-1 Convertible Preferred Stock of Aditxt ("**Series A-1 Preferred Shares**"). Further, pursuant to the Merger Agreement, Aditxt agreed to make a loan to Evofem of no less than $3 million prior to January 31, 2024 (the "**Parent Loan**").

In connection with the Merger Agreement, Aditxt, Evofem and the holders (the "**Note Holders**") of certain senior indebtedness (the "**Evofem Notes**") entered into an Assignment Agreement dated December 11, 2023 (the "**Assignment Agreement**"), pursuant to which the Note Holders assigned the Evofem Notes to Aditxt in consideration for the issuance by Aditxt of (i) an aggregate principal amount of $5 million in secured notes of Aditxt due on January 2, 2024 (the "**January 2024 Secured Notes**"), (ii) an aggregate principal amount of $8 million in secured notes of Aditxt due on September 30, 2024 (the "**September 2024 Secured Notes**"), (iii) an aggregate principal amount of $5 million in ten-year unsecured notes (the "**Unsecured Notes**"), and (iv) payment of $154,480 in respect of net sales of Phexxi in respect of the calendar quarter ended September 30, 2023, which amount was due and payable on December 14, 2023. The January 2024 Secured Notes are secured by certain intellectual property assets of Aditxt and its subsidiaries pursuant to an Intellectual Property Security Agreement entered into in connection with the

Assignment Agreement. The September 2024 Secured Notes are secured by the Evofem Notes and certain associated security documents pursuant to a Security Agreement entered into in connection with the Assignment Agreement.

On December 22, 2023, in connection with the Merger Agreement and the transactions contemplated thereby, Aditxt also entered into an Exchange Agreement (the "**Exchange Agreement**") with the holders of an aggregate of 22,280 shares of Evofem Series F-1 Preferred Stock (the "**Evofem Series F-1 Preferred Stock**"), whereby the holders agreed to exchange their respective shares of Evofem Series F-1 Preferred Stock for an aggregate of 22,280 Series A-1 Preferred Shares. . On December 26, 2023, in connection with the Exchange Agreement, Aditxt entered into a Registration Rights Agreement (the "**December 2023 Registration Rights Agreement**") with the Series A-1 Holders, pursuant to which it agreed to prepare and file with the SEC covering the resale of the Aditxt Shares issuable upon conversion of the Series A-1 Preferred Shares (i) on the later of (x) the 15th calendar day after the closing date, or (y) the 2nd business day following the Stockholder Approval Date (as defined in the Exchange Agreement), with respect to the initial registration statement and (ii) on the date on which Aditxt is required to file any additional Registration Statement pursuant to the terms of the December 2023 Registration Rights Agreement with respect to any additional Registration Statements that may be required to be filed by Aditxt (the "**Filing Deadline**"). Pursuant to the December 2023 Registration Rights Agreement, Aditxt is required (i) to have the initial Registration Statement declared effective by the SEC on the earlier of (x) the 60th calendar day after the Filing Deadline (or the 90th calendar day after the Filing Deadline if subject to a full review by the SEC), and (y) the 2nd business day after the date we are notified by the SEC that such Registration Statement will not be reviewed, and (ii) with respect to any additional Registration Statements that may be required to be filed, the earlier of (x) the 60th calendar day following the date on which we were required to file such additional Registration Statement (or the 90th calendar day if subject to a full review by the SEC), and (y) the 2nd business day after the date we are notified by the SEC that such Registration Statement will not be reviewed. In the event that Aditxt fails to file the Registration Statement by the Filing Deadline, have it declared effective by the Effectiveness Deadline (as defined in the December 2023 Registration Rights Agreement), or the prospectus contained therein is not available for use or the investor is not otherwise able to sell its warrant shares pursuant to Rule 144, Aditxt will be required to pay the investor an amount equal to 2% of the stated value of such Series A-1 Holders' Series A-1 Preferred Shares on the date of such failure and on every thirty date anniversary until such failure is cured.

On January 2, 2024, Aditxt and the Note Holders entered into amendments to the January 2024 Secured Notes, pursuant to which the maturity date of the January 2024 Notes was extended to January 5, 2024.

On January 5, 2024, Aditxt and the Note Holders entered into amendments to the January 2024 Secured Notes and amendments to the September 2024 Secured Notes, pursuant to which Aditxt and the Noted Holders agreed that in consideration of a principal payment in the aggregate amount of $1 million on the January 2024 Secured Notes and in increase in the aggregate principal balance of $250,000 on the September 2024 Secured Notes, that the maturity date of the January 2024 Secured Notes would be further extended to January 31, 2024.

On January 8, 2024, Aditxt, Merger Sub and Evofem entered into a first amendment to the Merger Agreement (the "**First Evofem Amendment**") pursuant to which the parties agreed to extend the date by which the joint proxy statement (the "**Joint Proxy Statement**") would be filed with the SEC to February 14, 2024.

On January 30, 2024, Aditxt, Merger Sub and Evofem entered into a second amendment to the Merger Agreement (the "**Second Evofem Amendment**") to amend (i) the date of the Parent Loan to Evofem to be February 29, 2024, (ii) the date by which Evofem may terminate the Merger Agreement for failure to

receive the Parent Loan to February 29, 2024, and (iii) to change the filing date for the Joint Proxy Statement to April 1, 2024.

On January 31, 2024, Aditxt and the Note Holders entered into amendments to the January 2024 Secured Notes, pursuant to which the maturity date of the January 2024 Notes was extended to February 29, 2024. In addition, on January 31, 2024, Aditxt and the Note Holders entered into amendments to the September 2024 Secured Notes, pursuant to which Aditxt and the Note Holders agreed that in consideration of a principal payment in the aggregate amount of $1.25 million on the January 2024 Secured Notes (the "**Additional Consideration Payment**") and an increase in the aggregate principal balance of $300,000 on the September 2024 Secured Notes, Aditxt was required to make the Additional Consideration Payment no later than February 9, 2024. As a result of Aditxt's failure to make the Additional Consideration Payment by February 9, 2024, the January 2024 Secured Notes and the September 2024 Secured Notes were in default and the entire principal balances of the January 2024 Secured Notes and the September 2024 Secured Notes, without demand or notice, were due and payable.

On February 26, 2024, Aditxt and the Note Holders entered into an assignment agreement (the "**February Assignment Agreement**"), pursuant to which Aditxt assigned all remaining amounts due under the January 2024 Secured Notes, the September 2024 Secured Notes and the Unsecured Notes (collectively, the "**Evofem Holder Notes**") back to the Note Holders. In connection with the February Assignment Agreement, Aditxt and the Note Holders entered into a payoff letter (the "**Payoff Letter**") and amendments to the January 2024 Secured Notes, pursuant to which the maturity date of the January 2024 Secured Notes was extended to March 31, 2024 and the outstanding balance under the Evofem Holder Notes, after giving effect to the transactions contemplated by the February Assignment Agreement as applied pursuant to the Payoff Letter, was adjusted to $250,000. On April 15, 2024, Aditxt repaid the outstanding balance of $250,000.

On February 29, 2024, Aditxt, Merger Sub and Evofem entered into a third amendment to the Merger Agreement in order to (i) make certain conforming changes to the Merger Agreement regarding the Evofem Notes, (ii) extend the date by which Aditxt and Evofem would be required to file the Joint Proxy Statement to April 30, 2024, and (iii) remove the requirement that Aditxt make the Parent Loan by February 29, 2024 and replace it with the requirement that Aditxt make an equity investment into Evofem consisting of (a) a purchase of 2,000 shares of Evofem Series F-1 Preferred Stock for an aggregate purchase price of $2.0 million on or prior to April 1, 2024 (the "**Initial Parent Equity Investment**"), and (b) a purchase of 1,500 shares of Evofem Series F-1 Preferred Stock for an aggregate purchase price of $1.5 million on or prior to April 30, 2024.

On April 26, 2024, Aditxt received notice from Evofem that Evofem was exercising its right to terminate the Merger Agreement effective immediately as a result of Aditxt's failure to provide the Initial Parent Equity Investment by April 1, 2024.

On May 2, 2024, Aditxt, Merger Sub and Evofem entered into the Reinstatement and Fourth Amendment to the Merger Agreement (the "**Fourth Evofem Amendment**") in order to waive and amend, among other things (i) reinstate the Merger Agreement, as amended by the Fourth Amendment, as if never terminated, (ii) reflect Aditxt's payment to Evofem in the amount of $1,000,000 (the "**Initial Payment**"), (iii) Section 6.10 of the Merger Agreement such that the definition of "**Parent Equity Investment**" is restated in its entirety and providing that, after the Initial Payment, and upon closing of each subsequent capital raise by Aditxt (each, a "**Parent Subsequent Capital Raise**"), Aditxt shall purchase that number of Evofem Series F-1 Preferred Stock equal to 40% of the gross proceeds of such Parent Subsequent Capital Raise divided by 1,0000, up to a maximum aggregate amount of $2,500,000 or 2,500 shares of Evofem Series F-1 Preferred Stock, with a maximum of $1,500,000 being raised prior to June 17, 2024 and $1,000,000 prior to July 1, 2024 (the "**Parent Capital Raise Amount**"), (iv) extend the date after which either party may

terminate from May 8, 2024 to July 15, 2024, and (v) restate Section 8.1(f) of the Merger Agreement in its entirety, granting Evofem the right to terminate the Merger Agreement if (a) the full $1,000,000 Initial Payment required by the Fourth Evofem Amendment has not been paid in full by May 3, 2024, (b) $1,500,000 of the Parent Capital Raise Amount has not been paid to Evofem by June 17, 2024, (c) $1,000,000 of the Parent Capital Raise Amount has not been paid to Evofem by July 1, 2024, or (d) Aditxt does not pay any portion of the Parent Equity Investment within five calendar days after each closing of a Parent Subsequent Capital Raise.

On July 12, 2024, Aditxt, Merger Sub and Evofem entered into an amended and restated merger agreement (the "**A&R Merger Agreement**"), pursuant to which (i) all issued and outstanding Evofem Common Stock, other than any shares of Evofem Common Stock either held by Aditxt or Merger Sub immediately prior to the Effective Time or which are Dissenting Shares (as hereinafter defined), will be converted into the right to receive an aggregate of $1,800,000; and (ii) each issued and outstanding share of Evofem Unconverted Preferred Stock, other than any shares of Evofem Unconverted Preferred Stock either held by Aditext or Merger Sub immediately prior to the Effective Time or which are Dissenting Shares, will be converted into the right to receive one (1) share of Series A-2 Preferred Stock, par value $0.001 of Aditxt ("**Series A-2 Preferred Shares**"), having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-2 Preferred Shares.

Any Evofem capital stock outstanding immediately prior to the Effective Time and held by an Evofem shareholder who has not voted in favor of or consented to the adoption of the A&R Merger Agreement and who is entitled to demand and has properly demanded appraisal for such Evofem Common Stock in accordance with the Delaware General Corporation Law ("**DGCL**"), and who, as of the Effective Time, has not effectively withdrawn or lost such appraisal rights (such Evofem capital stock, "**Dissenting Shares**") shall not be converted into or be exchangeable for the right to receive a portion of the Merger consideration and, instead, shall be entitled to only those rights as set forth in the DGCL. If, after the Effective Time, any such holder fails to perfect or withdraws or loses his, her or its right to appraisal under the DGCL, with respect to any Dissenting Shares, upon surrender of the certificate(s) representing such Dissenting Shares, such Dissenting Shares shall thereupon be treated as if they had been converted as of the Effective Time into the right to receive the portion of the Merger consideration, if any, to which such Evofem capital stock is entitled pursuant to the A&R Merger Agreement, without interest.

As a closing condition for Aditxt, there shall be no more than 4,141,434 Dissenting Shares that are Evofem Common Stock or 98 Dissenting Shares that are Evofem Preferred Stock.

The Joint Proxy Statement was eliminated in the A&R Merger Agreement, and instead Evofem will be filing a proxy statement with respect to its meeting of stockholders. In addition, the Parent Equity Investment was revised such that, on or prior to: (a) July 12, 2024 (the "**Initial Parent Equity Investment Date**"), Aditxt shall purchase 500 shares of Evofem Series F-1 Preferred Stock for an aggregate purchase price of $500,000 (the "**Initial Parent Equity Investment**"), which has been completed as of the date of the Circular, (b) August 9, 2024 (the "**Second Parent Equity Investment Date**"), Aditxt shall purchase an additional 500 shares of Evofem Series F-1 Preferred Stock for an additional aggregate purchase price of $500,000 (the "**Second Parent Equity Investment**"), which has been completed as of the date of the Circular, (c) the earlier of August 30, 2024 or five (5) business days of the closing of a public offering by Aditxt resulting in aggregate net proceeds to Aditxt of no less than $20,000,000, (such earlier date the "**Third Parent Equity Investment Date**"), Aditxt shall purchase an additional 2,000 shares of Evofem Series F-1 Preferred Stock for an additional aggregate purchase price of $2,000,000 (the "**Third Parent Equity Investment**"), and (d) on or prior to September 30, 2024, (the "**Fourth Parent Equity Investment Date**"), Aditxt shall purchase an additional 1,000 shares of Evofem Series F-1 Preferred Stock for an additional aggregate purchase price of $1,000,000 (the "**Fourth Parent Equity Investment**").

The closing is subject to the satisfaction or waiver of a number of conditions including, but not limited to: (i) approval by the Evofem shareholders of the transactions contemplated by the A&R Merger Agreement; (ii) the entry into a voting agreement by Aditxt and certain members of Evofem management; (iii) all preferred stock of Evofem other than the Evofem Unconverted Preferred Stock shall have been converted to Evofem Common Stock; (iv) Evofem shall have received agreements (the "**Evofem Warrant Holder Agreements**") from all holders of Evofem warrants which provide: (a) waivers with respect to any fundamental transaction, change in control or other similar rights that such warrant holder may have under any such Evofem warrants, and (b) an agreement to such Evofem warrants to exchange such warrants for not more than an aggregate (for all holders of Evofem warrants) of 930.336 Preferred Shares; (v) Evofem shall have cashed out any other holder of Evofem warrants who has not provided an Evofem Warrant Holder Agreement; (vi) Evofem shall have obtained waivers from the holders of the convertible notes of Evofem (the "**Evofem Convertible Notes**") with respect to any fundamental transaction rights that such holder may have under the Evofem Convertible Notes, including any right to vote, consent, or otherwise approve or veto any of the transactions contemplated under the A&R Merger Agreement; (vii) Aditxt shall have received sufficient financing to satisfy its payment obligations under the A&R Merger Agreement; (viii) the requisite stockholder approval shall have been obtained by Aditxt at a special meeting of stockholders to approve the Parent Stock Issuance (as defined in the A&R Merger Agreement) pursuant to the requirements of Nasdaq; (ix) Aditxt shall have obtained agreements from the holders of Evofem Convertible Notes and purchase rights they hold to exchange such Evofem Convertible Notes and purchase rights for not more than an aggregate (for all holders of Evofem Convertible Notes) of 88,161 Preferred Shares; (x) Aditxt shall have received waivers form the holders of certain of Aditxt's securities which contain prohibitions on variable rate transactions; (xi) Aditxt, Merger Sub and Evofem shall work together to determine the tax treatment of the Merger and the other transactions contemplated by the A&R Merger Agreement; and (xii) Aditxt shall be in compliance with the stockholders' equity requirement in Nasdaq Listing Rule 5550(b)(1) and shall meet all other applicable criteria for continued listing.

The A&R Merger Agreement may be terminated at any time prior to the consummation of the closing by mutual written consent of Aditxt and Evofem. The A&R Merger Agreement may also be terminated by Aditxt or Evofem if (i) the Evofem Acquisition shall not have been consummated on or before 5:00 p.m. Eastern Time on September 30, 2024; (ii) if any judgment, law or order prohibiting the Merger or the transactions contemplated in connection therewith has become final and non-appealable; (iii) the required vote of Evofem shareholders was not obtained; or (iv) in the event of any Terminable Breach (as defined in the A&R Merger Agreement). Aditxt may also terminate the A&R Merger Agreement if (i) prior to approval by the required vote of Evofem's shareholders if the Evofem board of directors shall have effected a Company Change in Recommendation (as defined in the A&R Merger Agreement); or (ii) in the event that Aditxt determines, in its reasonable discretion, that the Evofem Acquisition could result in a material adverse amount of cancellation of indebtedness income to Aditxt. Evofem may terminate the A&R Merger Agreement if (i) at any time there has been a Company Change of Recommendation; provided that Evofem has provided Aditxt with 10 calendar days' prior written notice thereof and has negotiated in good faith with Aditxt to provide a competing offer; (ii) the Aditxt Shares are no longer listed for trading on Nasdaq; or (iii) if any of: (w) the Initial Parent Equity Investment has not been made by the Initial Parent Equity Investment Date, (x) the Second Parent Equity Investment has not been made by the Second Parent Equity Investment Date, (y) the Third Parent Equity Investment has not been made by the Third Parent Equity Investment Date or (z) the Fourth Parent Equity Investment has not been made by the Fourth Parent Equity Investment Date.

On August 16, 2024, Aditxt, Merger Sub and Evofem entered into Amendment No. 1 to the A&R Merger Agreement (the "**A&R Amendment No. 1**"), pursuant to which the date by which Aditxt is to make the Third Parent Equity Investment was amended to the earlier of September 6, 2024 or five (5) business days of the closing of a public offering by Aditxt resulting in aggregate net proceeds to Aditxt of no less than $20,000,000.

On September 6, 2024, Aditxt, Merger Sub and Evofem entered into Amendment No. 2 to the A&R Merger Agreement (the "**A&R Amendment No. 2**"), pursuant to which the date by which Aditxt shall make the Third Parent Equity Investment was amended from September 6, 2024 to September 30, 2024 and adjust the amount of such investment from $2 million to $1.5 million, and to extend the date by which Aditxt shall make the Fourth Parent Equity Investment was amended from September 30, 2024 to October 31, 2024 and adjust the amount of such investment from $1 million to $1.5 million.

On October 2, 2024, Aditxt, Merger Sub and Evofem entered into Amendment No. 3 to the A&R Merger Agreement (the "**A&R Amendment No. 3**"), to adjust the amount of the Third Parent Equity Investment to require Aditxt to purchase 720 shares of Evofem Series F-1 Preferred Stock at an aggregate price of $720,000. Additionally, the Fourth Parent Equity Investment was adjusted to require Aditxt to purchase 2,280 shares of Evofem Series F-1 Preferred Stock at an aggregate price of $2.280 million on or prior to October 31, 2024. The Third Parent Equity Investment was completed on October 2, 2024.

Aditxt expects the Evofem Acquisition will be completed on or prior to November 29, 2024.

General Development of the Business

On May 24, 2021, Aditxt increased the number of authorized Aditxt Shares, par value $0.001 per share, from 27,000,000 to 100,000,000 by filing a Certificate of Amendment to its Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

Effective July 6, 2021, Aditxt changed its corporate name from "Aditx Therapeutics, Inc." to "Aditxt, Inc." The name change was effected following approval by the Aditxt Board through the filing of a Certificate of Amendment to Aditxt's Amended and Restated Certificate of Incorporation. The name change did not affect the rights of Aditxt's security holders, creditors, customers or suppliers, and the ticker symbol of the Aditxt Shares on The Nasdaq Capital Market reamined "ADTX."

On July 8, 2022, the Aditxt Board approved an amendment to the amended and restated bylaws ("**Amendment No. 1 to the Amended and Restated Bylaws**"), effective as of July 9, 2022. Amendment No. 1 to the Amended and Restated Bylaws amends and restates Article II, Section 2.8 of Aditxt's existing amended and restated by-laws in its entirety to lower the number of holders of the shares entitled to vote at a meeting of stockholders constituting a quorum, in person or by proxy, from a majority to one-third.

On September 13, 2022, Aditxt effectuated a 1 for 50 reverse stock split. The Aditxt Shares began trading on a split-adjusted basis effective on the Nasdaq Stock Market on September 14, 2022. There was no change to the number of authorized Adtixt Shares.

On July 28, 2023, Aditxt entered into a securities purchase agreement with an accredited investor (the "**Secured Noteholder**") pursuant to which Aditxt sold a secured promissory note in the principal amount of $2,625,000 (the "**July 2023 Secured Note**"). On December 29, 2023, Aditxt entered into an exchange agreement (the "**Note Exchange Agreement**") with the Secured Noteholder, pursuant to which the Secured Noteholder agreed, subject to the terms and conditions set forth therein, to exchange the July 2023 Secured Note, including all accrued but unpaid interest thereon, for an aggregate of 2,625 shares of a new series of convertible preferred stock of the Company, designated as Series B-2 Convertible Preferred Shares, $0.001 par value ("**Series B-2 Preferred Shares**").

On August 17, 2023, Aditxt effectuated a 1 for 40 reverse stock split. The Aditxt Shares began trading on a split-adjusted basis effective on the Nasdaq Stock Market on August 18, 2023. There was no change to the number of authorized Adtixt Shares.

On April 10, 2024, Sixth Borough Capital Fund, LP ("**Sixth Borough**") loaned Aditxt $230,000. The loan was evidenced by an unsecured promissory note (the "**Sixth Borough April Note**"). Pursuant to the terms of the Sixth Borough April Note, the loan accrued interest at the prime rate of 8.5% per annum and became due on the earlier of April 19, 2024 or an event of default, as defined therein. On May 9, 2024, Sixth Borough loaned an additional $20,000 to Aditxt. The loan was evidenced by an unsecured promissory note (the "**Sixth Borough May Note**"). The Sixth Borough May Note accrued interest at a rate of 15% per annum and became due on the earlier of June 9, 2024 or an event of default, as defined therein. Aditxt failed to repay the balance on June 9, 2024, and as such, was in default on the Sixth Borough May Note. On June 20, 2024, Sixth Borough loaned an additional $50,000 to Aditxt and Aditxt issued a new note (the "**Sixth Borough June Note**") to Sixth Borough in the principal amount of $116,806, which includes an original issue discount of 10%. The Sixth Borough June Note is subordinate and junior, in all respects, to those certain senior notes in the aggregate principal amount of $986,380 due on August 22, 2024 issued by Aditxt on May 22, 2024 (the "**May 2024 Senior Notes**"). The Sixth Borough June Note bears interest at a rate of 8% per annum and is due on the earlier of (i) November 21, 2024; or (ii) at or before the final closing of the next series of public or private financings, totaling $750,000 or more in the aggregate by Aditxt, subject to the prior payment in full of all amounts then owing on the May 2024 Senior Notes; or (iii) an Event of Default (as defined in the New Note).

On May 2, 2024, Aditxt entered into a purchase agreement (the "**Seven Knots Purchase Agreement**") with Seven Knots, LLC ("**Seven Knots**"), pursuant to which Seven Knots agreed to purchase from Aditxt, from time to time, in the sole discretion of Aditxt, from and after the date of the S-3 Registration Statement filed on September 6, 2024 (the "**S-3**") and until the termination of the Seven Knots Purchase Agreement in accordance with the terms thereof, Aditxt Shares having a total maximum aggregate purchase price of $150,000,000, upon the terms and subject to the conditions and limitations set forth in the Seven Knots Purchase Agreement. In connection with the Seven Knots Purchase Agreement, Aditxt also entered into a registration rights agreement with Seven Knots (the "**Seven Knots Registration Rights Agreement**"), pursuant to which Aditxt agreed to file a registration statement with the SEC covering the resale of the Aditxt Shares issued to Seven Knots pursuant to the Seven Knots Purchase Agreement by the later of (i) the 30th calendar day following the closing date, and (ii) the second business day following the date on which Aditxt obtains shareholder approval.

On May 2, 2024, Aditxt entered into a securities purchase agreement (the "**May 2024 Securities Purchase Agreement No. 1**") with certain accredited investors, pursuant to which Aditxt agreed to issue and sell to such investors in a private placement: (i) an aggregate of 4,186 shares of Series C-1 Convertible Preferred Stock of Aditxt (the "**Series C-1 Preferred Shares**"); (ii) an aggregate of 4,186 shares of Series D-1 Preferred Stock of Aditxt (the "**Series D-1 Preferred Shares**"); and (iii) warrants to purchase up to an aggregate of 40,327 Aditxt Shares at an initial exercise price of $98.80 per share. The warrants are exercisable commencing six months following the initial issuance date and expire five years from the date of issuance.

On May 2, 2024, in connection with the May 2024 Securities Purchase Agreement No. 1, Aditxt entered into a registration rights agreement with the investors (the "**May 2024 Registration Rights Agreement**"), pursuant to which Aditxt agreed to prepare and file with the SEC a registration statement on Form S-3 covering the resale of the Aditxt Shares issuable upon conversion of the Series C-1 Preferred Shares and upon exercise of the warrants: (i) on the later of (x) the 30th calendar day after the closing date, or (y) the 2nd business day following the Stockholder Approval Date (as defined in the May 2024 Securities Purchase Agreement No. 1), with respect to the initial registration statement; and (ii) on the date on which Aditxt is required to file any additional registration statement pursuant to the terms of the May 2024 Registration Rights Agreement with respect to any additional registration statements that may be required to be filed by Aditxt (the "**Filing Deadline**"). Pursuant to the May 2024 Registration Rights Agreement, Aditxt is required to have the initial registration statement declared effective by the SEC on the earlier of: (x) the 60th calendar

day after the Filing Deadline (or the 90th calendar day after the Filing Deadline if subject to a full review by the SEC); and (y) the 2nd business day after the date Aditxt is notified by the SEC that such registration statement will not be reviewed. In the event that Aditxt fails to file the registration statement by the Filing Deadline, have it declared effective by the Effectiveness Deadline (as defined in the May 2024 Securities Purchase Agreement No. 1), or the prospectus contained therein is not available for use or the investor is not otherwise able to sell its Aditxt Shares issuable upon exercise of its warrants pursuant to Rule 144, Aditxt shall be required to pay the investors an amount equal to 2% of such investor's Purchase Price (as defined in the May 2024 Securities Purchase Agreement No. 1) on the date of such failure and on every thirty date anniversary until such failure is cured.

Aditxt is party to a lease agreement dated as of May 4, 2021 (the "**Lease Agreement**") by and between LS Biotech Eight, LLC (the "**Landlord**") and Aditxt. On May 10, 2024, Aditxt received written notice (the "**Lease Default Notice**") from the Landlord that Aditxt was in violation of its obligation to (i) pay Base Rent and Additional Rent (as such terms are defined in the Lease Agreement) in the amount of $431,182.32 in the aggregate, together with administrative charges and interest, as well as (ii) replenish the Security Deposit (as defined in the Lease Agreement) in the amount of $159,375.00, all as required under the Lease Agreement. Pursuant to the Lease Default Notice, the Landlord has demanded that a payment of $590,557.31 plus administrative charges and interest, which shall accrue at the Default Rate (as defined in the Lease Agreement) be made no later than May 17, 2024. On July 18, 2024 Aditxt made a payment of $86,279 against the outstanding balance. Aditxt and the Landlord are currently in talks to agree upon a payment plan.

On May 20, 2024, Aditxt issued and sold a senior unsecured note (the "**Senior Note**") to an accredited investor in the original principal amount of $93,918.75 for a purchase price of $75,135.00, reflecting an original issue discount of $18,783.75. Unless earlier redeemed, the Senior Note matured on August 18, 2024, subject to extension at the option of the holder in certain circumstances as provided in the Senior Note. The Senior Note bore interest at a rate of 8.5% per annum, which compounded each calendar month. The Senior Note contains certain standard events of default, as defined in the Senior Note (each, an "**Event of Default**"). Upon the occurrence of an Event of Default, the interest rate shall be increased to 18% per annum and the holder may require Aditxt to redeem the Senior Note, subject to an additional 5% redemption premium. In addition, if Aditxt sells any Aditxt Shares pursuant to any equity line of credit, Aditxt is required to redeem in cash a portion of the Senior Note equal to the lesser of: (i) the outstanding amount of the Senior Note; and (ii) 80% of 30% of such equity line proceeds, at a redemption price calculated based upon $1.20 for each $1.00 of outstanding amount of the Senior Note. The Senior Note also contains an exchange right, which permits the holder, in its discretion, to exchange the Senior Note, in whole or in part, for securities to be sold by Aditxt in a subsequent placement, subject to certain exceptions and an additional 20% premium of the amount of the Senior Note exchanged.

On May 24, 2024, Aditxt entered into a securities purchase agreement (the "**May 2024 Securities Purchase Agreement No. 2**") with certain accredited investors pursuant to which Aditxt issued and sold the May 2024 Senior Notes, which included the exchange of the Senior Note issued on May 20, 2024. Aditxt received cash proceeds of $775,000 from the sale of the May 2024 Senior Notes. Upon an Event of Default (as defined in the May 2024 Senior Notes), the May 2024 Senior Notes will bear interest at a rate of 14% per annum and the holder shall have the right to require Aditxt to redeem the May 2024 Senior Notes at a redemption premium of 125%. In addition, while the May 2024 Senior Notes are outstanding, Aditxt is required to utilize 100% of the proceeds from any offering of securities to redeem the May 2024 Senior Notes. Pursuant to the May 2024 Securities Purchase Agreement No. 2, Aditxt agreed to use commercially reasonable efforts, including the filing of a registration statement with the SEC for a public offering, to pursue and consummate a financing transaction within 90 days of the closing date. In connection with the issuance of the May 2024 Senior Notes, Aditxt issued an aggregate of 8,212 Aditxt Shares as a commitment fee to the investors. Pursuant to the May 2024 Securities Purchase Agreement No. 2, Aditxt also agreed to

file a registration statement with the SEC covering the resale of such Aditxt Shares as soon as practicable following notice from an investor, and to cause such registration statement to become effective within 60 days following the filing thereof.

On July 9, 2024, Aditxt entered into a securities purchase agreement (the "**July 2024 Securities Purchase Agreement**") with an accredited investor (the "**July 2024 Purchaser**") pursuant to which Aditxt issued and sold a senior note in the principal amount of $625,000 (the "**July 2024 Note**") maturing on October 7, 2024. Aditxt received cash proceeds of $500,000 from the sale of the July 2024 Note. Upon an Event of Default (as defined in the July 2024 Note), the July 2024 Note will bear interest at a rate of 14% per annum and the holder shall have the right to require us to redeem the July 2024 Note at a redemption premium of 125%. In addition, while the July 2024 Note is outstanding, Aditxt is required to utilize 100% of the proceeds from any offering of securities to redeem the July 2024 Note. Pursuant to the July 2024 Securities Purchase Agreement, Aditxt agreed to use commercially reasonable efforts, including the filing of a registration statement with the SEC for a public offering, to pursue and consummate a financing transaction within 90 days of the closing date. In connection with the issuance of the July 2024 Note, Aditxt issued the July 2024 Purchaser a warrant (the "**July 2024 Note Warrant**") to purchase up to 31,250 Aditxt Shares. Pursuant to the July 2024 Securities Purchase Agreement, Aditxt also agreed to file a registration statement with the SEC covering the resale of the Aditxt Shares issuable upon exercise of the July 2024 Note Warrant as soon as practicable following notice from an investor, and to cause such registration statement to become effective within 60 days following the filing thereof. The July 2024 Warrant is exercisable following Stockholder Approval (as defined in the July 2024 Securities Purchase Agreement) at an initial exercise price of $59.60 for a term of five years.

On July 9, 2024, Aditxt entered into an amendment to common stock purchase warrants with the holder of certain of warrants originally issued in December 2023, April 2023, September 2022, December 2021, August 2021, and September 2020 (collectively, the "**Outstanding Warrants**"), pursuant to which Aditxt and the holder agreed to amend each of the Outstanding Warrants to reduce the exercise price of the Outstanding Warrants to $59.60 per share. On July 17, 2024 the holder exercised 20,914 warrants into 20,914 Aditxt Shares.

On August 7, 2024, Aditxt entered into a securities exchange agreement (the "**August 2024 Securities Exchange Agreement**") with the holder of (i) pre-funded warrants to purchase up to 30,928 Aditxt Shares and (ii) warrants to purchase up to 61,856 Aditxt Shares at a purchase price of $194 per share, pursuant to which Aditxt agreed to exchange the pre-funded warrants and warrants for: (i) an aggregate of 6,667 Series C-1 Preferred Shares, and (ii) warrants to purchase 64,230 Aditxt Shares at an exercise price of $59.60 per share for a term of five years.

On August 7, 2024, Aditxt filed with the Secretary of State of Delaware an amendment to its Certificate of Incorporation, (the "**Charter Amendment**") to increase the number of authorized Aditxt Shares from 100,000,000 Aditxt Shares to 1,000,000,000 Aditxt Shares. The Charter Amendment was approved by Aditxt stockholders at its Annual Meeting of Stockholders held on August 7, 2024. The Charter Amendment does not reflect the Aditxt Reverse Stock Split.

On August 8, 2024, Aditxt entered into a securities purchase agreement (the "**August 2024 Securities Purchase Agreement")** with certain institutional investors, pursuant to which Aditxt sold to such investors 4,700 Aditxt Shares, pre-funded warrants (the "**Pre-Funded Warrants**") to purchase up to 23,555 Aditxt Shares, having an exercise price of $0.001 per share, at a purchase price of $1.06 per Aditxt Share and a purchase price of $1.059 per Pre-Funded Warrant (the "**August Warrant Offering**"). The August Warrant Offering closed on August 9, 2024. The gross proceeds from the August Warrant Offering were approximately $1.2 million, prior to deducting placement agent's fees and other offering expenses payable by Aditxt. Aditxt used $500,000 of the net proceeds from the August Warrant Offering to fund certain

obligations under the A&R Merger agreement with Evofem and the remainder for working capital and other general corporate purposes.

On August 14, 2024, Aditxt entered into a payment agreement (the "**Payment Agreement**") with H.C. Wainwright & Co., LLC ("**Wainwright**"), pursuant to which Aditxt agreed (i) on or prior to September 15, 2024, to pay Wainwright $162,206.96 of certain outstanding fees from the May 2024 private placement and to issue warrants to purchase 2,420 Aditxt Shares at an exercise price of $129.752 per share, commencing six months following issuance for a term of five years from the date of issuance; and (ii) on or prior to October 15, 2024, to pay the remaining $162,206 of the outstanding fees from the May 2024 private placement. In addition, pursuant to the Payment Agreement, Aditxt agreed to make one-time cash payment of $190,000 to Wainwright in satisfaction of certain obligations of Evofem to Wainwright no later than five days following the closing of the Merger with Evofem (the "**Wainwright Evofem Payment**"), provided however, that Aditxt shall not be obligated to pay the Wainwright Evofem Payment in the event that the Merger has not closed by October 15, 2024 or the Merger is terminated.

On August 28, 2024, Aditxt entered into a waiver with each of the holders of the May 2024 Senior Notes, pursuant to which effective as of August 21, 2024, each holder waived, in part, the definition of Maturity Date (as defined in the May 2024 Senior Notes), such that the August 22, 2024 shall be deemed to be replaced with September 30, 2024.

On August 28, 2024, Aditxt entered into a letter agreement (the "**Letter Agreement**") with each of the holders of the May 2024 Senior Notes, pursuant to which Aditxt agreed to apply 40% of the net proceeds from any sales of Aditxt Shares under its S-3 to make payments on the May 2024 Senior Notes in the aggregate principal amount of $986,379.68 and certain senior notes in the aggregate principal amount of $1.5 million issued on July 12, 2024 (collectively, the "**Senior Notes**"). In addition, pursuant to the Letter Agreement, commencing on the date that the Senior Notes have been repaid in full, Aditxt agreed to redeem all holders of the then outstanding Series C-1 Preferred Shares which have a stated value of $10,853,000 (ratably based on the amount of Series C-1 Preferred Shares then held by each holder) in an amount equal to, in the aggregate among all holders, 40% of the net proceeds from any sales of Aditxt Shares under the S-3.

On October 2, 2024, Aditxt effectuated a 1 for 40 reverse stock split with any fractional shares being rounded up to the next higher whole share. The Aditxt Shares began trading on a split-adjusted basis effective on the Nasdaq Stock Market on October 2, 2024. There was no change to the number of authorized Adtixt Shares (the "**Aditxt Reverse Stock Split**").

Employees, Specialized Skills and Knowledge

Aditxt has 39 full-time employees.

Aditxt operates in a highly complex field involving multiple scientific and business skills including, but not limited to, biology, medicinal chemistry, pharmacology, toxicology, clinical development, regulatory affairs, manufacturing project management and finance and business development.

Aditxt has assembled an entrepreneurial team of experts from a variety of different business, engineering, and scientific fields, and commercial backgrounds, with collective experience that ranges from founding startup innovation companies, to developing and marketing biopharmaceutical and diagnostic products, to designing clinical trials, and management of private and public companies. Aditxt has extensive experience in identifying and accessing promising health innovations and developing them into products and services with the ability to scale.

Competitive Conditions

The development and commercialization of drugs is highly competitive. Aditxt competes with a variety of multinational pharmaceutical companies and specialized biotechnology companies, as well as products and processes being developed at universities and other research institutions. Aditxt's competitors have developed, are developing or will develop product candidates and processes competitive with its product candidates. Competitive therapeutic treatments include those that have already been approved and accepted by the medical community and any new treatments that may enter the market.

More established companies may have a competitive advantage over Aditxt due to their greater size, cash flows and institutional experience. Compared to Aditxt, many competitors may have significantly greater financial, technical and human resources. As a result of these factors, Aditxt's competitors may have an advantage in marketing their approved products and may obtain regulatory approval of their product candidates before Aditxt is able to, which may limit Aditxt's ability to develop or commercialize product candidates. Aditxt's competitors may also develop drugs that are safer, more effective, more widely used and less expensive than Aditxt, and may also be more successful than Aditxt in manufacturing and marketing their products.

Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of Aditxt's competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These companies compete with Aditxt in recruiting and retaining qualified scientific, management and commercial personnel, establishing clinical trial sites and subject registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, Aditxt's programs.

Intangible Properties

In order for Aditxt's business to be viable and to compete effectively, Aditxt needs to develop and maintain, and will heavily rely on, a proprietary position with respect to its technologies and intellectual property. Aditxt strives to protect and enhance the proprietary technology, inventions, and improvements that are commercially important to its business, including seeking, maintaining and defending patent rights, whether developed internally or licensed from third parties. Aditxt's policy is to seek to protect its proprietary position by, among other methods, filing patent applications in the United States and in jurisdictions outside of the United States, to protect proprietary technology, inventions, improvements and product candidates that are important to the development and implementation of Aditxt's business. Aditxt also relies on trade secrets and know-how relating to proprietary technology and product candidates, continuing innovation, and in-licensing opportunities to develop, strengthen and maintain Aditxt's proprietary position in the field of immuno-therapy. Aditxt also plans to rely on data exclusivity, market exclusivity, and patent term extensions when available. Aditxt's commercial success will depend in part on its ability to obtain and maintain patent and other proprietary protection for its technology, inventions, and improvements; to preserve the confidentiality of trade secrets; to obtain and maintain licenses to use intellectual property owned by third parties; to defend and enforce proprietary rights, including any patents that Aditxt may own in the future; and to operate without infringing on the valid and enforceable patents and other proprietary rights of third parties.

Bankruptcy and Similar Proceedings

There are no bankruptcies, receivership or similar proceedings against Aditxt or its subsidiaries and there has not been any voluntary bankruptcy, receivership or similar proceedings by Aditxt or its subsidiaries since incorporation.

Reorganizations

Neither the Company nor its subsidiaries has completed any material reorganization and no reorganization is proposed for the current financial year.

Aditxt Historical Consolidated Financial Statements

The audited consolidated balance sheets of Aditxt as of December 31, 2023, 2022 and 2021, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows, for each of the three (3) years ended December 31, 2023, 2022 and 2021, and the related notes (collectively referred to as the "**Aditxt Consolidated Financial Statements**"), along with the unaudited condensed consolidated balance sheets of Aditxt as of June 30, 2024, the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows, for the three months ended June 30, 2024, and the related notes (collectively referred to as the "**Aditxt Interim Financial Statements**" and, together with the Aditxt Consolidated Financial Statements, the "**Aditxt Financial Statements**") are attached as Exhibit I to this Appendix J.

Aditxt Management's Discussion and Analysis

Management's Discussion & Analysis of Financial Condition and Results of Operations of Aditxt as of and for the years ended December 31, 2023, 2022 and 2021, (the "**Aditxt Annual MD&A**"), along with the Management's Discussion & Analysis of Financial Condition and Results of Operations of Aditxt as of and for the three and six months ended June 30, 2024 (the "**Aditxt Interim MD&A**" and, together with the Aditxt Annual MD&A, the "**Aditxt MD&A**") are appended hereto as Exhibit II to this Appendix J and should be read in conjunction with the Aditxt Financial Statements.

Dividends or Distributions

Aditxt has never paid or declared any cash dividends on the Aditxt Shares, and does not anticipate paying any cash dividends on the Aditxt Shares in the foreseeable future.

Description of Share Capital

Aditxt's authorized share capital structure consists of 1,000,000,000 Aditxt Shares, USD$0.001 par value per Aditxt Share, and 3,000,000 shares of preferred stock ("**Preferred Shares**"), USD$0.001 par value per Preferred Share. As at the date hereof and following the Aditxt Reverse Stock Split, there were 2,242,152 Aditxt Shares outstanding, and 42,424.584 Preferred Shares outstanding, of which (i) 22,070.548 were designated as Series A-1 Preferred Shares, (ii) 6,000 were designated as Series B-1 Convertible Preferred Shares ("**Series B-1 Preferred Shares**"), (iii) 2,625 were designated as Series B-2 Preferred Shares, (iv) 4,186 were designated as Series C-1 Preferred Shares, (v) 4,186 were designated as Series D-1 Preferred Shares.

Holders of Aditxt Shares are entitled to one vote per Aditxt Share on all matters voted on by the Aditxt Shareholders, and are entitled to receive dividends, if any, as may be declared from time to time by Aditxt. In the event of liquidation, holders of Aditxt Shares are entitled to share ratably in any distribution of Aditxt's assets after payment of all debts and liabilities, and the preferences payable to holders of Preferred Shares then outstanding, if any. The holders of Aditxt Shares will have no pre-emptive, conversion or exchange rights. The rights, preferences, privileges of holders of Aditxt Shares will be subject to, and may be adversely affected by, the rights of the holders of any series of Preferred Shares.

Preferred Shares

Aditxt's Certificate of Incorporation authorizes 3,000,000 undesignated shares of Preferred Shares and permits Aditxt's Board to issue Preferred Shares with rights or preferences that could impede the success of any attempt to change control of Aditxt. For example, Aditxt's Board, without shareholder approval, may create or issue Preferred Shares with conversion rights that could adversely affect the voting power of the holders of Aditxt Shares as well as rights to such Preferred Shares, in connection with implementing a shareholder rights plan. This provision may be deemed to have a potential anti-takeover effect, because the issuance of such Preferred Share may delay or prevent a change of control of Aditxt. Furthermore, Preferred Shares, if any are issued, may have other rights, including economic rights, senior to Aditxt Shares, and as a result, the issuance thereof could depress the market price of the Aditxt Shares.

Series A-1 Convertible Preferred Shares

On December 22, 2023, Aditxt filed a Certificate of Designation for its Series A-1 Preferred Shares with the Secretary of State of Delaware (the "**Series A-1 Certificate of Designations**"). The following is only a summary of the Series A-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series A-1 Certificate of Designations, a copy of which is filed as an exhibit to Aditxt's Form 8-K filed with the SEC December 26, 2023.

- ***Designation, Amount, and Par Value.*** The number of Series A-1 Preferred Shares designated is 22,280 shares. The Series A-1 Preferred Share have a par value of $0.001 per share and a stated value of $1,000 per share.
- ***Conversion Price.*** The Series A-1 Preferred Shares are convertible into Aditxt Shares at an initial conversion price of $177.60 (subject to adjustment pursuant to the Series A-1 Certificate of Designations) in accordance with the conversion rights outlined in the Series A-1 Certificate of Designations.
- ***Dividends.*** Holders of the Series A-1 Preferred Shares are entitled to receive dividends when and as declared by the Aditxt Board, from time to time, in its sole discretion.
- ***Liquidation.*** In the event of a Liquidation Event (as defined in the Series A-1 Certificate of Designation), the holders of the Series A-1 Preferred Shares shall be entitled to receive in cash out of the assets of Aditxt, before any amount shall be paid to the holders of any other shares of capital stock of Aditxt, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series A-1 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series A-1 Preferred Shares would receive if they converted such share of Series A-1 Preferred Shares into Aditxt Shares immediately prior to the date of such payment.
- ***Company Redemption.*** Aditxt may redeem all, or any portion, of the Series A-1 Preferred Shares for cash, at a price per share of Series A-1 Preferred Share to be determined in accordance with the Series A-1 Certificate of Designation.
- ***Maximum Percentage.*** Holders of Series A-1 Preferred Shares are prohibited from converting shares of Series A-1 Preferred Shares into Aditxt Shares if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% of the total number of Aditxt Shares issued and outstanding immediately after giving effect to such conversion.
- ***Voting Rights.*** The holders of the Series A-1 Preferred Shares shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Aditxt Shares, except as expressly provided in the Series A-1 Certificate of Designations.

Series B-1 Convertible Preferred Shares

On January 24, 2024, we filed a Certificate of Designations for Series B-1 Preferred Shares with the Secretary of State of Delaware (the "**Series B-1 Certificate of Designations**"). The following is only a summary of the Series B-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series B-1 Certificate of Designations, a copy of which is filed as an exhibit to Aditxt's Form 8-K filed with the SEC on January 30, 2024.

- ***Designation, Amount, and Par Value.*** The number of Series B-1 Preferred Shares designated is 6,000 shares. The Series B-1 Preferred Shares have a par value of $0.001 per share and a stated value of $1,000 per share.
- ***Conversion Price.*** The Series B-1 Preferred Shares are convertible into Aditxt Shares at an initial conversion price of $162.40 (subject to adjustment pursuant to the Series B-1 Certificate of Designations) in accordance with the conversion rights outlined in the Series B-1 Certificate of Designations.
- ***Dividends.*** Holders of the Series B-1 Preferred Shares are entitled to receive dividends when and as declared by the Aditxt Board, from time to time, in its sole discretion.
- ***Liquidation.*** In the event of a Liquidation Event (as defined in the Series B-1 Certificate of Designation), the holders of the Series B-1 Preferred Shares shall be entitled to receive in cash out of the assets of Aditxt, before any amount shall be paid to the holders of any other shares of capital stock of Aditxt, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series B-1 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series B-1 Preferred Shares would receive if they converted such share of Series B-1 Preferred Shares into Aditxt Shares immediately prior to the date of such payment.
- ***Company Redemption.*** Aditxt may redeem all, or any portion, of the Series B-1 Preferred Shares for cash, at a price per share of Series B-1 Preferred Shares to be determined in accordance with the Series B-1 Certificate of Designation.
- ***Maximum Percentage.*** Holders of Series B-1 Preferred Shares are prohibited from converting shares of Series B-1 Preferred Shares into Aditxt Shares if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% of the total number of Aditxt Shares issued and outstanding immediately after giving effect to such conversion.
- ***Voting Rights.*** The holders of the Series B-1 Preferred Shares shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Aditxt Shares, except as expressly provided in the Series B-1 Certificate of Designations.

Series B-2 Convertible Preferred Shares

On December 28, 2023, Aditxt filed a Certificate of Designation for its Series B-2 Preferred Shares with the Secretary of State of Delaware (the "**Series B-2 Certificate of Designations**"). The following is only a summary of the Series B-2 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series B-2 Certificate of Designations, a copy of which is filed as an exhibit to Aditxt's Form 8-K filed with the SEC on January 2, 2024.

- ***Designation, Amount, and Par Value.*** The number of Series B-2 Preferred Shares designated is 2,625 shares. The Series B-2 Preferred Shares have a par value of $0.001 per share and a stated value of $1,000 per share.
- ***Conversion Price.*** The Series B-2 Preferred Shares are convertible into Aditxt Shares at an initial conversion price of $188.40 (subject to adjustment pursuant to the Series B-2 Certificate of

Designations) in accordance with the conversion rights outlined in the Series B-2 Certificate of Designations.

- ***Dividends.*** Holders of the Series B-2 Preferred Shares are entitled to receive dividends when and as declared by the Aditxt Board, from time to time, in its sole discretion.
- ***Liquidation.*** In the event of a Liquidation Event (as defined in the Series B-2 Certificate of Designation), the holders of the Series B-2 Preferred Shares shall be entitled to receive in cash out of the assets of Aditxt, before any amount shall be paid to the holders of any other shares of capital stock of Aditxt, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series B-2 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series B-2 Preferred Shares would receive if they converted such share of Series B-2 Preferred Shares into Aditxt Shares immediately prior to the date of such payment.
- ***Company Redemption.*** Aditxt may redeem all, or any portion, of the Series B-2 Preferred Shares for cash, at a price per share of Series B-2 Preferred Shares to be determined in accordance with the Series B-2 Certificate of Designation.
- ***Maximum Percentage.*** Holders of Series B-2 Preferred Shares are prohibited from converting shares of Series B-2 Preferred Shares into Aditxt Shares if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% of the total number of Aditxt Shares issued and outstanding immediately after giving effect to such conversion.
- ***Voting Rights.*** The holders of the Series B-2 Preferred Shares shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Aditxt Shares, except as expressly provided in the Series B-2 Certificate of Designations.

Series C-1 Convertible Preferred Shares

On May 2, 2024, Aditxt filed a Certificate of Designation for its Series C-1 Preferred Shares with the Secretary of State of Delaware (the "**Series C-1 Certificate of Designations**"). The following is only a summary of the Series C-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series C-1 Certificate of Designations, a copy of which is filed as an exhibit to Aditxt's Form 8-K filed with the SEC on May 2, 2024.

- ***Designation, Amount, and Par Value.*** The number of Series C-1 Preferred Shares designated is 10,853 shares. The Series C-1 Preferred Share have a par value of USD$0.001 per share and a stated value of USD$1,000 per share.
- ***Conversion Price.*** The Series C-1 Preferred Shares are convertible into Aditxt Shares at an initial conversion price of $103.80 (subject to adjustment pursuant to the Series C-1 Certificate of Designations) in accordance with the conversion rights outlined in the Series C-1 Certificate of Designations.
- ***Dividends.*** Holders of the Series C-1 Preferred Shares are entitled to receive dividends when and as declared by the Aditxt Board, from time to time, in its sole discretion.
- ***Liquidation.*** In the event of a Liquidation Event (as defined in the Series C-1 Certificate of Designation), the holders of the Series C-1 Preferred Shares shall be entitled to receive in cash out of the assets of Aditxt, before any amount shall be paid to the holders of any other shares of capital stock of Aditxt, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series C-1 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series C-1 Preferred Shares would receive if they converted such share of Series C-1 Preferred Shares into Aditxt Shares immediately prior to the date of such payment.

- ***Company Redemption.*** Aditxt may redeem all, or any portion, of the Series C-1 Preferred Shares for cash, at a price per share of Series C-1 Preferred Share to be determined in accordance with the Series C-1 Certificate of Designation.
- ***Maximum Percentage.*** Holders of Series C-1 Preferred Shares are prohibited from converting shares of Series C-1 Preferred Shares into Aditxt Shares if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% of the total number of Aditxt Shares issued and outstanding immediately after giving effect to such conversion.
- ***Voting Rights.*** The holders of the Series C-1 Preferred Shares shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Aditxt Shares, except as expressly provided in the Series C-1 Certificate of Designations.

Series D-1 Preferred Shares

On May 2, 2024, Aditxt filed a Certificate of Designation for its Series D-1 Preferred Shares with the Secretary of State of Delaware (the "**Series D-1 Certificate of Designations**"). The following is only a summary of the Series D-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series D-1 Certificate of Designations, a copy of which is filed as an exhibit to Aditxt's Form 8-K filed with the SEC on May 2, 2024.

The Series D-1 Preferred Shares have no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Series D-1 Preferred Shares are not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of Aditxt. The Series D-1 Preferred Shares have no rights with respect to any distribution of assets of Aditxt, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of Aditxt, whether voluntarily or involuntarily. The holders of Series D-1 Preferred Shares will not be entitled to receive dividends of any kind.

The outstanding share of Series D-1 Preferred Shares shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Aditxt Board in its sole discretion, or (ii) automatically upon the effectiveness of the amendment to increase the number of Aditxt Shares that Aditxt is authorized to issue. Upon such redemption, the holder of the Series D-1 Preferred Shares will receive consideration of USD$0.01 per share in cash.

Principal Securityholders

Other than disclosed herein, to the knowledge of the directors and officers of Aditxt, no person directly or indirectly beneficially owns, or exercises control or direction over, Aditxt Shares carrying more than 10% of the voting rights attaching to all the outstanding Aditxt Shares as of the date of this Circular.

Other than disclosed herein, to the knowledge of the directors and officers of Aditxt, no person is expected to directly or indirectly beneficially own, or exercise control or direction over, Aditxt Shares carrying more than 10% of the voting rights attaching to all the outstanding Aditxt Shares after giving effect to the Arrangement.

Directors and Executive Officers

In addition to the information provided below, further information regarding Aditxt's executive officers and directors can be found in the sections titled "*Election of Directors*" and "*Executive Officers*" in the Aditxt Proxy Statement, which is incorporated by reference into, and forms an integral part of, this Circular.

The following table summarizes the positions held by Aditxt's executive officers and directors in the past five (5) years:

Name, Place of Residence and Position with Adtixt	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Voting Securities Beneficially Owned, Controlled or Directed
Amro Albanna Richmond, Virginia Chief Executive Officer, Director	Current – Chief Executive Officer, Director of Aditxt (September 2017 - Present)	September 28, 2017	10 Aditxt Shares[(1)]
Thomas J. Farley Richmond, Virginia Chief Financial Officer	Current – Chief Financial Officer of Aditxt (September 2021 – Present) Previous – Principal Accounting Officer and Controller, Aditxt (October 2020 – September 2021); Controller, Business Development Corporation of America (December 2015 – June 2020)	-	2 Aditxt Shares[(2)]
Corinne Pankovcin Richmond, Virginia Chief M&A Officer	Current Chief M&A Officer of Aditxt (April 2023 - Present) Previous – President, Aditxt (September 2021 – April 2023); Chief Financial Officer, Aditxt (July 2020 – August 2021); Chief Financial Officer & Managing Director and Treasurer, Business Development Corporation of America (December 2015 – July 2019)	-	3 Aditxt Shares[(3)]
Shahrokh Shabahang, D.D.S., MS, Ph.D. Richmond, Virginia Chief Innovation Officer, Director	Current – Chief Innovation Officer, Director of Aditxt (September 2017 - Present)	September 28, 2017	15 Aditxt Shares[(4)]

Name, Place of Residence and Position with Adtixt	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Voting Securities Beneficially Owned, Controlled or Directed
Rowena Albanna Richmond, Virginia Chief Operating Officer	Current – Chief Operating Officer of Aditxt (July 2020 - Present) Previous – Independent Operations Consultant, Aditxt (2017 – July 2020)	-	3 Aditxt Shares[(5)]
Charles Nelson[(6)(7)] Richmond, Virginia Director	Current – Director of Aditxt (November 2023 – Present) Previous – Consultant, Aditxt (September 2020 – September 2023)	November 3, 2023	7 Aditxt Shares[(8)]
Brian Brady[(6)(9)] Richmond, Virginia Director	Current – Director of Aditxt (December 2018 – Present) Previous – Director of Investments at a large hospital system (March 2016 – Present)	December 1, 2018	1 Aditxt Share[(10)]
Jeffrey W. Runge, M.D. [(6)(11)] Richmond, Virginia Director	Current – Director of Aditxt (July 2020 – Present); President of Biologue, Inc. (2008 – Present)	July 1, 2020	1 Aditxt Share[(12)]

Notes:

(1) Includes 5 Aditxt Shares beneficially owned by the Albanna Family Trust, of which Mr. Albanna is the Trustee. 37 Aditxt Shares are directly owned by Mr. Albanna. Mr. Albanna may be deemed to beneficially own the securities held by his wife, Rowena Albanna, Aditxt's Chief Operating Officer. Excludes (i) 242 Aditxt Shares issuable pursuant to options that are fully vested, and (ii) 20 Series A Warrants issued as part of the conversion of outstanding accrued compensation through March 31, 2020.

(2) Excludes 118 Aditxt Shares issuable pursuant to options that are fully vested.

(3) Excludes 122 Aditxt Shares issuable pursuant to options that are fully vested.

(4) Includes (i) 177 Aditxt Shares beneficially owned by Shabahang-Hatami Family Trust, of which Shahrokh Shabahang, D.D.S., MS, Ph.D. is the Trustee, and (ii) 14 Aditxt Shares directly owned by Mr. Shabahang. Excludes (i) warrants to purchase 111 Aditxt Shares, including 24 Series A Warrants issued as part of the conversion of outstanding accrued compensation through March 31, 2020, and (ii) 87 warrants beneficially owned by the Shabahang-Hatami Family Trust.

(5) Excludes (ii) 121 Aditxt Shares issuable pursuant to options that are fully vested, and (ii) 18 Series A Warrants issued as part of the conversion of outstanding accrued compensation through March 31, 2020. Ms. Albanna may be deemed to beneficially own the securities held by her husband Amro Albanna, Aditxt's Chief Executive Officer.

(6) Member of the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee.

(7) Chairman of the Compensation Committee.

(8) The 6 Aditxt Shares are held by Siu Kim Athle International, LLC., over which Mr. Nelson has voting and dispositive control. Excludes 11 Aditxt Shares issuable pursuant to options that are fully vested.

(9) Chairman of the Audit Committee.

(10) Excludes 11 Aditxt Shares issuable pursuant to options that are fully vested.

(11) Chairman of the Nominating and Corporate Governance Committee.

(12) Excludes 11 Aditxt Shares issuable pursuant to options that are fully vested.

(13) Each director of Aditxt will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed pursuant to Aditxt's constating documents.

As of the date hereof, Aditxt's directors and executive officers as a group beneficially own, control or direct, directly or indirectly 42 Aditxt Shares, representing a de minimus percentage of the issued and outstanding Aditxt Shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Aditxt, no director or executive officer of Aditxt is, as at the date hereof, or has been within the last ten years, a director, chief executive officer or chief financial officer of any company (including Aditxt) that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

To the knowledge of Aditxt, no director or executive officer of Aditxt or any shareholder holding a sufficient number of Aditxt Shares to affect materially the control of Aditxt:

(c) is, as at the date hereof, or has been within the last ten years, a director or executive officer of any company (including Aditxt) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(d) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;

(e) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(f) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding Aditxt.

The foregoing information, not being within the knowledge of Aditxt, has been furnished by the respective directors and executive officers.

Conflict of Interest

To the best of Aditxt's knowledge, there are no existing potential conflicts of interest among Aditxt or its subsidiaries and the directors or officers of Aditxt or its subsidiaries as a result of their outside business interests as at the date of this Circular.

Securities Authorized for Issuance under Equity Compensation Plans

In October 2017, the Aditxt Board adopted the 2017 Equity Incentive Plan (the "**2017 Plan**"). The 2017 Plan allows for the grant of equity awards to directors, employees, and consultants. Aditxt is authorized to issue up to 62,500 Aditxt Shares pursuant to stock options granted under the 2017 Plan. The 2017 Plan is administered by the Aditxt Board, and expires ten years after adoption, unless terminated earlier by the Aditxt Board. All Aditxt Shares pursuant to stock options under the 2017 Plan have been awarded.

On February 24, 2021, the Aditxt Board adopted the 2021 Omnibus Equity Incentive Plan (the "**2021 Plan**"). The 2021 Plan provides for grants of nonqualified stock options ("**Options**"), incentive stock options, stock appreciation rights, restricted stock and restricted stock units ("**RSUs**"), and other stock-based awards (collectively, the "**Awards**"). Eligible recipients of Awards include employees, directors or independent contractors of Aditxt or any affiliate of Aditxt. The Compensation Committee of the Aditxt Board administers the 2021 Plan. A total of 1,500 Aditxt Shares may be issued pursuant to Awards granted under the 2021 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than one hundred percent (100%) of the Fair Market Value (as defined in the 2021 Plan) of an Aditxt Share on the date of grant. The 2021 Plan was submitted and approved by the Aditxt Shareholders at the 2021 annual meeting of shareholders, held on May 19, 2021. At the 2024 annual meeting of shareholders held on August 7, 2024, shareholders approved an amendment to the 2021 Plan to increase the number of Aditxt Shares issuable thereunder from 937 Aditxt Shares to 12,500 Aditxt Shares.

As of December 31, 2023, there were 1,140 exercisable Options issued and outstanding under the 2017 Plan and 2021 Plan, and nil RSUs issued and outstanding under the 2021 Plan.

Plan Category	**(a) Number of securities to be issued upon exercise of Awards**	**(b) Weighted-average exercise price of outstanding Options ($USD)**	**(c) Number of securities remaining available for further issuance under the 2021 Plan (excluding securities reflected in column (a))**
Equity compensation plans approved by security holders	1,140	6,924.80	361
Equity compensation plans not approved by security holders	-	-	-
TOTAL:	1,140	6,924.80	361

Pearsanta

On December 18, 2023, the Aditxt Board adopted the 2023 Omnibus Equity Incentive Plan (the "**Pearsanta 2023 Plan**") and the 2023 Parent Service Provider Equity Incentive Plan (the "**Pearsanta Parent 2023 Plan**" and together with the Pearsanta 2023 Plan, the "**Pearsanta Plans**"). The Pearsanta Plans provide for

grants of Options, stock appreciation rights, restricted stock and RSUs, and other stock-based awards (collectively, the "**Pearsanta Awards**"). Eligible recipients of Pearsanta Awards include employees, directors or independent contractors of Aditxt or any affiliate of Aditxt. The Aditxt Board administers the Pearsanta Plans. The Pearsanta 2023 Plan consists of a total of 15,000,000 Pearsanta Shares which may be issued pursuant to Pearsanta Awards granted under the Pearsanta 2023 Plan. The Pearsanta Parent 2023 Plan consists of a total of 9,320,000 Pearsanta Shares which may be issued pursuant to Pearsanta Awards granted under the Pearsanta Parent 2023 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than one hundred percent (100%) of the Fair Market Value (as defined in the Pearsanta Plans) of an Aditxt Share on the date of grant.

As of December 31, 2023, there were 13,320,000[2] exercisable Options and nil RSUs issued and outstanding under the Pearsanta Plans.

Plan Category	(a) Number of securities to be issued upon exercise of Pearsanta Awards	(b) Weighted-average exercise price of outstanding Options under Pearsanta Plans ($USD)	(c) Number of securities remaining available for further issuance under Pearsanta Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	13,320,000	0.02	11,000,000
Equity compensation plans not approved by security holders	-	-	-
TOTAL:	13,320,000	0.02	11,000,000

Prior Sales

The following table sets forth the details regarding all issuances of Aditxt Shares, including issuances of all securities convertible into, exchangeable for or exercisable to acquire Aditxt Shares, during the 12-month period before the date of this Circular.

Date of Issuance	Type of Security Issued	Note	Issuance / Exercise Price per Security ($USD)	Number of Securities Issued (prior to giving effect to the Aditxt Reverse Stock Split)	Number of Securities Issued (after to giving effect to the Aditxt Reverse Stock Split)
October 19, 2023	Aditxt Shares	Pre-funded Warrant Exercise	$0.001	39,000	975
November 8, 2023	Options[(1)]	Options Issued	$200.40	44,445	1,112

[2] This number, and the number set forth in the corresponding table, do not reflect changes to the number of issued and outstanding Aditxt Shares as a result of the Aditxt Reverse Stock Split. The Pearsanta Plans are not affected by the Aditxt Reverse Stock Split.

Date of Issuance	Type of Security Issued	Note	Issuance / Exercise Price per Security ($USD)	Number of Securities Issued (prior to giving effect to the Aditxt Reverse Stock Split)	Number of Securities Issued (after to giving effect to the Aditxt Reverse Stock Split)
		Pursuant to the 2021 Plan			
November 14, 2023	Aditxt Shares	Pre-funded Warrant Exercise	$0.001	43,500	1,088
November 14, 2023	Aditxt Shares	Pre-funded Warrant Exercise	$0.001	48,500	1,213
November 29, 2023	Aditxt Shares	Commitment Share Issuance	$15.68	10,067	252
November 30, 2023	Aditxt Shares	Pre-funded Warrant Exercise	$0.001	705,000	17,625
December 19, 2023	Aditxt Shares	Aditxt Shares Issued for Services	$4.518	70,000	1,750
December 22, 2023	Preferred Shares	Issuance of Series A-1 Preferred Shares	$1,000	22,280	557
December 29, 2023	Preferred Shares	Issuance of Series B-2 Preferred Shares	$1,000	2,625	66
January 4, 2024	Pre-funded Warrants[(2)]	Warrants Issued in Connection with PIPE	$0.001	1,237,114	30,928
January 4, 2024	Warrants[(2)]	Warrants Issued in Connection with PIPE	$184	2,474,228	61,856
January 4, 2024	Warrants[(2)]	Placement Agent Warrants	$242.40	74,227	1,856
January 4, 2024	Aditxt Shares[(3)]	Aditxt Shares Issued in Connection	$5.12	50,000	1,250

Date of Issuance	Type of Security Issued	Note	Issuance / Exercise Price per Security ($USD)	Number of Securities Issued (prior to giving effect to the Aditxt Reverse Stock Split)	Number of Securities Issued (after to giving effect to the Aditxt Reverse Stock Split)
		with M&A Transaction			
January 4, 2024	Warrants[3]	Warrants Issued in Connection with M&A Transaction	$209.20	50,000	1,250
January 17, 2024	Aditxt Shares	Aditxt Shares Issued in Connection with Settlement	$5.40	296,296	7,408
January 24, 2024	Preferred Shares	Issuance of Series B-1 Preferred Shares	$1,000	6,000	150
May 2, 2024	Warrants[4]	Payment Agreement	$129.75	96,786	2,420
May 2, 2024	Preferred Shares	Issuance of Series C-1 Preferred Shares	$1,000	4,186	105
May 2, 2024	Preferred Shares	Issuance of Series D-1 Preferred Shares	$0.001	4,186	105
May 3, 2024	Warrants[5]	Warrants in connection with PIPE	$98.80	1,613,092	40,328
May 3, 2024	Warrants[5]	Placement Warrants in connection with PIPE	$129.60	81,073	2,027
May 24, 2024	Aditxt Shares	Commitment shares	$2.03	328,468	8,212
July 9, 2024	Warrants[6]	July 2024 Note Warrant	$59.60	1,250,000	31,250
August 7, 2024	Preferred Shares[7]	Securities Exchange	-	6,667	167
August 7, 2024	Warrants[7]	Securities Exchange	$59.60	2,569,171	64,230

Date of Issuance	Type of Security Issued	Note	Issuance / Exercise Price per Security ($USD)	Number of Securities Issued (prior to giving effect to the Aditxt Reverse Stock Split)	Number of Securities Issued (after to giving effect to the Aditxt Reverse Stock Split)
August 8, 2024	Aditxt Shares	August Warrant Offering	$1.06	188,000	4,700
August 8, 2024	Warrants[8]	August Warrant Offering	$42.36	942,189	23,555

Notes:

(1) Options granted pursuant to the 2021 Plan on November 8, 2023. The options vested immediately and have an exercise price of $200.40 per share. The options are exercisable for a period of ten years from the date of grant.

(2) On January 4, 2024, Aditxt completed a private placement of (i) pre-funded warrants to purchase up to 30,927 Aditxt Shares at an exercise price of $0.001 per share for a period of three years from the date of issuance, and (ii) warrants to purchase up to 61,855 Aditxt Shares at an exercise price of $184 per share for a period of three years from the date of issuance. Aditxt issued Wainwright, in its capacity as placement agent, warrants to purchase up to 1,855 Aditxt Shares at an exercise price of $242.40 per share for a period of three years from the date of issuance.

(3) On January 4, 2024, Aditxt's majority owned subsidiary, Pearsanta, completed its acquisition of the Acquired Assets. In connection with the acquisition, Aditxt issued MDNA warrants to purchase up to 1,250 Aditxt Shares at an exercise price of $209.20 per share for a period of five years from the date of issuance.

(4) Issued to Wainwright on May 2, 2024 pursuant to the Payment Agreement. See "*Three Year History and Recent Developments - General Development of the Business*."

(5) On May 3, 2024, Aditxt completed a private placement of warrants to purchase up to 40,327 Aditxt Shares at an exercise price of $98.80 per share for a period of five years from the date of issuance. The warrants are exercisable commencing six months following the initial issuance. Aditxt issued Dawson James Securities, in its capacity as placement agent, warrants to purchase up to an aggregate of 2,026 Aditxt Shares at a price of $129.60 per share for a period of five years from the date of issuance.

(6) Issued on July 9, 2024 in connection with the July 2024 Note. See "*Three Year History and Recent Developments - General Development of the Business*."

(7) On August 7, 2024, Aditxt entered into the August 2024 Securities Exchange Agreement. See "*Three Year History and Recent Developments - General Development of the Business*."

(8) Issued on August 8, 2024 in connection with the August Warrant Offering. See "*Three Year History and Recent Developments - General Development of the Business*."

Trading Price and Volume

Aditxt Shares

The Aditxt Shares are listed for trading on the Nasdaq Capital Market ("**Nasdaq**") under the stock symbol "ADTX". The following table sets forth, for the periods indicated, the reported high and low prices and the trading volume of the Aditxt Shares on the Nasdaq. All trading prices and volumes prior to October 2, 2024 reflect the trading price and volume of the Aditxt Shares prior to giving effect to the Aditxt Reverse Stock Split.

Period	High ($USD)	Low ($USD)	Volume
November 2023	6.92	3.41	9,635,600
December 2023	6.63	3.39	70,672,400
January 2024	6.12	3.85	4,598,700
February 2024	4.00	3.45	1,597,500

Period	High ($USD)	Low ($USD)	Volume
March 2024	3.95	3.04	2,333,300
April 2024	3.37	2.22	19,044,091
May 2024	2.48	1.95	590,600
June 2024	2.01	1.37	729,226
July 2024	2.32	1.19	35,569,094
August 2024	1.29	0.58	117,867,679
September 2024	0.60	0.10	1,280,628
October 1 – 3, 2024 [3]	5.12	1.80	8,607,370

On March 28, 2024, the last trading day before the date of the announcement of the Arrangement, the closing price of the Aditxt Shares on the Nasdaq was $3.40 per Aditxt Share (equivalent of $136.00 if adjusting for the Aditxt Reverse Stock Split). On October 3, 2024, the closing price of the Aditxt Shares on the Nasdaq was $1.94 per Aditxt Share.[4]

Compensation Tables

Except as may be updated in this Appendix J, a discussion regarding Aditxt's compensation, including summary compensation, grants of plan-based awards, outstanding equity awards and option exercises and stock vested is included in the section of the Aditxt Proxy Statement titled "*Executive Compensation*" which is incorporated by reference into, and forms an integral part of, this Circular.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information concerning equity awards outstanding as of December 31, 2023 for the Named Executive Officers:

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options:		Option Exercise Price (US$)	Option Expiration Date	Value of Unexercised in- the-money options	Number of Shares or Units Held that Have Not Vested (#)	Market Value of Shares or Units Held that Have Not Vested (US$)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (US$)
	Exercisable (#)	Unexercisable (#)							
Amro Albanna	3	-	$320,000	October 5, 2027	-	-	-	-	-

[3] This number reflects the Aditxt Reverse Stock Split.
[4] This number reflects the Aditxt Reverse Stock Split.

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options:		Option Exercise Price (US$)	Option Expiration Date	Value of Unexercised in- the-money options	Number of Shares or Units Held that Have Not Vested (#)	Market Value of Shares or Units Held that Have Not Vested (US$)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (US$)
	Exercisable (#)	Unexercisable (#)							
Amro Albanna	5	-	$320,000	October 5, 2027	-	-	-	-	-
Amro Albanna	235	-	$200.40	November 8, 2033	-	-	-	-	-
Corinne Pankovcin	3	-	$321,600	March 20, 2025	-	-	-	-	-
Corinne Pankovcin	1	-	$880,000	March 20, 2025	-	-	-	-	-
Corinne Pankovcin	3	-	$153,600	November 30, 2030	-	-	-	-	-
Corinne Pankovcin	1	-	$153,600	November 30, 2030	-	-	-	-	-
Corinne Pankovcin	118	-	$200.40	November 8, 2033	-	-	-	-	-
Thomas Farley	1	-	$153,600	November 2, 2030	-	-	-	-	-
Thomas Farley	118	-	$200.40	November 8, 2033	-	-	-	-	-
Shahrokh Shabahang	2	-	$153,600	November 2, 2030	-	-	-	-	-
Shahrokh Shabahang	177	-	$200.40	November 8, 2033	-	-	-	-	-

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options:		Option Exercise Price (US$)	Option Expiration Date	Value of Unexercised in- the-money options	Number of Shares or Units Held that Have Not Vested (#)	Market Value of Shares or Units Held that Have Not Vested (US$)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (US$)
	Exercisable (#)	Unexercisable (#)							
Rowena Albanna	1	-	$320,000	October 5, 2027	-	-	-	-	-
Rowena Albanna	2	-	$320,000	October 5, 2027	-	-	-	-	-
Rowena Albanna	2	-	$153,600	November 2, 2030	-	-	-	-	-
Rowena Albanna	118	-	$200.40	November 8, 2033	-	-	-	-	-

Indebtedness of Directors and Executive Officers

As at the date hereof, no directors or executive officers or any of their respective associates or affiliates are or have been indebted to Aditxt or any of its subsidiaries, either in connection with the purchase of securities or otherwise, nor any of the aforementioned individuals are or have been indebted to another entity which indebtedness has been the subject of a guarantee, support agreement, letter of credit or other similar merger or understanding provided by Aditxt or any of its subsidiaries.

Probable Acquisition

Securities regulation in Canada requires that an issuer must describe any proposed acquisition by the issuer if the proposed acquisition (a) has progressed to a state where a reasonable person would believe that the likelihood of the issuer completing the acquisition is high and (b) would be a "significant acquisition" for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* ("**NI 51-102**") if completed as of the date of such prospectus.

The Evofem Acquisition would be a significant acquisition for the purposes of NI 51-102 if completed as of the date of this Circular and Aditxt believes the Evofem Acquisition has progressed to a state where a reasonable person would believe Aditxt completing the Evofem Acquisition is high. There can be no assurance the Evofem Acquisition will be completed. See "Risk Factors".

Definitive Agreement

On December 11, 2023, Aditxt and Merger Sub, a Delaware corporation and wholly-owned Subsidiary of Aditxt, entered into the Merger Agreement with Evofem which was amended and restated on July 12, 2024.

On August 16, 2024, Aditxt, Merger Sub and Evofem entered into the A&R Amendment No. 1, pursuant to which the date by which Aditxt is to make the Third Parent Equity Investment was amended to the earlier of September 6, 2024 or five (5) business days of the closing of a public offering by Aditxt resulting in aggregate net proceeds to Aditxt of no less than $20,000,000.

On September 6, 2024, Aditxt, Merger Sub and Evofem entered into the A&R Amendment No. 2, pursuant to which the date by which Aditxt shall make the Third Parent Equity Investment was amended from September 6, 2024 to September 30, 2024 and adjust the amount of such investment from $2 million to $1.5 million, and to extend the date by which Aditxt shall make the Fourth Parent Equity Investment was amended from September 30, 2024 to October 31, 2024 and adjust the amount of such investment from $1 million to $1.5 million.

On October 2, 2024, Aditxt, Merger Sub and Evofem entered into the A&R Amendment No. 3, to adjust the amount of the Third Parent Equity Investment to require Aditxt to purchase 720 shares of Evofem Series F-1 Preferred Stock at an aggregate price of $720,000. Additionally, the Fourth Parent Equity Investment was adjusted to require Aditxt to purchase 2,280 shares of Evofem Series F-1 Preferred Stock at an aggregate price of $2.280 million on or prior to October 31, 2024. The Third Parent Equity Investment was completed on October 2, 2024.

See *"Three Year History and Recent Developments - Evofem Acquisition*."

Nature of Business

Evofem is a San Diego-based commercial-stage biopharmaceutical company with a strong focus on innovation in women's health. Evofem's first commercial product, Phexxi®, was approved by the FDA on May 22, 2020. Phexxi® is the first and only non-hormonal prescription contraceptive gel. It is locally acting, with no systemic activity, and used on -demand by women only when they have sex. Because Phexxi® is a non-hormonal contraceptive, it is not associated with side effects of exogenous hormone use like depression, weight gain, headaches, loss of libido, mood swings and irritability. Taking hormones may not be right for some women, especially those with certain medical conditions, including clotting disorders and hormone-sensitive cancer, or those who are breast feeding, have a BMI over 30, smoke, or have diabetes. More than 23.3 million women in the U.S. will not use a hormonal contraceptive.

Evofem has delivered Phexxi® net sales growth in each consecutive year since it was launched in Sept 2020. Key growth drivers for 2024 include expanded use of Phexxi® in women who take oral birth control pills in conjunction with GLP-1 prescription medications like Ozempic, Mounjaro and Zepbound for weight loss. These drugs may make oral birth control pills less effective at certain points in the dosing schedule. Per the USPI, prescribers are instructed to "advise patients using oral contraceptives to switch to a non-oral contraceptive method or add a barrier method" to prevent unintended pregnancy during these times.

Outside the U.S., Phexxi® was approved in Nigeria on October 6, 2022, as Femidence™ by the National Agency for Food and Drug Administration and Control. To-date, Phexxi® has been submitted for approval in Mexico, Ethiopia and Ghana. Evofem intends to commercialize Phexxi® in all other global markets through partnerships or licensing agreements.

Evofem halted clinical development of its investigational product candidates in October 2022 to focus

resources on growing sales of Phexxi for the prevention of pregnancy.

Consideration

On July 12, 2024, Aditxt, Merger Sub and Evofem entered into the A&R Merger Agreement, pursuant to which (i) all issued and outstanding Evofem Common Stock, other than any Evofem Common Stock either held by Aditext or Merger Sub immediately prior to the Effective Time or which are Dissenting Shares, will be converted into the right to receive an aggregate of $1,800,000; and (ii) each issued and outstanding share of Evofem Unconverted Preferred Stock, other than any shares of Evofem Unconverted Preferred Stock either held by Aditext or Merger Sub immediately prior to the Effective Time or which are Dissenting Shares, will be converted into the right to receive one (1) share of Series A-2 Preferred Shares, having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-2 Preferred Shares.

Pursuant to the A&R Amendment No. 3, the Third Parent Equity Investment was amended to require Aditxt to purchase 720 shares of Evofem Series F-1 Preferred Stock at an aggregate price of $720,000, and the Fourth Parent Equity Investment was amended to require Aditxt to purchase 2,280 shares of Evofem Series F-1 Preferred Stock at an aggregate price of $2.280 million on or prior to October 31, 2024. The Third Parent Equity Investment was completed on October 2, 2024.

Aditxt intends to complete one or more financings in the future, the proceeds of which may be used to complete the Evofem Acquisition.

See *"Three Year History and Recent Developments - Evofem Acquisition*."

Evofem Historical Consolidated Financial Statements

The audited consolidated balance sheets of Evofem as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive operations, convertible and redeemable preferred stock and stockholders' deficit, and cash flows for the years ended December 31, 2023 and 2022, and the related notes, along with the unaudited condensed consolidated balance sheets of Evofem as of June 30, 2024, the related condensed consolidated statements of operations, condensed consolidated statements of comprehensive income (loss), condensed consolidated statements of convertible and redeemable preferred stock and stockholders' deficit, and condensed consolidated statements of cash flows, for the three and sixth month periods ended June 30, 2024, other than for the condensed consolidated statements of cash flow, which are for the six month period ended June 30, 2024, and the related notes are attached as Exhibit III to this Appendix J.

Expected Effect of the Evofem Acquisition

If completed, the Evofem Acquisition fits within Aditxt's strategy of acquiring, accelerating and activating businesses that are well positioned to address some of our most pressing health challenges. Specifically, the Evofem Acquisition will provide its stockholders with the following benefits:

- Entering into women's health space;
- Generation of top-line revenue with multiple domestic and global growth opportunities;
- Establishing a platform and a channel for introducing other products in Aditxt's portfolio such as Endometriosis and Ovarian Cancer diagnostic; and

- Continued validation of Aditxt's strategic vision by expanding and diversifying its Programs (subsidiaries).

Parties to the Evofem Acquisition

The Evofem Acquisition is not a transaction with an informed person, associate or affiliate of Aditxt.

Audit Committee

Information regarding Aditxt's audit committee is included in the section of the Aditxt Proxy Statement incorporated by reference herein. See the sections of the Aditxt Proxy Statement titled "*Proposal No. 1: Election of Directors*", "*Audit Committee Report*", and "*Proposal No. 2: Ratification of Independent Registered Public Accounting Firm*" which are incorporated by reference into, and forms an integral part of, this Circular.

Risk Factors

There are various risks, including those discussed in the Aditxt 2023 Annual Report, incorporated herein by reference, which could impact Aditxt's ability to successfully execute its key strategies and may materially affect future events, performance or results. These risk factors, together with all of the other information included or incorporated by reference in this Circular, including information contained in the sections entitled *"Cautionary Statement Regarding Forward-Looking Information"* and "*Risk Factors*" of this Circular, should be carefully reviewed and considered before a decision to concerning the Arrangement is made.

Legal Proceedings and Regulatory Actions

Aditxt is not or was not a party to any legal proceedings or regulatory actions, since the beginning of the most recently completed financial year, and is not aware of any such proceedings or actions known to be contemplated.

Interests of Management and Others in Material Transactions

Except as described elsewhere in this Circular, there is no material interest, direct or indirect, of: (i) any director or executive officer of Aditxt; (ii) any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Aditxt Shares; or (iii) any affiliate of the persons or companies referred to above in (i) or (ii), in any transaction within the three (3) years before the date of this Circular that has materially affected or is reasonably expected to materially affect Aditxt.

Auditor, Registrar and Transfer Agent

dbb*mckennon*, an independent registered public accounting firm, is the auditor of Aditxt. The registered and records office of dbbmckennon is 20321 SW Birch Street, Suite 200, Newport Beach, California, 92660, United States.

Vstock Transfer LLC is the transfer agent and registrar of the Aditxt Shares. The registered and records office of Vstock Transfer, LLC is 18 Lafayette Pl, Woodmere, New York, 11598, United States.

Material Contracts

Except for material contracts entered into in the ordinary course of business, there were no material contracts entered into by Aditxt within the most recently completed financial year and through to the date of this Circular, or prior thereto and that are still in effect as of the date hereof other than the following:

- all contracts contained in the exhibits to the Aditxt 2023 Annual Report, incorporated by reference herein;
- A&R Merger Agreement;
- A&R Amendment No. 1;
- A&R Amendment No. 2;
- A&R Amendment No. 3;
- Seven Knots Purchase Agreement;
- Seven Knots Registration Rights Agreement;
- May 2024 Securities Purchase Agreement No. 1;
- May 2024 Registration Rights Agreement;
- May 2024 Securities Purchase Agreement No. 2;
- July 2024 Securities Purchase Agreement;
- August 2024 Securities Exchange Agreement;
- August 2024 Securities Purchase Agreement;
- Payment Agreement;
- Letter Agreement;
- January 2024 Secured Notes;
- September 2024 Secured Notes;
- Unsecured Notes;
- Sixth Borough April Note;
- Sixth Borough June Note;
- May 2024 Senior Notes; and
- July 2024 Note.

Documents Incorporated by Reference

The Aditxt 2023 Annual Report and certain sections of the Aditxt Proxy Statement are specifically incorporated by reference into, and form an integral part of, this Circular. The Aditxt 2023 Annual Report and the Aditxt Proxy Statement have been filed with the SEC by Aditxt and are posted on its website at www.aditxt.com. For the purposes of this Circular, the Aditxt 2023 Annual Report and the Aditxt Proxy Statement have been filed by the Company on its SEDAR+ profile at www.sedarplus.ca under "Other Documents". Aditxt will provide copies of such documents incorporated by reference upon written or oral request to Thomas Farley at tfarley@aditxt.com.

Any future filings made by Aditxt with the SEC under Section 13(a), 13(c), 14, or 15(d) of the U.S. Exchange Act after the date of this Circular, but before the Meeting will be automatically incorporated by reference into this Circular, provided that such filings shall concurrently be filed by the Company on its SEDAR+ profile under "Other Documents".

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in this Circular or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this Circular, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Making such a modifying or superseding statement

shall not be deemed to be an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, untrue statement of a material fact, nor an omission to state a material fact that is required to be stated or necessary to make a statement not misleading in light of the circumstances in which it is made.

Information Concerning Aditxt Following Completion of the Arrangement

The following is a summary of Aditxt following completion of the Arrangement, including its business and operations, which should be read in conjunction with the information concerning Aditxt appears in this Appendix J to the Circular.

Following the Arrangement, it is anticipated that Aditxt will continue to operate with the Aditxt Shares listed for trading on the NASDAQ and will be subject to continuous disclosure reporting requirements under securities laws of the United States. Upon or following completion of the Arrangement:

- the Buyer will own all of the Company Shares, and the Company will be an indirect wholly-owned subsidiary of Aditxt;
- former Company Shareholders will become Aditxt Stockholders (other than those Company Shareholders who are Dissenting Company Shareholders); and
- the Company Shares will be delisted from the TSX and the Company is expected to cease to be a reporting issuer in Canada.

The Arrangement will result in the Company becoming an indirect wholly-owned subsidiary of Aditxt. The assets and operations of the Company at the Effective Time will become the assets and operations of Aditxt, through its indirect ownership of the Company.

Name, Address and Incorporation.

Following the completion of the Arrangement, Aditxt will continue to be governed by the laws of the State of Delaware. Aditxt will, immediately following the Effective Time, indirectly own all of the outstanding Company Shares and the Company will be an indirect wholly-owned subsidiary of Aditxt through the Buyer. The registered and records office of Aditxt will continue to be located at 737 N. Fifth Street, Suite 200, Richmond, Virginia, 2319, United States.

Intercorporate Relationships

Following the completion of the Arrangement, Adixt will indirectly own all of the issued and outstanding Company Shares. Accordingly, Aditxt will own and hold, directly or indirectly, all of the property of the Company and all rights, contracts, permits and interests of the Company.

Description of the Business of Aditxt Following Completion of the Arrangement

Following the completion of the Arrangement, Aditxt expects that it will carry on the business it had conducted prior to the Arrangement. Aditxt may also, in its discretion, modify or discontinue certain aspects of the Company's business, or reorganize the business in order to integrate the Company's business into Aditxt's operations and realize on certain synergies, and levering their assets across the rest of Aditxt's businesses.

Dividends and Distributions Following Completion of the Arrangement

No change is expected to be made to Aditxt's approach to dividends and distributions following completion of the Arrangement.

Consolidated Capitalization

The following table sets forth the consolidated capitalization of Aditxt as at June 30, 2024 and adjusted to give effect to the Arrangement and the Evofem Acquisition. The table sets forth cash and cash equivalents and capitalizations: (i) on an actual basis; and (ii) on an as-adjusted basis to reflect the estimated Appili financial position in US$ and in accordance with U.S. GAAP. The following table should be read in conjunction with the Aditxt Interim Financial Statements attached hereto as Exhibit I and the Aditxt Interim MD&A attached hereto as Exhibit II. For select unaudited pro forma consolidated financial statements of Aditxt following the completion of the Arrangement, see Exhibit IV.

	Aditxt **As of June 30, 2024 ($USD)**	**Combined Company** **As of June 30, 2024 ($USD)**
(in US$, except share and per share data)	Actual	As Adjusted
Cash and cash equivalents and investment in marketable securities	91,223	12,415,000
Total long term debt, net of debt discounts and debt issuance costs	1,465,121	7,344,000
Stockholders' equity	6,566,098	23,371,000
Total capitalization	28,373,985	168,507,000

Description of Capital Structure Following Completion of the Arrangement

The completion of the Arrangement will not affect the authorized capital of Aditxt. The authorized share capital of Adtixt and the rights attaching to Aditxt Shares following the Arrangement will continue to be the same as those prior to the completion of the Arrangement. Please see "Description of Share Capital" above.

Market for Securities Following Completion of the Arrangement

Upon completion of the Arrangement, it is expected that the Aditxt Shares will continue to be listed for trading on the Nasdaq under the symbol "ADTX". Following completion of the Arrangement, it is expected that the Company Shares will be delisted from the TSX and Company to cease to be a "reporting issuer" in all of the Provinces and Territories in which it is a "reporting issuer".

Directors and Officers of Aditxt Following the Arrangement

Upon completion of the Arrangement, there will be no changes to the directors and officers of Aditxt from its current composition.

Principal Securityholders of Aditxt Before and Following the Arrangement

Other than disclosed herein, to the knowledge of the directors and executive officers of Aditxt, as of the date of this Circular, no person or company beneficially owns, or controls or directs, directly or indirectly, Aditxt Shares carrying 10% or more of the voting rights attached to Aditxt Shares.

Other than disclosed herein, to the knowledge of the directors and executive officers of Aditxt, upon completion of the Arrangement, no person or company beneficially owns, or controls or directs, directly or indirectly, Aditxt Shares carrying 10% or more of the voting rights attached to Aditxt Shares. Company Shareholders (with respect to the consideration received for their Company Shares), in the aggregate, will hold 15,436 Aditxt Shares representing approximately 19.99% of the issued and outstanding Aditxt Shares.

Auditor

Following completion of the Arrangement, it is expected that the independent auditors of Aditxt will continue to be dbb*mckennon*, an independent registered public accounting firm.

Registrar and Transfer Agent

Following completion of the Arrangement it is expected that the transfer agent and registrar of Aditxt Shares will continue to be Vstock Transfer, LLC.

Exhibit I

Aditxt Consolidated Financial Statements

(See attached.)

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ADITXT, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash	$ 91,223	$ 97,102
Accounts receivable, net	406,594	408,326
Inventory	565,501	745,502
Prepaid expenses	443,288	217,390
Subscription receivable	-	5,444,628
TOTAL CURRENT ASSETS	1,506,606	6,912,948
Fixed assets, net	1,864,562	1,898,243
Intangible assets, net	7,778	9,444
Deposits	106,982	106,410
Right of use asset - long term	1,610,846	2,200,299
Investment in Evofem	23,277,211	22,277,211
Deposit on acquisition	-	11,173,772
TOTAL ASSETS	$ 28,373,985	$ 44,578,327
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 13,139,022	$ 8,554,959
Notes payable - related party	467,000	375,000
Notes payable, net of discount	5,946,031	15,653,477
Financing on fixed assets	147,823	147,823
Deferred rent	130,933	158,612
Lease liability - current	734,792	999,943
TOTAL CURRENT LIABILITIES	20,565,601	25,889,814
Settlement liability	720,000	1,600,000
Lease liability - long term	745,121	1,041,744
TOTAL LIABILITIES	22,030,722	28,531,558
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 3,000,000 shares authorized, zero shares issued and outstanding, respectively	-	-
Series A-1 Convertible Preferred stock, $0.001 par value, 22,280 shares authorized, 22,280 and 22,280 shares issued and outstanding, respectively	22	22
Series B Preferred stock, $0.001 par value, 1 share authorized, zero and zero shares issued and outstanding, respectively	-	-
Series B-1 Convertible Preferred stock, $0.001 par value, 6,000 shares authorized, 6,000 and zero shares issued and outstanding, respectively	6	-
Series B-2 Convertible Preferred stock, $0.001 par value, 2,625 shares authorized, 2,625 and 2,625 shares issued and outstanding, respectively	3	3
Series C Preferred stock, $0.001 par value, 1 share authorized, zero and zero shares issued and outstanding, respectively	-	-
Series C-1 Preferred stock, $0.001 par value, 10,853 shares authorized, 4,186 and zero shares issued and outstanding, respectively	4	-
Series D-1 Preferred stock, $0.001 par value, 4,186 shares authorized, 4,186 and zero shares issued and outstanding, respectively	4	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 1,993,741 and 1,318,968 shares issued and 1,993,690 and 1,318,918 shares outstanding, respectively	1,993	1,319
Treasury stock, 51 and 51 shares, respectively	(201,605)	(201,605)
Additional paid-in capital	156,790,226	143,997,710
Accumulated deficit	(150,024,555)	(127,741,072)
TOTAL ADITXT, INC. STOCKHOLDERS' EQUITY	6,566,098	16,056,377
NON-CONTROLLING INTEREST	(222,835)	(9,608)
TOTAL STOCKHOLDERS' EQUITY	6,343,263	16,046,769
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 28,373,985	$ 44,578,327

See accompanying notes to the consolidated financial statements.

ADITXT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
REVENUE				
Sales	$ 44,276	$ 220,978	$ 123,956	$ 439,393
Cost of goods sold	23,134	185,738	88,933	364,047
Gross profit (loss)	21,142	35,240	35,023	75,346
OPERATING EXPENSES				
General and administrative expenses $4,097, $107,156, $28,670, and $381,471 in stock-based compensation, respectively	4,419,545	3,671,083	7,783,293	8,039,926
Research and development, includes $0, $53,540, $6,712,663, and $116,173 in stock-based compensation, respectively	1,553,360	484,835	9,698,626	1,872,376
Sales and marketing $0, $2,532, $0 and $5,035 in stock-based compensation, respectively	24,218	113,759	64,731	179,376
Total operating expenses	5,997,123	4,269,677	17,546,650	10,091,678
NET LOSS FROM OPERATIONS	(5,975,981)	(4,234,437)	(17,511,627)	(10,016,332)
OTHER EXPENSE				
Interest expense	(1,091,568)	(1,285,031)	(3,580,613)	(1,483,523)
Interest income	378	343	755	9,417
Amortization of debt discount	(556,708)	(162,893)	(1,192,418)	(176,286)
Loss on note exchange agreement	-	-	(208,670)	-
Total other expense	(1,647,898)	(1,447,581)	(4,980,946)	(1,650,392)
Net loss before income taxes	(7,623,879)	(5,682,018)	(22,492,573)	(11,666,724)
Income tax provision	-	-	-	-
NET LOSS	$ (7,623,879)	$ (5,682,018)	$ (22,492,573)	$ (11,666,724)
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(74,260)	-	(213,227)	-
NET LOSS ATTRIBUTABLE TO ADITXT, INC. & SUBSIDIARIES	$ (7,549,619)	$ (5,682,018)	$ (22,279,346)	$ (11,666,724)
Net loss per share - basic and diluted	$ (4.19)	$ (36.79)	$ (13.05)	$ (86,82)
Weighted average number of shares outstanding during the period - basic and diluted	1,802,379	154,446	1,707,155	134,371

See accompanying notes to the consolidated financial statements.

ADITXT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(unaudited)

	Preferred A-1 Shares	Preferred A-1 Shares Par	Preferred B-1 Shares	Preferred B-1 Shares Par	Preferred B-2 Shares	Preferred B-2 Shares Par	Preferred C-1 Shares	Preferred C-1 Shares Par	Preferred D-1 Shares	Preferred D-1 Shares Par	Common Shares Outstanding	Common Shares Par	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
Balance December 31, 2023	22,280	$ 22	-	$ -	-	$ -	-	$ -	-	$ -	1,318,918	$ 1,319	$(201,605)	$143,997,710	$(127,741,072)	$ (9,608)	$ 16,046,769
Stock option compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	24,573	-	-	24,573
MDNA asset purchase	-	-	-	-	-	-	-	-	-	-	50,000	50	-	1,008,619	-	-	1,008,669
Brain asset purchase	-	-	6,000	6	6,000	6	-	-	-	-	-	-	-	5,970,437	-	-	5,970,443
Issuance of shares for settlement	-	-	-	-	-	-	-	-	-	-	296,296	296	-	1,599,704	-	-	1,600,000
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(14,729,727)	(138,967)	(14,868,694)
Balance March 31, 2024	22,280	$ 22	6,000	$ 6	6,000	$ 6	-	$ -	-	$ -	1,665,214	$ 1,665	$(201,605)	$152,601,043	$(142,470,799)	$ (148,575)	$ 9,781,760
Stock option compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	4,095	-	-	4,095
Restricted stock unit compensation	-	-	-	-	-	-	-	-	-	-	8	-	-	2	-	-	2
Issuance of shares for offering, net of issuance costs	-	-	-	-	-	-	4,186	4	4,186	4	-	-	-	3,518,559	-	-	3,518,567
Issuance of shares for debt issuance costs	-	-	-	-	-	-	-	-	-	-	328,468	328	-	662,390	-	-	662,718
Modification of warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	4,137	(4,137)	-	-
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,549,619)	(74,260)	(7,623,879)
Balance June 30, 2024 (unaudited)	22,280	$ 22	6,000	$ 6	6,000	$ 6	2,625	$ 4	2,625	$ 4	1,993,690	$ 1,993	$(201,605)	$156,790,226	$(150,024,555)	$ (222,835)	$ 6,343,263

See accompanying notes to the consolidated financial statements.

ADITXT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2024 AND 2023
(unaudited)

	Preferred Shares Outstanding	Preferred Shares Par	Preferred B Shares Outstanding	Preferred B Shares Par	Preferred B-2 Shares Outstanding	Preferred B-2 Shares Par	Common Shares Outstanding	Common Shares Par	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
Balance December 31, 2022	-	$ -	-	$ -	-	$ -	107,647	$ 108	$ (201,605)	$ 100,448,166	$ (95,040,362)	$ -	$ 5,206,307
Stock option and warrant compensation	-	-	-	-	-	-	-	-	-	59,964			59,964
Restricted stock unit compensation	-	-	-	-	-	-	-	-	-	111,187			111,187
Issuance of shares for vested restricted stock units	-	-	-	-	-	-	44	1	-	(1)			-
Sale of common stock	-	-	-	-	-	-	8,463	9	-	507,007			507,016
Issuance of shares for services	-	-	-	-	-	-	4,675	5	-	168,295			
Net loss	-	-	-	-	-	-	-	-	-	-	(5,984,706)		(5,984,706)
Balance March 31, 2023	-	-	-	-	-	-	120,829	123	(201,605)	101,294,618	(101,025,068)		$ 68,068
Stock option and warrant compensation	-	-	-	-	-	-	-	-	-	59,964	-	-	59,964
Restricted stock unit compensation	-	-	-	-	-	-	-	-	-	103,264			103,264
Issuance of shares for vested restricted stock units	-	-	-	-	-	-	42	1	-	(1)	-	-	-
Warrants issued for cash, net of issuance costs	-	-	-	-	-	-	-	-	-	1,581,467	-	-	1,581,467
Exercise of warrants	-	-	-	-	-	-	48,184	49	-	(49			-
Net loss	-	-	-	-	-	-	-	-	-	-	(5,682,018)	-	(5,682,018)
Balance June 30, 2023	-	$ -	-	$ -	-	$ -	169,055	$ 173	$ (201,605)	$ 103,039,263	$ (106,707,086)	$ -	$ (3,869,255)

See accompanying notes to the consolidated financial statements.

ADITXT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (22,492,573)	$ (11,666,724)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation	28,670	502,679
Stock-based compensation from asset purchase	6,712,663	-
Depreciation expense	300,129	219,800
Amortization of intangible assets	1,666	53,500
Amortization of debt discount	1,192,418	176,286
Loss on note exchange agreement	208,670	-
Changes in operating assets and liabilities:		
Accounts receivable	1,732	148795
Prepaid expenses	(225,898)	(157,085)
Deposits	(572)	68,101
Inventory	180,001	(68,400)
Accounts payable and accrued expenses	5,122,287	3,489,429
Settlement Liability	720,000	-
Net cash used in operating activities	(8,250,807)	(7,233,619)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(5,051)
Investment in Evofem	(1,000,000)	-
Net cash used in investing activities	(1,000,000)	(5,051)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes - related party	467,000	687,523
Proceeds from notes and convertible notes payable, net of offering costs	2,393,811	3,433,410
Repayments of note payable - related party	(375,000)	(387,523)
Repayments of note payable	(2,156,052)	(993,750)
New principal from extension of notes, net of debt discount	451,974	-
Warrants issued for cash, net of issuance cost	-	1,581,467
Preferred stock, Common stock, and warrants issued for cash, net of issuance costs	3,018,567	507,016
Cash from subscription receivable	5,444,628	-
Payments on financing on fixed asset	-	(262,160)
Net cash provided by financing activities	9,244,928	4,565,983
NET DECREASE IN CASH	(5,879)	(2,672,687)
CASH AT BEGINNING OF PERIOD	97,102	2,768,640
CASH AT END OF PERIOD	$ 91,223	$ 95,953
Supplemental cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest expense	$ 622,762	$ 1,524,544
Issuance of shares for the conversion of notes payable	$ 500,000	$ -
Debt Discount from shares issued as inducement for note payable	$ 662,718	$ -
Warrant modification	4,137	-
Issuance of shares in asset purchase	$ 266,448	$ -
Shares issued for settlement	$ 1,600,000	$ -
Return of notes payable from Evofem merger agreement	$ 11,174,426	$ -
Accrued interest rolled into notes payable	$ 538,223	$ -

See accompanying notes to the consolidated financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Company Background

Overview

Aditxt, Inc. ® is an innovation platform dedicated to discovering, developing, and deploying promising innovations. Aditxt's ecosystem of research institutions, industry partners, and shareholders collaboratively drives their mission to "Make Promising Innovations Possible Together." The innovation platform is the cornerstone of Aditxt's strategy, where multiple disciplines drive disruptive growth and address significant societal challenges. Aditxt operates a unique model that democratizes innovation, ensures every stakeholder's voice is heard and valued, and empowers collective progress.

On January 1, 2023, the Company formed Adimune, Inc., a Delaware wholly owned subsidiary.

On January 1, 2023, the Company formed Pearsanta, Inc., a Delaware majority owned subsidiary.

On April 13, 2023, the Company formed Adivir, Inc., a Delaware wholly owned subsidiary.

On August 24, 2023, the Company formed Adivue, Inc., a Delaware wholly owned subsidiary.

On October 16, 2023, the Company formed Adicure, Inc., which was renamed Adifem, Inc., a Delaware wholly owned subsidiary.

Reverse Stock Split

On August 17, 2023, the Company effectuated a 1 for 40 reverse stock split (the "2023 Reverse Split"). The Company's stock began trading on a split-adjusted basis effective on the Nasdaq Stock Market on August 18, 2023. There was no change to the number of authorized shares of the Company's common stock. All share amounts referenced in this report are adjusted to reflect the 2023 Reverse Split.

Offerings

On August 31, 2021, the Company completed a registered direct offering ("August 2021 Offering"). In connection therewith, the Company issued 2,292 shares of common stock, at a purchase price of $4,800.00 per share, resulting in gross proceeds of approximately $11.0 million. In a concurrent private placement, the Company issued warrants to purchase up to 2,292 shares. The warrants have an exercise price of $5,060.00 per share and are exercisable for a five-year period commencing months from the date of issuance. The warrants exercise price was subsequently repriced to $3,000.00. In addition, the Company issued a warrant to the placement agent to purchase up to 115 shares of common stock at an exercise price of $6,000.00 per share.

On October 18, 2021, the Company entered into an underwriting agreement with Revere Securities LLC, relating to the public offering (the "October 2021 Offering") of 1,417 shares of the Company's common stock (the "Shares") by the Company. The Shares were offered, issued, and sold at a price to the public of $3,000.00 per share under a prospectus supplement and accompanying prospectus filed with the SEC pursuant to an effective shelf registration statement filed with the SEC on Form S-3 (File No. 333-257645), which was declared effective by the SEC on July 13, 2021. The October 2021 Offering closed on October 20, 2021 for gross proceeds of $4.25 million. The Company utilized a portion of the proceeds, net of underwriting discounts of approximately $3.91 million from the October 2021 Offering to fund certain obligations of the Company.

On December 6, 2021, the Company completed a public offering for net proceeds of $16.0 million (the "December 2021 Offering"). As part of the December 2021 Offering, we issued 4,123 units consisting of shares of the Company's common stock and warrant to purchase shares of the Company's common stock and 4,164 prefunded warrants. The warrant issued as part of the units had an exercise price of $2,300.00 and the prefunded warrants had an exercise price of $0.04. On June 15, 2022, the Company entered an agreement with a holder of certain warrants in the December 2021 Offering. (See Note 10)

On September 20, 2022, the Company completed a public offering for net proceeds of $17.2 million (the "September 2022 Offering"). As part of the September 2022 Offering, we issued 30,608 of shares of the Company's common stock, pre-funded warrants to purchase 52,725 shares of common stock, and warrants to purchase 83,333 shares of the Company's common stock. The warrants had an exercise price of $240.00 and the pre-funded warrants had an exercise price of $0.04.

On April 20, 2023, the Company entered into a securities purchase agreement (the "April Purchase Agreement") with an institutional investor, pursuant to which the Company agreed to sell to such investor pre-funded warrants (the "April Pre-Funded Warrants") to purchase up to 39,634 shares of common stock of the Company (the "Common Stock") at a purchase price of $48.76 per April Pre-Funded Warrant. The April Pre-Funded Warrants (and shares of common stock underlying the April Pre-Funded Warrants) were offered by the Company pursuant to its shelf registration statement on Form S-3 (File No. 333-257645), which was declared effective by the Securities and Exchange Commission on July 13, 2021. Concurrently with the sale of the April Pre-Funded Warrants, pursuant to the Purchase Agreement in a concurrent private placement, for each April Pre-Funded Warrant purchased by the investor, such investor received from the Company an unregistered warrant (the "Warrant") to purchase two shares of Common Stock. The warrants have an exercise price of $34.40 per share, and are exercisable for a three year period. In addition, the Company issued a warrant to the placement agent to purchase up to 2,378 shares of common stock at an exercise price of $61.00 per share. The closing of the sales of these securities under the April Purchase Agreement took place on April 24, 2023. The gross proceeds from the offering were approximately $1.9 million, prior to deducting placement agent's fees and other offering expenses payable by the Company.

On August 31, 2023, the "Company entered into a securities purchase agreement (the "August Purchase Agreement") with an institutional investor for the issuance and sale in a private placement (the "August 2023 Private Placement") of (i) pre-funded warrants (the "August Pre-Funded Warrants") to purchase up to 1,000,000 shares of the Company's common stock at an exercise price of $0.001 per share, and (ii) warrants (the "Common Warrants") to purchase up to 1,000,000 shares of the Company's Common Stock at an exercise price of $10.00 per share. The August 2023 Private Placement closed on September 6, 2023. The net proceeds to the Company from the August 2023 Private Placement were approximately $9 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company. The Company used the net proceeds received from the August 2023 Private Placement for (i) the payment of approximately $3.1 million in outstanding obligations, (ii) the repayment of approximately $0.4 million of outstanding debt, and (iii) the balance for continuing operating expenses and working capital.

On December 29, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor ("the "Purchaser") for the issuance and sale in a private placement (the "December 2023 Private Placement") of (i) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 1,237,114 shares of the Company's common stock, par value $0.001 (the "Common Stock") at an exercise price of $0.001 per share, and (ii) warrants (the "Common Warrants") to purchase up to 2,474,228 shares of the Company's Common Stock, at a purchase price of $4.85 per share. The December 2023 Private Placement closed and the funds were received on January 4, 2024. The net proceeds to the Company from the December 2023 Private Placement were approximately $5.4 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company. The Company used the net proceeds received from the December 2023 Private Placement for continuing operating expenses and working capital.

On May 2, 2024, the Company entered into a Securities Purchase Agreement (the "May PIPE Purchase Agreement") with certain accredited investors, pursuant to which the Company agreed to issue and sell to such investors in a private placement (the "May 2024 Private Placement") (i) an aggregate of 4,186 shares of the Company's Series C-1 Convertible Preferred Stock (the "Series C-1 Preferred Stock"), (ii) an aggregate of 4,186 shares of the Company's Series D-1 Preferred Stock (the "Series D-1 Preferred Stock"), and (iii) warrants (the "May PIPE Warrants") to purchase up to an aggregate of 1,613,092 shares of the Company's common stock. The May 2024 Private Placement closed on May 6, 2024. The gross proceeds from the May 2024 Private Placement were approximately $4.2 million, prior to deducting the placement agent's fees and other offering expenses payable by the Company. The Company used $1.0 million of the net proceeds to fund certain obligations under its merger agreement with Evofem Biosciences, Inc. and the remainder of the net proceeds from the offering for working capital and other general corporate purposes.

Risks and Uncertainties

The Company has a limited operating history and is in the very early stages of generating revenue from intended operations. The Company's business and operations are sensitive to general business and economic conditions in the U.S. and worldwide along with local, state, and federal governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include: changes in the biotechnology regulatory environment, technological advances that render our technologies obsolete, availability of resources for clinical trials, acceptance of technologies into the medical community, and competition from larger, more well-funded companies. These adverse conditions could affect the Company's financial condition and the results of its operations.

NOTE 2 – GOING CONCERN ANALYSIS

Management Plans

The Company was incorporated on September 28, 2017 and has not generated significant revenues to date. During the six months ended June 30, 2024, the Company had a net loss of $22,492,573 and negative cash flow from operating activities of $8,250,807. As of June 30, 2024, the Company's cash balance was $91,223.

As of June 30, 2024, the Company had approximately $1.8 million of availability to sell under its shelf registration statement on Form S-3. Upon the filing of the Company's annual report on Form 10-K on April 16, 2024, the Company's aggregate market value of the voting and non-voting equity held by non-affiliates was below $3.0 million. As a result, the maximum amount that the Company can sell under its shelf registration statement on Form S-3 during any 12 month period is equal to one-third of the aggregate market value of the voting and non-voting equity held by non-affiliates of the Company.

On November 21, 2023, the Company received written notice from Nasdaq that we had regained compliance with the Public Float Rule. On December 29, 2023, the Company received written notice from Nasdaq that we had regained compliance with the Stockholders' Equity Rule but will be subject to a Mandatory Panel Monitor for a period of one year.

If we are delisted from Nasdaq, but obtain a substitute listing for our common stock, it will likely be on a market with less liquidity, and therefore experience potentially more price volatility than experienced on Nasdaq. Stockholders may not be able to sell their shares of common stock on any such substitute market in the quantities, at the times, or at the prices that could potentially be available on a more liquid trading market. As a result of these factors, if our common stock is delisted from Nasdaq, the value and liquidity of our common stock, warrants and pre-funded warrants would likely be significantly adversely affected. A delisting of our common stock from Nasdaq could also adversely affect our ability to obtain financing for our operations and/or result in a loss of confidence by investors, employees and/or business partners.

The Company continues to actively pursue numerous capital raising transactions with the objective of obtaining sufficient bridge funding to meet the Company's existing capital needs as well as more substantial capital raises to meet the Company's longer-term needs.

In addition, factors such as stock price, volatility, trading volume, market conditions, demand and regulatory requirements may adversely affect the Company's ability to raise capital in an efficient manner. Because of these factors, the Company believes that this creates substantial doubt with the Company's ability to continue as a going concern.

In addition to the shelf registration, the Company has the ability to raise capital from equity or debt through private placements or public offerings pursuant to a registration statement on Form S-1. We may also secure loans from related parties.

The financial statements included in this report do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the matters discussed herein. The Company's ability to continue as a going concern is dependent upon the ability to complete clinical studies and implement the business plan, generate sufficient revenues and to control operating expenses. In addition, the Company is consistently focused on raising capital, strategic acquisitions and alliances, and other initiatives to strengthen the Company.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). In the opinion of the Company's management, the accompanying condensed consolidated financial statements reflect all adjustments, consisting of normal, recurring adjustments, considered necessary for a fair presentation of the results for the interim periods ended June 30, 2024 and June 30, 2023. Although management believes that the disclosures in these unaudited condensed consolidated financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in condensed consolidated financial statements that have been prepared in accordance U.S. GAAP have been omitted pursuant to the rules and regulations of the SEC.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's financial statements and notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 16, 2024. The interim results for the six months ended June 30, 2024 are not necessarily indicative of the results to be expected for the year ended December 31, 2024 or for any future interim periods.

Principles of Consolidation

The consolidated financial statements include the accounts of Aditxt, Inc., its wholly owned subsidiaries and, one majority owned subsidiary. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of 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 revenue and expense during the reporting period. Actual results could differ from those estimates. Significant estimates underlying the financial statements include the collectability of notes receivable, the reserve on insurance billing, value of preferred shares issued, our investments in preferred shares, estimation of discounts on non-interest bearing borrowing, and the fair value of stock options and warrants.

Fair Value Measurements and Fair Value of Financial Instruments

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements. ASC Topic 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 - Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 - Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with ASC Topic 820.

Due to the short-term nature of all financial assets and liabilities, their carrying value approximates their fair value as of the balance sheet dates. (See Note 9)

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company maintains its cash accounts at financial institutions which are insured by the Federal Deposit Insurance Corporation. At times, the Company may have deposits in excess of federally insured limits.

Substantially all the Company's accounts receivable are with companies in the healthcare industry, individuals, and the U.S. government. However, concentration of credit risk is mitigated due to the Company's number of customers. In addition, for receivables due from U.S. government agencies, the Company does not believe the receivables represent a credit risk as these are related to healthcare programs funded by the U.S. government and payment is primarily dependent upon submitting the appropriate documentation.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments.

Inventory

Inventory consists of laboratory materials and supplies used in laboratory analysis. We capitalize inventory when purchased. Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis. We periodically perform obsolescence assessments and write off any inventory that is no longer usable.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes expenditures for furniture, office equipment, laboratory equipment, and other assets. Maintenance and repairs are charged to expense as incurred. When assets are sold, retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations. The costs of fixed assets are depreciated using the straight-line method over the estimated useful lives or lease life of the related assets.

Useful lives assigned to fixed assets are as follows:

Computers	Three years to five years
Lab Equipment	Seven to ten years
Office Furniture	Five to ten years
Other fixed assets	Five to ten years
Leasehold Improvements	Shorter of estimated useful life or remaining lease term

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. For intangible assets that have finite lives, the assets are amortized using the straight-line method over the estimated useful lives of the related assets. For intangible assets with indefinite lives, the assets are tested periodically for impairment.

Investments

The following table sets forth a summary of the changes in equity investments. This investment has been recorded at cost in accordance with ASC 321.

	For the six months ended June 30, 2024
As of December 31, 2023	$ 22,277,211
Deposit on acquisition	1,000,000
Unrealized gains	-
As of June 30, 2024	$ 23,277,211

This investment is included in its own line item on the Company's consolidated balance sheets.

Non-marketable equity investments (for which we do not have significant influence or control) are investments without readily determinable fair values that are recorded based on initial cost minus impairment, if any, plus or minus adjustments resulting from observable price changes in orderly transactions for identical or similar securities, if any. All gains and losses on investments in non-marketable equity securities, realized and unrealized, are recognized in investment and other income (expense), net.

We monitor equity method and non-marketable equity investments for events or circumstances that could indicate the investments are impaired, such as a deterioration in the investee's financial condition and business forecasts and lower valuations in recently completed or anticipated financings, and recognize a charge to investment and other income (expense), net for the difference between the estimated fair value and the carrying value. For equity method investments, we record impairment losses in earnings only when impairments are considered other-than-temporary.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company generally does not require collateral to support customer receivables. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. As of June 30, 2024 and December 31, 2023, there was an allowance for doubtful accounts of $49,964 and zero, respectively. Accounts receivable is made up of billed and unbilled of $265,106 and $191,452 as of June 30, 2024 and $236,605 and $171,721 as of December 31, 2023, respectively.

Income Taxes

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 bases and operating loss and tax credit carry forwards. 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 income in the period that includes the enactment date. At June 30, 2024 and December 31, 2023, the Company had a full valuation allowance against its deferred tax assets.

Offering Costs

Offering costs incurred in connection with equity are recorded as a reduction of equity and offering costs incurred in connection with debt are recorded as a reduction of debt as a debt discount. Equity instruments issued as offering costs have zero net effect on the Company's equity.

Revenue Recognition

In accordance with ASC 606 (Revenue From Contracts with Customers), revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. To achieve this core principle, the Company applies the following five steps:

1) *Identify the contract with a customer*

2) *Identify the performance obligations in the contract*

3) *Determine the transaction price*

4) *Allocate the transaction price to performance obligations in the contract*

5) *Recognize revenue when or as the Company satisfies a performance obligation*

Revenues reported from services relating to the AditxtScore™ are recognized when the AditxtScore™ report is delivered to the customer. The services performed include the analysis of specimens received in the Company's CLIA laboratory and the generation of results which are then delivered upon completion.

The Company recognizes revenue in the following manner for the following types of customers:

Client Payers:

Client payers include physicians or other entities for which services are billed based on negotiated fee schedules. The Company principally estimates the allowance for credit losses for client payers based on historical collection experience and the period of time the receivable has been outstanding.

Cash Pay:

Customers are billed based on established patient fee schedules or fees negotiated with physicians on behalf of their patients. Collection of billings is subject to credit risk and the ability of the patients to pay.

Insurance:

Reimbursements from healthcare insurers are based on fee for service schedules. Net revenues recognized consist of amounts billed net of contractual allowances for differences between amounts billed and the estimated consideration the Company expects to receive from such payers, collection experience, and the terms of the Company's contractual arrangements.

Leases

Under Topic 842 (Leases), operating lease expense is generally recognized evenly over the term of the lease. The Company has operating leases consisting of office space, laboratory space, and lab equipment.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. We combine the lease and non-lease components in determining the lease liabilities and right of use ("ROU") assets.

Stock-Based Compensation

The Company accounts for stock-based compensation costs under the provisions of ASC 718, Compensation—Stock Compensation, which requires the measurement and recognition of compensation expense related to the fair value of stock-based compensation awards that are ultimately expected to vest. Stock-based compensation expense recognized includes the compensation cost for all stock-based payments granted to employees, officers, and directors based on the grant date fair value estimated in accordance with the provisions of ASC 718. ASC 718 is also applied to awards modified, repurchased, or cancelled during the periods reported. Stock-based compensation is recognized as expense over the employee's requisite vesting period and over the nonemployee's period of providing goods or services.

Patents

The Company incurs fees from patent licenses, which are reflected in research and development expenses, and are expensed as incurred. During the six months ended June 30, 2024 and 2023, the Company incurred patent licensing fees of $61,666 and $74,525, respectively.

Research and Development

We incur research and development costs during the process of researching and developing our technologies and future offerings. We expense these costs as incurred unless such costs qualify for capitalization under applicable guidance. During the six months ended June 30, 2024 and 2023, the Company incurred research and development costs of $9,698,626 and $1,872,376, respectively.

Non-controlling Interest in Subsidiary

Non-controlling interests represent the Company's subsidiary's cumulative results of operations and changes in deficit attributable to non-controlling shareholders. During the six months ended June 30, 2024 and 2023, the Company recognized $213,227 and $0 in net loss attributable to non-controlling interest in Pearsanta. The Company owns approximately 90.2% of Pearsanta, Inc., as of June 30, 2024.

Basic and Diluted Net Loss per Common Share

Basic loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding for each period. Diluted loss per share is computed by dividing the net loss attributable of common stockholders by the weighted average number of shares of common stock outstanding plus the dilutive effect of shares issuable through the common stock equivalents. The weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive.

Instrument	Quantity Issued and Outstanding as of June 30, 2024	Common Stock Equivalent
Series A Preferred Stock	-	-
Preferred Series A-1 Stock	22,280	5,018,019
Series B Preferred Stock	-	-
Preferred Series B-1 Stock	6,000	1,477,833
Preferred Series B-2 Stock	2,625	557,325
Series C Preferred Stock	-	-
Preferred Series C-1 Stock	4,186	1,613,103
Preferred Series D-1 Stock	4,186	-
Warrants	6,790,795	6,790,795
Options	45,572	45,572
Total Common Stock Equivalent	5,278,686	20,567,829

Recent Accounting Pronouncements

The FASB issues ASUs to amend the authoritative literature in ASC. There have been several ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

NOTE 4 – FIXED ASSETS

The Company's fixed assets include the following on June 30, 2024:

	Cost Basis	Accumulated Depreciation	Net
Computers	$ 378,480	$ (360,170)	$ 18,310
Lab Equipment	2,711,525	(1,045,777)	1,665,748
Office Furniture	56,656	(16,699)	39,957
Other Fixed Assets	148,605	(60,848)	87,757
Leasehold Improvements	120,440	(67,650)	52,790
Total Fixed Assets	$ 3,415,706	$ (1,551,144)	$ 1,864,562

The Company's fixed assets include the following on December 31, 2023

	Cost Basis	Accumulated Depreciation	Net
Computers	$ 378,480	$ (320,473)	$ 58,007
Lab Equipment	2,585,077	(859,612)	1,725,465
Office Furniture	56,656	(13,866)	42,790
Other Fixed Assets	8,605	(2,084)	6,521
Leasehold Improvements	120,440	(54,980)	65,460
Total Fixed Assets	$ 3,149,258	$ (1,251,015)	$ 1,898,243

Depreciation expense was $157,197 and $109,904 for the three months ended June 30, 2024 and 2023, respectively. Depreciation expense was $300,129 and $219,800 for the six months ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and December 31, 2023, the fixed assets that serve as collateral subject to the financed asset liability have a carrying value of $1,898,243 and $1,316,830, respectively.

Fixed asset activity for the six months ended June 30, 2024 consisted of the following:

	For the six months ended June 30, 2024
As of December 31, 2023	3,149,258
Brain Scientific Asset Purchase	266,448
Additions	-
As of June 30, 2024	$ 3,415,706

Financed Assets:

In October 2020, the Company purchased two pieces of lab equipment and financed them for a period of twenty-four months with a monthly payment of $19,487, with an interest rate of 8%. As of June 30, 2024, the Company has one payment in arrears.

In January of 2021, the Company purchased one piece of lab equipment and financed it for a period of twenty-four months with a monthly payment of $9,733, with an interest rate of 8%. As of June 30, 2024, the Company has one payment in arrears.

In March of 2021, the Company purchased five pieces of lab equipment and financed them for a period of twenty-four months with a monthly payment of $37,171, with an interest rate of 8%. As of June 30, 2024, the Company has four payments in arrears.

As of June 30, 2024, all lab equipment financing agreements have matured and are in default status.

NOTE 5 – INTANGIBLE ASSETS

The Company's intangible assets include the following on June 30, 2024:

	Cost Basis	Accumulated Amortization	Net
Proprietary Technology	$ 321,000	$ (321,000)	$ -
Intellectual property	10,000	(2,222)	7,778
Total Intangible Assets	$ 331,000	$ (323,222)	$ 7,778

The Company's intangible assets include the following on December 31, 2023:

	Cost Basis	Accumulated Amortization	Net
Proprietary Technology	$ 321,000	$ (321,000)	$ -
Intellectual property	10,000	(556)	9,444
Total Intangible Assets	$ 331,000	$ (321,556)	$ 9,444

Amortization expense was $833 and $26,750 for the three months ended June 30, 2024 and 2023, respectively. Amortization expense was $1,666 and $53,500 for the six months ended June 30, 2024 and 2023, respectively. The Company's proprietary technology is being amortized over its estimated useful life of three years.

	For the six months ended June 30, 2024
As of December 31, 2023	321,000
Additions	-
As of June 30, 2024	$ 321,000

NOTE 6 – RELATED PARTY TRANSACTIONS

On November 30, 2023, Amro Albanna, the Chief Executive Officer of the Company, loaned $10,000 to the Company. The loan was evidenced by an unsecured promissory note (the "November Note"). Pursuant to the terms of the November Note, it will accrue interest at a rate of eight and a half percent (8.50%) per annum, the Prime rate on the date of signing, and is due on the earlier of May 30, 2024 or an event of default, as defined therein. As of June 30, 2024, the note was fully paid off.

On December 6, 2023, Amro Albanna, the Chief Executive Officer of the Company, loaned $200,000 to the Company. The loan was evidenced by an unsecured promissory note (the "First December Note"). Pursuant to the terms of the First December Note, it will accrue interest at a rate of eight and a half percent (8.50%) per annum, the Prime rate on the date of signing, and is due on the earlier of June 6, 2024 or an event of default, as defined therein. As of June 30, 2024, the note was fully paid off.

On December 20, 2023, Amro Albanna, the Chief Executive Officer of the Company, loaned $165,000 to the Company. The loan was evidenced by an unsecured promissory note (the "Second December Note"). Pursuant to the terms of the Second December Note, it will accrue interest at a rate of eight and a half percent (8.50%) per annum, the Prime rate on the date of signing, and is due on the earlier of June 20, 2024 or an event of default, as defined therein. As of June 30, 2024, the note was fully paid off.

On February 7, 2024, Amro Albanna, the Chief Executive Officer of the Company loaned $30,000 to the Company. The loan was evidenced by an unsecured promissory note (the "February 7th Note"). Pursuant to the terms of the February 7th Note, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of August 7, 2024 or an event of default, as defined therein. As of June 30, 2024 the note has an outstanding principal balance of $30,000. The February 7th Note is currently in default, the Company expects to amend the maturity date without penalty.

On February 15, 2024, Amro Albanna, the Chief Executive Officer of the Company loaned $205,000 to the Company. The loan was evidenced by an unsecured promissory note (the "February 15th Note"). Pursuant to the terms of the February 15th Note, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of August 15, 2024 or an event of default, as defined therein. As of June 30, 2024 the note has an outstanding principal balance of $205,000. The February 15th Note is currently in default, the Company expects to amend the maturity date without penalty.

On February 29, 2024, Amro Albanna, the Chief Executive Officer of the Company, and Shahrokh Shabahang, the Chief Innovation Officer of the Company, loaned $117,000 and $115,000, respectively, to the Company. The loans were evidenced by an unsecured promissory note (the "February 29th Notes"). Pursuant to the terms of the February 29th Notes, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of August 29, 2024 or an event of default, as defined therein. As of June 30, 2024 these notes have an outstanding principal balance of $232,000.

See Note 12 for additional loans incurred or paid subsequent to June 30, 2024.

NOTE 7 – NOTES PAYABLE

On October 5, 2023, the Company entered into an Agreement for the Purchase and Sale of Future Receipts (the "October MCA Agreement") pursuant to which the existing funder (the "Funder") increased the existing outstanding amount to $4,470,000 (the "October MCA Purchased Amount") for gross proceeds to the Company of $3,000,000, less origination fees of $240,000 and the outstanding balance under the existing agreement of $1,234,461, resulting in net proceeds to the Company of $1,525,539. Pursuant to the October MCA Agreement, the Company granted the Funder a security interest in all of the Company's present and future accounts receivable in an amount not to exceed the October MCA Purchased Amount. The October MCA Purchased Amount shall be repaid by the Company in 30 weekly installments of $149,000. The October Purchased Amount may be prepaid by the Company via a payment of $3,870,000 if repaid within 30 days, $4,110,000 if repaid within 60 days and $4,230,000 if repaid within 90 days. On January 24, 2024, the October MCA Agreement was restructured in connection with the January Loan Agreement, as defined below.

On November 7, 2023, the Company entered into a Business Loan and Security Agreement (the "November Loan Agreement") with the lender (the "Lender"), pursuant to which the Company obtained a loan from the Lender in the principal amount of $2,100,000, which satisfied the outstanding balance on the August Loan of $1,089,000 and includes origination fees of $140,000 (the "November Loan"). Pursuant to the November Loan Agreement, the Company granted the Lender a continuing secondary security interest in certain collateral (as defined in the November Loan Agreement). The total amount of interest and fees payable by us to the Lender under the November Loan will be $3,129,000, which will be repaid in 34 weekly installments ranging from $69,000 - $99,000. As of June 30, 2024, the November Loan has an outstanding principal balance of $1,752,827, an unamortized debt discount of $4,118, and accrued interest of $764,173. The November Loan Agreement is currently in default status.

On November 24, 2023, the Company entered into a loan with a principal of $53,099. The loan was evidenced by an unsecured promissory note (the "Second November Note"). Pursuant to the terms of the Second November Note, it will accrue interest at a rate of eight and a half percent (8.50%) per annum, the Prime rate on the date of signing, and is due on the earlier of May 24, 2024 or an event of default, as defined therein. As of June 30, 2024, the Second November Note was fully paid off.

On January 24, 2024, the Company entered into a Business Loan and Security Agreement (the "January Loan Agreement") with a commercial funding source (the "Lender"), pursuant to which the Company obtained a loan from the Lender in the principal amount of $3,600,000, which includes origination fees of $252,000 (the "January Loan"). Pursuant to the January Loan Agreement, the Company granted the Lender a continuing secondary security interest in certain collateral (as defined in the January Loan Agreement). The total amount of interest and fees payable by the Company to the Lender under the January Loan will be $5,364,000, which will be repayable by the Company in 30 weekly installments of $178,800. The Company received net proceeds from the January Loan of $814,900 following repayment of the outstanding balance on the October Purchased Amount of $2,533,100. As of June 30, 2024, there was a remaining principal balance of $3,519,577, an unamortized debt discount of $67,200, and accrued interest of $1,496,351. The January Loan Agreement is currently in default status.

On March 7, 2024, Sixth Borough Capital Fund, LP loaned $300,000 to the Company. The loan was evidenced by an unsecured promissory note (the "Sixth Borough Note"). Pursuant to the terms of the Sixth Borough Note, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of June 30, 2024 or an event of default, as defined therein. The Sixth Borough Note was converted into Series C-1 Preferred Stock in connection with the Private Placement (as defined below).

On April 10, 2024, Sixth Borough Capital Fund, LP ("Sixth Borough") loaned $230,000 to Aditxt. The loan was evidenced by an unsecured promissory note (the "April Sixth Borough Note"). Pursuant to the terms of the April Sixth Borough Note, it accrued interest at the Prime rate of eight and one-half percent (8.5%) per annum and was due on the earlier of April 19, 2024 or an event of default, as defined therein. $200,000 of the April Sixth Borough Note was converted as part of the May PIPE Purchase Agreement (as defined below) (note 10).

On May 9, 2024, at which point the balance of the April Sixth Borough Note was $35,256, Sixth Borough loaned an additional $20,000 to the Company bringing the balance of the loan to $55,256. The loan was evidenced by an unsecured promissory note (the "Sixth Borough Upsize Note"). Pursuant to the terms of the Sixth Borough Upsize Note, it accrued interest at the fifteen percent (15.0%) per annum and was due on the earlier of June 9, 2024 (the "Maturity Date") or an event of default, as defined therein. As previously reported in a Current Report on Form 8-K filed by the Company on June 12, 2024, as a result of the Company's failure to repay the balance on the Maturity Date, the Company was in default on the Upsize Note.

On June 20, 2024, at which point the balance of the Sixth Borough Upsize Note was $56,187, Sixth Borough loaned an additional $50,000 to the Company and the Company issued a new note (the "Sixth Borough New Note") to Sixth Borough in the principal amount of $116,806, which includes an original issue discount of 10%. The Sixth Borough New Note is subordinate and junior, in all respects, to those Second May Senior Notes (as defined below). The Sixth Borough New Note bears interest at a rate of eight percent (8.0%) per annum and is due on the earlier of (i) November 21, 2024. As of June 30, the principal balance of the outstanding Sixth Borough New Note was $116,806.

On May 20, 2024, the Company issued and sold a senior note (the "First May Senior Note") to an accredited investor (the "First May Senior Note Holder") in the original principal amount of $93,919 for a purchase price of $75,135, reflecting an original issue discount of $18,784. Unless earlier redeemed, the First May Senior Note will mature on August 18, 2024 (the "First May Senior Note Maturity Date"), subject to extension at the option of the First May Senior Holder in certain circumstances as provided in the First May Senior Note. The First May Senior Note bears interest at a rate of 8.5% per annum, which is compounded each calendar month and is payable in arrears on the First May Senior Maturity Date. The First May Senior Note contains certain standard events of default, as defined in the First May Senior Note.

On May 24, 2024, the Company entered into a Securities Purchase Agreement (the "Second May Senior Note Securities Purchase Agreement") with certain accredited investors pursuant to which the Company issued and sold senior notes in the aggregate principal amount of $986,380 (the "Second May Senior Notes") maturing on August 22, 2024, which included the exchange of the First May Senior Note in the principal amount of $93,919. The Company received cash proceeds of $775,000 from the sale of the Second May Senior Notes.

Upon an Event of Default (as defined in the Second May Senior Notes), the Second May Senior Notes will bear interest at a rate of 14% per annum and the holder shall have the right to require the Company to redeem the Note at a redemption premium of 125%. In connection with the issuance of the Second May Senior Notes, the Company issued an aggregate of 328,468 shares of its common stock as a commitment fee to the investors and recorded a debt discount of $662,720 from the issuance of these shares. During the six months ended June 30, 2024, the Company recorded an amortization of debt discount on the Second May Senior Notes of $359,353. As of June 30, 2024, there was a remaining debt discount on the Second May Senior Notes of $514,749.

Evofem Merger

In connection with the Agreement and Plan of Merger (the "Merger Agreement") with Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem Biosciences, Inc., a Delaware corporation ("Evofem"), the Company, Evofem and the holders (the "Holders") of certain senior indebtedness (the "Notes") entered into an Assignment Agreement dated December 11, 2023 (the "Assignment Agreement"), pursuant to which the Holders assigned the Notes to the Company in consideration for the issuance by the Company of (i) an aggregate principal amount of $5 million in secured notes of the Company due on January 2, 2024 (the "January 2024 Secured Notes"), (ii) an aggregate principal amount of $8 million in secured notes of the Company due on September 30, 2024 (the "September 2024 Secured Notes"), (iii) an aggregate principal amount of $5 million in ten-year unsecured notes (the "Unsecured Notes"), and (iv) payment of $154,480 in respect of net sales of Phexxi in respect of the calendar quarter ended September 30, 2023, which amount is due and payable on December 14, 2023. The January 2024 Secured Notes are secured by certain intellectual property assets of the Company and its subsidiaries pursuant to an Intellectual Property Security Agreement (the "IP Security Agreement") entered into in connection with the Assignment Agreement. The September 2024 Secured Notes are secured by the Notes and certain associated security documents pursuant to a Security Agreement (the "Security Agreement") entered into in connection with the Assignment Agreement. Due to the assignment (See: *Secured Notes Amendments and Assignment* below), as of June 30, 2024, there was a remaining principal balance of the notes to the Company was $0. (Note 9)

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), (i) all issued and outstanding shares of common stock, par value $0.0001 per share of Evofem ("Evofem Common Stock"), other than any shares of Evofem Common Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 610,000 shares of the Company's common stock, par value $0.001 per share ("Company Common Stock"); and (ii) all issued and outstanding shares of Series E-1 Preferred Stock, par value $0.0001 of Evofem (the "Evofem Unconverted Preferred Stock"), other than any shares of Evofem Unconverted Preferred Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 2,327 shares of Series A-1 Preferred Stock, par value $0.001 of the Company (the "Company Preferred Stock"), having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-1 Preferred Stock, the form of which is attached as Exhibit C to the Merger Agreement.

The respective obligations of each of the Company, Merger Sub and Evofem to consummate the closing of the Merger (the "Closing") are subject to the satisfaction or waiver, at or prior to the closing of certain conditions, including but not limited to, the following:

(i) approval by the Company's shareholders and Evofem shareholders;

(ii) the registration statement on Form S-4 pursuant to which the shares of the Company Common Stock issuable in the Merger being declared effective by the U.S. Securities and Exchange Commission;

(iii) the entry into a voting agreement by the Company and certain members of Evofem management;

(iv) all preferred stock of Evofem other than the Evofem Unconverted Preferred Stock shall have been converted to Evofem Common Stock;

(v) Evofem shall have received agreements (the "Evofem Warrant Holder Agreements") from all holders of Evofem warrants which provide:

a. waivers with respect to any fundamental transaction, change in control or other similar rights that such warrant holder may have under any such Evofem warrants, and (b) an agreement to such Evofem warrants to exchange such warrants for not more than an aggregate (for all holders of Evofem warrants) of 551 shares of Company Preferred Stock;

(vi) Evofem shall have cashed out any other holder of Evofem warrants who has not provided an Evofem Warrant Holder Agreement; and

(vii) Evofem shall have obtained waivers from the holders of the convertible notes of Evofem (the "Evofem Convertible Notes") with respect to any fundamental transaction rights that such holder may have under the Evofem Convertible Notes, including any right to vote, consent, or otherwise approve or veto any of the transactions contemplated under the Merger Agreement.

The obligations of the Company and Merger Sub to consummate the Closing are subject to the satisfaction or waiver, at or prior to the Closing of certain conditions, including but not limited to, the following:

(i) the Company shall have obtained agreements from the holders of Evofem Convertible Notes and purchase rights they hold to exchange such Convertible Notes and purchase rights for not more than an aggregate (for all holders of Evofem Convertible Notes) of 86,153 shares of Company Preferred Stock;

(ii) the Company shall have received waivers form the holders of certain of the Company's securities which contain prohibitions on variable rate transactions; and

(iii) the Company, Merger Sub and Evofem shall work together between the Execution Date and the Effective Time to determine the tax treatment of the Merger and the other transactions contemplated by the Merger Agreement.

The obligations of the Company to consummate the Closing are subject to the satisfaction or waiver, at or prior to the Closing of certain conditions, including but not limited to, the following:

(i) the Company shall have regained compliance with the stockholders' equity requirement in Nasdaq Listing Rule 5550(b)(1) and shall meet all other applicable criteria for continued listing, subject to any panel monitor imposed by Nasdaq.

As the January 2024 Secured Notes and September 2024 Secured Notes did not contain a stated interest rate, the Company calculated an imputed interest rate of 26.7% based on the Company's weighted average cost of capital for the period in which the January 2024 Secured Notes and September 2024 Secured Notes were outstanding. This amounted to approximately $1.8 million which was recorded as a discount to be amortized over the life of the January 2024 Secured Notes and September 2024 Secured Notes.

Secured Notes Amendments and Assignment

On January 2, 2024, the Company and certain holders of the secured notes (the "Holders") entered into amendments to the January 2024 Secured Notes ("Amendment No. 1 to January 2024 Secured Notes"), pursuant to which the maturity date of the January 2024 Notes was extended to January 5, 2024.

On January 5, 2024, the Company and the Holders entered into amendments to the January 2024 Secured Notes ("Amendment No. 2 to January 2024 Secured Notes") and amendments to the September 2024 Secured Notes ("Amendment No. 1 to September 2024 Secured Notes"), pursuant to which the Company and the Holders agreed that in consideration of a principal payment in the aggregate amount of $1 million on the January 2024 Secured Notes and in increase in the aggregate principal balance of $250,000 on the September 2024 Secured Notes, that the maturity date of the January 2024 Secured Notes would be further extended to January 31, 2024.

On January 31, 2024, the Company and the Holders entered into amendments to the January 2024 Secured Notes ("Amendment No. 3 to January 2024 Secured Notes"), pursuant to which the maturity date of the January 2024 Notes was extended to February 29, 2024. In addition, on January 31, 2024, the Company and the Holders entered into amendments to the September 2024 Secured Notes ("Amendment No. 2 to September 2024 Secured Notes"), pursuant to which the Company and the Holders agreed that in consideration of a principal payment in the aggregate amount of $1.25 million on the January 2024 Secured Notes and in increase in the aggregate principal balance of $300,000 on the September 2024 Secured Notes.

Pursuant to Amendment No. 3 to the January 2024 Secured Notes, the Company was required to make the Additional Consideration payment no later than February 9, 2024. As a result of the Company's failure to make the Additional Consideration payment by February 9, 2023, the January 2024 Secured Notes and the September 2024 Secured Notes were in default and the entire principal balance of the January 2024 Secured Notes and the September 2024 Secured Notes, without demand or notice, were due and payable.

As a result of the defaults on the January 2024 Secured Notes and the September 2024 Secured Notes, the Company was in default on the Business Loan and Security Agreement dated January 24, 2024 (the January Business Loan"), which had a current balance of approximately $5.2 million, and the Business Loan and Security Agreement dated November 7, 2023 (the "November Business Loan") which had a current balance of approximately $2.7 million.

On February 26, 2024, the Company and the Holders entered into an Assignment Agreement (the "February Assignment Agreement"), pursuant to which the Company assigned all remaining amounts due under the January 2024 Secured Notes, the September 2024 Secured Notes and the Unsecured Notes (collectively, the "Notes") back to the Holders. The Company recognized a $208,670 loss on the transfer of these notes. In connection with the February Assignment Agreement, the Company and the Holders entered into a payoff letter (the "Payoff Letter") and amendments to the January 2024 Secured Notes ("Amendment No. 4 to January 2024 Secured Notes"), pursuant to which the maturity date of the January 2024 Secured Notes was extended to June 30, 2024 and the outstanding balance under the Notes, after giving effect to the transactions contemplated by the February Assignment Agreement as applied pursuant to the Payoff Letter, was adjusted to $250,000. On April 15, 2024, the Company repaid the $250,000.

NOTE 8 – LEASES

Our lease agreements generally do not provide an implicit borrowing rate; therefore, an internal incremental borrowing rate is determined based on information available at lease commencement date for purposes of determining the present value of lease payments. We used the incremental borrowing rate on June 30, 2024 and December 31, 2023 for all leases that commenced prior to that date. In determining this rate, which is used to determine the present value of future lease payments, we estimate the rate of interest we would pay on a collateralized basis, with similar payment terms as the lease and in a similar economic environment.

Our corporate headquarters is located in Mountain View, California where we lease approximately 5,810 square feet of laboratory and office space. The lease expires in August 31, 2024, subject to extension. As of June 30, 2024 the Company is 7 months in arrears on this lease.

We also lease approximately 25,000 square feet in Richmond, Virginia. The lease expires on August 31, 2026, subject to extension. As of June 30, 2024 the Company is 5 months in arrears on this lease.

Additionally, we leased approximately 3,150 square feet of office space in Melville, New York. On March 6, 2024, the Company received correspondence from 532 Realty Associates, LLC (the "Landlord") that the Company is in default under that certain Agreement of Lease dated November 3, 2021 by and between the Landlord and the Company (the "New York Lease") for failure to pay Basic Rent and Additional Rent (as each term is defined in the New York Lease) in the aggregate amount of $40,707 (the "Past Due Rent"). On June 24, 2024 the Company and the Landlord entered into a surrender and acceptance of lease agreement (the "Surrender Agreement"). Pursuant to the Surrender Agreement, the Company surrendered to the landlord the lease and term of the estate on June 28, 2024. In consideration of the acceptance by the Landlord, the Company agreed to pay $69,379 (the "Surrender Fee"), which reflected outstanding rent, utilities, and other charges owed under the lease. Further, upon execution of the agreement, the Landlord released and retained the security deposit of $25,515. The balance of the Surrender fee, $43,864, is due to the Landlord no later than August 30, 2024.

The overdue amounts represent a payable of $667,625 which are included in accounts payable and accrued liabilities on the Company's condensed consolidated balance sheet.

LS Biotech Eight Default

On May 10, 2024, the Company received written notice (the "2024 Default Notice") from LS Biotech Eight, LLC (the "Landlord"), the Landlord of the Company's CLIA-certified, CAP accredited, high complexity immune monitoring center in Richmond, Virginia, that the Company was in violation of its obligation to (i) pay Base Rent (as defined in the Lease) and Additional Rent (as defined in the Lease) in the amount of $431,182 in the aggregate, together with administrative charges and interest, as well as (ii) replenish the Security Deposit (as defined in the Lease) in the amount of $159,375, all as required under that certain Lease Agreement dated as of May 4, 2021 by and between the Landlord and the Company (the "Lease"). Pursuant to the Notice, the Landlord has demanded that a payment of $590,557 plus administrative charges and interest, which shall accrue at the Default Rate (as defined in the Lease) be made no later than May 17, 2024. As of June 30, 2024, the Company has not made the payment of $590,557.

The Company is working with the Landlord to come to an amicable resolution. However, no assurance can be given that the parties will reach an amicable resolution on a timely basis, on favorable terms, or at all.

Lease Costs

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Components of total lease costs:		
Operating lease expense	$ 603,072	$ 596,560
Total lease costs	$ 603,072	$ 596,560

Lease Positions as of June 30, 2024 and December 31, 2023

ROU lease assets and lease liabilities for our operating leases are recorded on the balance sheet as follows:

	June 30, 2024	December 31, 2023
Assets		
Right of use asset – long term	$ 1,610,846	$ 2,200,299
Total right of use asset	$ 1,610,846	$ 2,200,299
Liabilities		
Operating lease liabilities – short term	$ 734,792	$ 999,943
Operating lease liabilities – long term	745,121	1,041,744
Total lease liability	$ 1,479,913	$ 2,041,687

Lease Terms and Discount Rate as of June 30, 2024

Weighted average remaining lease term (in years) – operating leases	1.72
Weighted average discount rate – operating leases	8.00%

Maturities of leases are as follows:

2024 (remaining)	$ 379,100
2025	710,546
2026	423,930
Total lease payments	$ 1,513,576
Less imputed interest	(33,663)
Less current portion	(734,792)
Total maturities, due beyond one year	$ 745,121

NOTE 9 – COMMITMENTS & CONTINGENCIES

License Agreement with Loma Linda University

On March 15, 2018, as amended on July 1, 2020, we entered into a LLU License Agreement directly with Loma Linda University.

Pursuant to the LLU License Agreement, we obtained the exclusive royalty-bearing worldwide license in and to all intellectual property, including patents, technical information, trade secrets, proprietary rights, technology, know-how, data, formulas, drawings, and specifications, owned or controlled by LLU and/or any of its affiliates (the "LLU Patent and Technology Rights") and related to therapy for immune-mediated inflammatory diseases (the ADI™ technology). In consideration for the LLU License Agreement, we issued 13 shares of common stock to LLU.

Pursuant to the LLU License Agreement, we are required to pay an annual license fee to LLU. Also, we paid LLU $455,000 in July 2020 for outstanding milestone payments and license fees. We are also required to pay to LLU milestone payments in connection with certain development milestones. Specifically, we are required to make the following milestone payments to LLU: $175,000 on June 30, 2022; $100,000 on June 30, 2024; $500,000 on June 30, 2026; and $500,000 on June 30, 2027. In lieu of the $175,000 milestone payment due on June 30, 2023, the Company paid LLU an extension fee of $100,000. The Company did not make the June 30, 2024 payment; the Company intends to obtain an extension for this payment. Upon payment of this extension fee, an additional year will be added for the June 30, 2023 milestone. Additionally, as consideration for prior expenses incurred by LLU to prosecute, maintain and defend the LLU Patent and Technology Rights, we made the following payments to LLU: $70,000 at the end of December 2018, and a final payment of $60,000 at the end of March 2019. We are required to defend the LLU Patent and Technology Rights during the term of the LLU License Agreement. Additionally, we will owe royalty payments of (i) 1.5% of Net Product Sales (as such terms are defined under the LLU License Agreement) and Net Service Sales on any Licensed Products (defined as any finished pharmaceutical products which utilizes the LLU Patent and Technology Rights in its development, manufacture or supply), and (ii) 0.75% of Net Product Sales and Net Service Sales for Licensed Products and Licensed Services (as such terms are defined under the LLU License Agreement) not covered by a valid patent claim for technology rights and know-how for a three (3) year period beyond the expiration of all valid patent claims. We also are required to produce a written progress report to LLU, discussing our development and commercialization efforts, within 45 days following the end of each year. All intellectual property rights in and to LLU Patent and Technology Rights shall remain with LLU (other than improvements developed by or on our behalf).

The LLU License Agreement shall terminate on the last day that a patent granted to us by LLU is valid and enforceable or the day that the last patent application licensed to us is abandoned. The LLU License Agreement may be terminated by mutual agreement or by us upon 90 days written notice to LLU. LLU may terminate the LLU License Agreement in the event of (i) non-payments or late payments of royalty, milestone and license maintenance fees not cured within 90 days after delivery of written notice by LLU, (ii) a breach of any non-payment provision (including the provision that requires us to meet certain deadlines for milestone events (each, a "Milestone Deadline")) not cured within 90 days after delivery of written notice by LLU and (iii) LLU delivers notice to us of three or more actual breaches of the LLU License Agreement by us in any 12-month period. Additional Milestone Deadlines include: (i) the requirement to have regulatory approval of an IND application to initiate first-in-human clinical trials on or before June 30, 2023, which will be extended to June 30, 2024 with a payment of a $100,000 extension fee, (ii) the completion of first-in-human (phase I/II) clinical trials by June 30, 2024, which the Company is actively pursuing an extension, (iii) the completion of Phase III clinical trials by June 30, 2026 and (iv) biologic licensing approval by the FDA by June 30, 2027. The Company has not initiated clinical trials to date and the Company intends to obtain an extension to commence human trials by June 30, 2025.

License Agreement with Leland Stanford Junior University

On February 3, 2020, we entered into an exclusive license agreement (the "February 2020 License Agreement") with Stanford regarding a patent concerning a method for detection and measurement of specific cellular responses. Pursuant to the February 2020 License Agreement, we received an exclusive worldwide license to Stanford's patent regarding use, import, offer, and sale of Licensed Products (as defined in the agreement). The license to the patented technology is exclusive, including the right to sublicense, beginning on the effective date of the agreement, and ending when the patent expires. Under the exclusivity agreement, we acknowledged that Stanford had already granted a non-exclusive license in the Nonexclusive Field of Use, under the Licensed Patents in the Licensed Field of Use in the Licensed Territory (as those terms are defined in the February 2020 License Agreement"). However, Stanford agreed to not grant further licenses under the Licensed Patents in the Licensed Field of Use in the Licensed Territory. On December 29, 2021, we entered into an amendment to the February 2020 License Agreement which extended our exclusive right to license the technology deployed in AditxtScore™ and securing worldwide exclusivity in all fields of use of the licensed technology.

We were obligated to pay and paid a fee of $25,000 to Stanford within 60 days of February 3, 2020. We also issued 10 shares of the Company's common stock to Stanford. An annual licensing maintenance fee is payable by us on the first anniversary of the February 2020 License Agreement in the amount of $40,000 for 2021 through 2024 and $60,000 starting in 2025 until the license expires upon the expiration of the patent. The Company is required to pay and has paid $25,000 for the issuances of certain patents. The Company will pay milestone fees of $50,000 on the first commercial sales of a licensed product and $25,000 at the beginning of any clinical study for regulatory clearance of an in vitro diagnostic product developed and a potential licensed product. The Company paid a milestone fee for a clinical study for regulatory clearance of an in vitro diagnostic product developed and a potential licensed product of $25,000 in March of 2022. We are also required to: (i) provide a listing of the management team or a schedule for the recruitment of key management positions by June 30, 2020 (which has been completed), (ii) provide a business plan covering projected product development, markets and sales forecasts, manufacturing and operations, and financial forecasts until at least $10,000,000 in revenue by June 30, 2020 (which has been completed), (iii) conduct validation studies by September 30, 2020 (which has been completed), (iv) hold a pre-submission meeting with the FDA by September 30, 2020 (which has been completed), (iv) submit a 510(k) application to the FDA, Emergency Use Authorization ("EUA"), or a Laboratory Developed Test ("LDT") by March 31, 2021 (which has been completed), (vi) develop a prototype assay for human profiling by December 31, 2021 (which has been completed), (vii) execute at least one partnership for use of the technology for transplant, autoimmunity, or infectious disease purposes by March 31, 2022 (which has been completed) and (viii) provided further development and commercialization milestones for specific fields of use in writing prior to December 31, 2022.

In addition to the annual license maintenance fees outlined above, we will pay Stanford royalties on Net Sales (as such term is defined in the February 2020 License Agreement) during the of the term of the agreement as follows: 4% when Net Sales are below or equal to $5 million annually or 6% when Net Sales are above $5 million annually. The February 2020 License Agreement may be terminated upon our election on at least 30 days advance notice to Stanford, or by Stanford if we: (i) are delinquent on any report or payment; (ii) are not diligently developing and commercializing Licensed Product; (iii) miss certain performance milestones; (iv) are in breach of any provision of the February 2020 License Agreement; or (v) provide any false report to Stanford. Should any events in the preceding sentence occur, we have a thirty (30) day cure period to remedy such violation.

Asset Purchase Agreement

MDNA Lifesciences, Inc.

On January 4, 2024 (the "Closing Date"), the Company completed its acquisition of certain assets and issued to MDNA Lifesciences, Inc. ("MDNA"): 50,000 shares of the Company's Common Stock, Warrants to purchase 50,000 shares of the Company's Common Stock, and 5,000 shares of the Pearsanta Preferred Stock. The Company accounted for this transaction as an asset acquisition.

On January 4, 2024, the Company, Pearsanta and MDNA entered into a First Amendment to Asset Purchase Agreement (the "First Amendment to Asset Purchase Agreement"), pursuant to which the parties agreed to: (i) the removal of an upfront working capital payment, (ii) the removal of a Closing Working Capital Payment (as defined in the Purchase Agreement"), and (iii) to increase the maximum amount of payments to be made by Aditxt under the Transition Services Agreement (as defined below) from $2.2 million to $3.2 million.

On January 4, 2024, Pearsanta and MDNA entered into a Transition Services Agreement (the "Transition Services Agreement"), pursuant to which MDNA agreed that it would perform, or cause certain of its affiliates or third parties to perform, certain services as described in the Transition Services Agreement for a term of six months in consideration for the payment by Pearsanta of certain fees as provided in the Transition Services Agreement, in an amount not to exceed $3.2 million.

As part of this transaction, the Company acquired $1,008,669 in patents which was expensed to R&D. The fair market value of this transaction was determined by the purchase price paid in the transaction of 50,000 shares of the Company's Common Stock, which had a value of $256,000 based on the trading price of the common stock, 50,000 Warrants to purchase shares of the Company's Common Stock, which had a value of $252,669 using a Black Sholes valuation, and 5,000 shares of the Pearsanta Preferred Stock which had a value of $500,000 based on the stated value of Pearsanta's Preferred Stock of $5,000 per share.

Brain Scientific, Inc.

On January 24, 2024, the Company entered into an Assignment and Assumption Agreement (the "Brain Assignment Agreement") with the agent (the "Agent") of certain secured creditors (the "Brain Creditors") of Brain Scientific, Inc., a Nevada corporation ("Brain Scientific") and Philip J. von Kahle (the "Brain Seller"), as assignee of Brain Scientific and certain affiliated entities (collectively, the "Brain Companies") under an assignment for the benefit of creditors pursuant to Chapter 727 of the Florida Statutes. Pursuant to the Brain Assignment Agreement, the Agent assigned its rights under that certain Asset Purchase and Settlement Agreement dated October 31, 2023 between the Seller and the Agent (the "Brain Asset Purchase Agreement") to the Company in consideration for the issuance by the Company of an aggregate of 6,000 shares of a new series of convertible preferred stock of the Company, designated as Series B-1 Convertible Preferred Stock, $0.001 par value (the "Series B-1 Preferred Stock"). The shares of Series B-1 Preferred Stock were issued pursuant to a Securities Purchase Agreement entered into by and between the Company and each of the purchasers signatory thereto (the "Brain Purchase Agreement"). (See Note 10)

In connection with the Brain Assignment Agreement, on January 24, 2024, the Company entered into a Patent Assignment with the Brain Seller (the "Brain Patent Assignment"), pursuant to which the Seller assigned all of its rights, titles and interests in certain patents and patent applications that were previously held by the Brain Companies to the Company.

As part of this transaction, the Company acquired $5,703,995 in patents which was expensed to R&D and $266,448 in fixed assets. The fair market value of this transaction was determined by the purchase price paid in the transaction of 6,000 shares of the Company's Series B-1 Preferred Stock which had a value of $5,970,443 based on stated value of the Series B-1 Preferred Stock of $1,000 per share.

Contingent Liability

On September 7, 2023, the Company received a demand letter from the holder of certain warrants issued by the Company in April 2023. The demand letter alleged that the investor suffered more than $2 million in damages as a result of the Company failing to register the shares of the Company's common stock underlying the warrants as required under the securities purchase agreement.

On January 3, 2024, the Company entered into a settlement agreement and general release with an investor (the "Settlement Agreement"), pursuant to which the Company and the investor agreed to settle an action filed in the United States District Court in the Southern District of New York by an investor against the Company (the "Action") in consideration of the issuance by the Company of shares of the Company's Common Stock (the "Settlement Shares"). The number of Settlement Shares to be issued will be equal to $1.6 million divided by the closing price of the Company's Common Stock on the day prior to court approval of the joint motion. Following the issuance of the Settlement Shares, the Investor will file a dismissal stipulation in the Action.

On January 17, 2024, the Company issued 296,296 Settlement Shares to the investor. The Settlement Shares were issued pursuant to an exemption from registration pursuant to Section 3(a)(10) under the Securities Act of 1933, as amended.

On December 29, 2023, the Company entered into a securities purchase agreement with an institutional investor ("the "Holder") for the issuance and sale in a private placement of (i) pre-funded warrants (the "December Pre-Funded Warrants") to purchase up to 1,237,114 shares of the Company's common stock, par value $0.001 (the "December Common Stock") at an exercise price of $0.001 per share, and (ii) warrants to purchase up to 2,474,228 shares of the Company's Common Stock, at a purchase price of $4.85 per share (collectively the "December PIPE Securities").

The December PIPE Securities were to be registered within a timeframe as described in the registration rights agreement. The Company failed to register the December PIPE Securities within the agreed upon timeframe. As a result of the late registration, the holder of the December PIPE Securities was entitled to damages. On August 7, 2024, the Company and the holder of the December PIPE Securities entered into an exchange agreement inclusive of $667,000 of liquidated damages owed to the holder of the December PIPE Securities, paid in securities, as a result of the registration rights agreement default.

EvoFem Merger Agreement

On December 11, 2023 (the "Execution Date"), Aditxt, Inc., a Delaware corporation (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem Biosciences, Inc., a Delaware corporation ("Evofem"), pursuant to which, Merger Sub will be merged into and with Evofem (the "Merger"), with Evofem surviving the Merger as a wholly owned subsidiary of the Company.

In connection with the Merger Agreement the Company assumed $13.0 million in notes payable held by Evofem (see Note 7) and assumed a payable for $154,480 (see Note 7). These items were capitalized on the Company's balance sheet to deposit on acquisition as of June 30, 2024. The Company recognized a debt discount of $1,924,276. As of June 30, 2024, there was an unamortized discount of $0. During the six months ended June 30, 2024 and 2023, the Company recognized an amortization of debt discount of $1,924,276 and $0.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), (i) all issued and outstanding shares of common stock, par value $0.0001 per share of Evofem ("Evofem Common Stock"), other than any shares of Evofem Common Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 610,000 shares of the Company's common stock, par value $0.001 per share ("Company Common Stock"); and (ii) all issued and outstanding shares of Series E-1 Preferred Stock, par value $0.0001 of Evofem (the "Evofem Unconverted Preferred Stock"), other than any shares of Evofem Unconverted Preferred Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 2,327 shares of Series A-1 Preferred Stock, par value $0.001 of the Company (the "Company Preferred Stock"), having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-1 Preferred Stock.

On December 11, 2023 the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem Biosciences, Inc., a Delaware corporation ("Evofem"), pursuant to which, Merger Sub will be merged into and with Evofem (the "Merger"), with Evofem surviving the Merger as a wholly owned subsidiary of the Company.

On January 8, 2024, the Company, Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub"), and Evofem Biosciences, Inc., a Delaware corporation ("Evofem") entered into the First Amendment (the "First Amendment to Merger Agreement"), to the Agreement and Plan of Merger (the "Merger Agreement") pursuant to which the parties agreed to extend the date by which the joint proxy statement would be filed with the SEC until February 14, 2024.

On January 30, 2024, the Company, Adicure and Evofem entered into the Second Amendment to the Merger Agreement (the "Second Amendment to Merger Agreement") to amend (i) the date of the Parent Loan (as defined in the Merger Agreement) to Evofem to be February 29, 2024, (ii) to change the date by which Evofem may terminate the Merger Agreement for failure to receive the Parent Loan to be February 29, 2024, and (iii) to change the filing date for the Joint Proxy Statement (as defined in the Merger Agreement) to April 1, 2024.

On February 29, 2024, the Company, Adicure and Evofem entered into the Third Amendment to the Merger Agreement (the "Third Amendment to Merger Agreement") in order to (i) make certain conforming changes to the Merger Agreement regarding the Notes, (ii) extend the date by which the Company and Evofem will file the joint proxy statement until April 30, 2024, and (iii) remove the requirement that the Company make the Parent Loan (as defined in the Merger Agreement) by February 29, 2024 and replace it with the requirement that the Company make an equity investment into Evofem consisting of (a) a purchase of 2,000 shares of Evofem Series F-1 Preferred Stock for an aggregate purchase price of $2.0 million on or prior to April 1, 2024, and (b) a purchase of 1,500 shares of Evofem Series F-1 Preferred Stock for an aggregate purchase price of $1.5 million on or prior to April 30, 2024. As of the date of this filing the Company has not purchased the 2,000 shares of EvoFem Series F-1 Preferred Stock.

Engagement Letter with Dawson James Securities, Inc.

On February 16, 2024, the Company entered into an engagement letter (the "Dawson Engagement Letter") with Dawson James Securities, Inc.("Dawson"), pursuant to which the Company engaged Dawson to serve as financial advisor with respect to one or more potential business combinations involving the Company for a term of twelve months. Pursuant to the Dawson Engagement Letter, the Company agreed to pay Dawson an initial fee of $1.85 million (the "Dawson Initial Fee"), which amount is payable on the later of (i) the closing of an offering resulting in gross proceeds to the Company of greater than $4.9 million, or (ii) five days after the execution of the Dawson Engagement Letter. At the Company's option, the Dawson Initial Fee may be paid in securities of the Company. In addition, with respect to any business combination (i) that either is introduced to the Company by Dawson following the date of the Dawson Engagement Letter or (ii) that with respect to which the Company hereafter requests Dawson to provide M&A advisory services, the Company shall compensate Dawson in an amount equal to 5% of the Total Transaction Value (as defined in the Engagement Letter) with respect to the first $20.0 million in Total Transaction Value plus 10.0% of the Total Transaction Value that is in excess of $20.0 million (the "Transaction Fee"). The Transaction Fee is payable upon the closing of a business combination transaction.

Advance on Private Placement

On March 5, 2024, the Company received a $1,000,000 deposit for an ongoing Private Placement (as defined below), of which $400,000 was attributed to offering costs in connection with the Private Placement. As of June 30, 2024 the Private Placement had closed and the deposit was recorded to additional paid in capital.

Appili Arrangement Agreement

On April 1, 2024 (the "Execution Date"), the Company, entered into an Arrangement Agreement (the "Arrangement Agreement"), subject to various closing conditions, with Adivir, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Adivir" or the "Buyer"), and Appili Therapeutics, Inc., a Canadian corporation ("Appili"), pursuant to which, Adivir will acquire all of the issued and outstanding Class A common shares of Appili (the "Appili Shares") on the terms and subject to the conditions set forth therein. The acquisition of the Appili Shares (the "Arrangement") will be completed by way of a statutory plan of arrangement under the Canada Business Corporation Act.

At the effective time of the Arrangement (the "Effective Time"), each Appili Share outstanding immediately prior to the Effective Time (other than Appili Shares held by a registered holder of Appili Shares who has validly exercised such holder's dissent rights) will be deemed to be assigned and transferred by the holder thereof to the Buyer in exchange for (i) $0.0467 in cash consideration per share for an aggregate cash payment of $5,668,222 (the "Cash Consideration") and (ii) 0.002745004 of a share of common stock of Aditxt or an aggregate of 332,876 shares (the "Consideration Shares" and together with the Cash Consideration, the "Transaction Consideration"). In connection with the transaction, each outstanding option and warrant of Appili will be cashed-out based on the implied in-the-money value of the Transaction Consideration, which is expected to result in an additional aggregate cash payment of approximately $341,000 (based on the number of issued and outstanding options and warrants and exchange rates as of the date of the Arrangement Agreement). (See Note 12)

EvoFem Reinstatement and Fourth Amendment to the Merger Agreement

On April 26, 2024, the Company received notice from Evofem (the "Termination Notice") that Evofem was exercising its right to terminate the Merger Agreement as a result of the Company's failure to provide the Initial Parent Equity Investment (as defined in the Merger Agreement, as amended).

On May 2, 2024, the Company, Adifem, Inc. f/k/a Adicure, Inc. and Evofem Biosciences, Inc. ("Evofem") entered into the Reinstatement and Fourth Amendment to the Merger Agreement (the "Fourth Amendment") in order to waive and amend, among other things, the several provisions listed below.

Amendments to Article VI: Covenants and Agreement

Article VI of the Merger Agreement is amended to:

- reinstate the Merger Agreement, as amended by the Fourth Amendment, as if never terminated;
- reflect the Company's payment to Evofem, in the amount of $1,000,000 (the "Initial Payment"), via wire initiated by May 2, 2024;
- delete Section 6.3, which effectively eliminates the "no shop" provision, and the several defined terms used therein;
- add a new defined term "Company Change of Recommendation;" and
- revise section 6.10 of the Merger Agreement such that, after the Initial Payment, and upon the closing of each subsequent capital raise by the Company (each a "Parent Subsequent Capital Raise"), the Company shall purchase that number of shares of Evofem's Series F-1 Preferred Stock, par value $0.0001 per share (the "Series F-1 Preferred Stock"), equal to forty percent (40%) of the gross proceeds of such Parent Subsequent Capital Raise divided by 1,000, up to a maximum aggregate amount of $2,500,000 or 2,500 shares of Series F-1 Preferred Stock. A maximum of$1,500,000 shall be raised prior to June 17, 2024 and $1,000,000 prior to July 1, 2024 (the "Parent Capital Raise"). (See Note 12)

Amendments to Article VIII: Termination

Article VIII of the Merger Agreement is amended to:

- extend the date after which either party may terminate from May 8, 2024 to July 15, 2024;
- revise Section 8.1(d) in its entirety to allow Company to terminate at any time after there has been a Company Change of Recommendation, provided that Aditxt must receive ten day written notice and have the opportunity to negotiate a competing offer in good faith; and
- amend and restate Section 8.1(f) in its entirety, granting the Company the right to terminate the agreement if (a) the full $1,000,000 Initial Payment required by the Fourth Amendment has not been paid in full by May 3, 2024 (b) $1,500,000 of the Parent Capital Raise Amount has not been paid to the Company by June 17, 2024, (c) $1,000,000 of the Parent Capital Raise Amount has not been paid to the Company by July 1, 2024, or (d) Aditxt does not pay any portion of the Parent Equity Investment within five calendar days after each closing of a Parent Subsequent Capital Raise.

Equity Line of Credit

On May 2, 2024, the Company entered into a Common Stock Purchase Agreement (the "ELOC Purchase Agreement") with an equity line investor (the "ELOC Investor"), pursuant to which the ELOC Investor has agreed to purchase from the Company, at the Company's direction from time to time, in its sole discretion, from and after the date effective date of the Registration Statement (as defined below) and until the termination of the ELOC Purchase Agreement in accordance with the terms thereof, shares of the Company's common stock having a total maximum aggregate purchase price of $150,000,000 (the "ELOC Purchase Shares"), upon the terms and subject to the conditions and limitations set forth in the ELOC Purchase Agreement.

In connection with the ELOC Purchase Agreement, the Company also entered into a Registration Rights Agreement with the Investor (the "ELOC Registration Rights Agreement"), pursuant to which the Company agreed to file a registration statement with the Securities and Exchange Commission covering the resale of the shares of common stock issued to the ELOC Investor pursuant to the ELOC Purchase Agreement (the "Registration Statement") by the later of (i) the 30th calendar day following the closing date, and (ii) the second business day following Stockholder Approval (defined below).

The Company may, from time to time and at its sole discretion, direct the ELOC Investor to purchase shares of its common stock upon the satisfaction of certain conditions set forth in the ELOC Purchase Agreement at a purchase price per share based on the market price of the Company's common stock at the time of sale as computed under the ELOC Purchase Agreement. There is no upper limit on the price per share that the ELOC Investor could be obligated to pay for common stock under the ELOC Purchase Agreement. The Company will control the timing and amount of any sales of its common stock to the ELOC Investor, and the ELOC Investor has no right to require us to sell any shares to it under the ELOC Purchase Agreement. Actual sales of shares of common stock to the ELOC Investor under the ELOC Purchase Agreement will depend on a variety of factors to be determined by the Company from time to time, including (among others) market conditions, the trading price of its common stock and determinations by the Company as to available and appropriate sources of funding for the Company and its operations. The ELOC Investor may not assign or transfer its rights and obligations under the ELOC Purchase Agreement.

Under the applicable Nasdaq rules, in no event may the Company issue to the ELOC Investor under the ELOC Purchase Agreement more than 332,876 shares of common stock, which number of shares is equal to 19.99% of the shares of the common stock outstanding immediately prior to the execution of the ELOC Purchase Agreement (the "Exchange Cap"), unless (i) the Company obtains stockholder approval to issue shares of common stock in excess of the Exchange Cap in accordance with applicable Nasdaq rules ("Stockholder Approval"), or (ii) the average price per share paid by the Investor for all of the shares of common stock that the Company directs the ELOC Investor to purchase from the Company pursuant to the ELOC Purchase Agreement, if any, equals or exceeds the official closing sale price on the Nasdaq Capital Market immediately preceding the delivery of the applicable purchase notice to the Investor and (B) the average of the closing sale prices of the Company's common stock on the Nasdaq Capital market for the five business days immediately preceding the delivery of such purchase notice.

In all cases, the Company may not issue or sell any shares of common stock to the ELOC Investor under the ELOC Purchase Agreement which, when aggregated with all other shares of the Company's common stock then beneficially owned by the ELOC Investor and its affiliates, would result in the ELOC Investor beneficially owning more than 4.99% of the outstanding shares of the Company's common stock.

The net proceeds under the ELOC Purchase Agreement to the Company will depend on the frequency and prices at which the Company sells shares of its stock to the ELOC Investor. The Company expects that any proceeds received by it from such sales to the Investor will be used for working capital and general corporate purposes.

As consideration for the ELOC Investor's commitment to purchase shares of common stock at the Company's direction upon the terms and subject to the conditions set forth in the ELOC Purchase Agreement, the Company shall pay the Investor a commitment fee as outlined in the ELOC Purchase Agreement, which is payable on the later of (i) January 2, 2025 and (ii) the trading day following the date on which Stockholder Approval is obtained.

The ELOC Purchase Agreement contains customary representations, warranties and agreements of the Company and the ELOC Investor, limitations and conditions regarding sales of ELOC Purchase Shares, indemnification rights and other obligations of the parties.

There are no restrictions on future financings, rights of first refusal, participation rights, penalties or liquidated damages in the ELOC Purchase Agreement other than a prohibition (with certain limited exceptions) on entering into a dilutive securities transaction during certain periods when the Company is selling common stock to the ELOC Investor under the Purchase Agreement. The ELOC Investor has agreed that it will not engage in or effect, directly or indirectly, for its own account or for the account of any of its affiliates, any short sales of the Company's common stock or hedging transaction that establishes a net short position in the Company's common stock during the term of the ELOC Purchase Agreement.

The Company has the right to terminate the ELOC Purchase Agreement at any time after the Commencement Date (as defined in the ELOC Purchase Agreement), at no cost or penalty, upon three trading days' prior written notice to the Investor. The Company and the ELOC Investor may also agree to terminate the ELOC Purchase Agreement by mutual written consent, provided that no termination of the ELOC Purchase Agreement will be effective during the pendency of any purchase that has not then fully settled in accordance with the ELOC Purchase Agreement. Neither the Company nor the ELOC Investor may assign or transfer the Company's respective rights and obligations under the ELOC Purchase Agreement.

NOTE 10 – STOCKHOLDERS' EQUITY

Common Stock

On May 24, 2021, the Company increased the number of authorized shares of the Company's common stock, par value $0.001 per share, from 27,000,000 to 100,000,000 (the "Authorized Shares Increase") by filing a Certificate of Amendment (the "Certificate of Amendment") to its Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware. In accordance with the General Corporation Law of the State of Delaware, the Authorized Shares Increase and the Certificate of Amendment were approved by the stockholders of the Company at the Company's Annual Meeting of Stockholders on May 19, 2021. On September 13, 2022, the Company effectuated a 1 for 50 reverse stock split (the "2022 Reverse Split"). The Company's stock began trading at the 2022 Reverse Split price effective on the Nasdaq Stock Market on September 14, 2022. There was no change to the number of authorized shares of the Company's common stock. On August 17, 2023, the Company effectuated a 1 for 40 reverse stock split (the "2023 Reverse Split"). The Company's stock began trading at the 2023 Reverse Split price effective on the Nasdaq Stock Market on August 17, 2023. There was no change to the number of authorized shares of the Company's common stock.

Formed in January 2023, our majority owned subsidiary Pearsanta™, Inc. ("Pearsanta") seeks to take personalized medicine to a new level by delivering "Health by the Numbers." On November 22, 2023, Pearsanta entered into an assignment agreement with FirstVitals LLC, an entity controlled by Pearsanta's CEO, Ernie Lee ("FirstVitals"), pursuant to which FirstVitals assigned its rights in certain intellectual property and website domain to Pearsanta in consideration of the issuance of 500,000 shares of Pearsanta common stock to FirstVitals. On December 18, 2023, the board of directors of Pearsanta adopted the Pearsanta 2023 Omnibus Equity Incentive Plan (the "Pearsanta Omnibus Incentive Plan"), pursuant to which it reserved 15 million shares of common stock of Pearsanta for future issuance under the Pearsanta Omnibus Incentive Plan and the Pearsanta 2023 Parent Service Provider Equity Incentive Plan (the "Pearsanta Parent Service Provider Plan") and approved the issuance of 9.32 million options, exercisable into shares of Pearsanta common stock under the Pearsanta Parent Service Provider Plan and the issuance of 4.0 million options, exercisable into shares of Pearsanta common stock, subject to vesting, and 1.0 million restricted common stock shares under the Pearsanta Omnibus Incentive Plan.

During the six months ended June 30, 2024, the Company issued 50,000 shares of common stock as part of the MDNA asset purchase agreement. (See Note 9) During the six months ended June 30, 2024, the Company issued 296,296 shares of common stock as part of a settlement agreement. (See Note 9)

During the six months ended June 30, 2023, the Company issued 187,000 shares of common stock and recognized expense of $168,300 in stock-based compensation for consulting services. The stock-based compensation for consulting services is calculated by the number shares multiplied by the closing price on the effective date of the contract. During the six months ended June 30, 2023, 85 Restricted Stock Units vested which resulted in the issuance of shares. The Company recognized expense of $214,451 in stock-based compensation for the six months ended June 30, 2023. The stock-based compensation for shares issued or RSU's granted during the period were valued based on the fair market value on the date of grant.

Closing of Private Placement

On December 29, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor ("the "December Purchaser") for the issuance and sale in a private placement (the "December Private Placement") of (i) pre-funded warrants (the "December Pre-Funded Warrants") to purchase up to 1,237,114 shares of the Company's Common Stock, par value $0.001 at an exercise price of $0.001 per share, and (ii) warrants (the "December Common Warrants") to purchase up to 2,474,228 shares of the Company's Common Stock, at a purchase price of $4.85 per share.

Pursuant to the Purchase Agreement, the Company agreed to reduce the exercise price of certain outstanding warrants to purchase Common Stock of the Company ("Certain Outstanding Warrants") held by the Purchaser to $4.60 per share in consideration for the cash payment by the December Purchaser of $0.125 per share of Common Stock underlying the Certain Outstanding Warrants, effective immediately.

The December Private Placement closed on January 4, 2024. The net proceeds to the Company from the December Private Placement were approximately $5.5 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company.

In addition, the Company agreed to pay H.C. Wainwright & Co., LLC ("Wainwright") certain expenses and issued to Wainwright or its designees warrants (the "December Placement Agent Warrants") to purchase up to an aggregate of 74,227 shares of Common Stock at an exercise price equal to $6.0625 per share. The December Placement Agent Warrants are exercisable immediately upon issuance and have a term of exercise equal to three years from the date of issuance.

May Private Placement

On May 2, 2024, the Company entered into a Securities Purchase Agreement (the "May PIPE Purchase Agreement") with certain accredited investors, pursuant to which the Company agreed to issue and sell to such investors in a private placement (the "Private Placement") (i) an aggregate of 4,186 shares of the Company's Series C-1 Convertible Preferred Stock (the "Series C-1 Preferred Stock"), (ii) an aggregate of 4,186 shares of the Company's Series D-1 Preferred Stock (the "Series D-1 Preferred Stock"), and (iii) warrants (the "May PIPE Warrants") to purchase up to an aggregate of 1,613,092 shares of the Company's common stock.

The May PIPE Warrants are exercisable commencing six months following the initial issuance date at an initial exercise price of $2.47 per share and expire five years from the date of issuance.

On May 2, 2024, in connection with the Purchase Agreement, the Company entered into a Registration Rights Agreement with the investors (the "May PIPE Registration Rights Agreement"), pursuant to which the Company agreed to prepare and file with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-3 (the "May PIPE Registration Statement") covering the resale of the shares of the Company's common stock, par value $0.001 (the "Common Stock") issuable upon conversion of the Series C-1 Preferred Stock (the "Conversion Shares") and upon exercise of the May PIPE Warrants (the "May PIPE Warrant Shares") (i) on the later of (x) the 30th calendar day after the closing date, or (y) the 2nd business day following the Stockholder Approval Date (as defined in the May PIPE Purchase Agreement), with respect to the initial registration statement and (ii) on the date on which the Company is required to file any additional May PIPE Registration Statement pursuant to the terms of the May PIPE Registration Rights Agreement with respect to any additional Registration Statements that may be required to be filed by the Company (the "Filing Deadline"). Pursuant to the Registration Rights Agreement, the Company is required to have the initial May PIPE Registration Statement declared effective by the SEC on the earlier of (x) the 60th calendar day after the Filing Deadline (or the 90th calendar day after the Filing Deadline if subject to a full review by the SEC), and (y) the 2nd business day after the date the Company is notified by the SEC that such May PIPE Registration Statement will not be reviewed. In the event that the Company fails to file the May PIPE Registration Statement by the Filing Deadline, have it declared effective by the Effectiveness Deadline, or the prospectus contained therein is not available for use or the investor is not otherwise able to sell its May PIPE Warrant Shares pursuant to Rule 144, the Company shall be required to pay the investor an amount equal to 2% of such investor's Purchase Price (as defined in the May PIPE Purchase Agreement) on the date of such failure and on every thirty date anniversary until such failure is cured.

In connection with the Private Placement, the Sixth Borough Note (Note 7) was converted into Series C-1 Preferred Stock.

The Private Placement closed on May 6, 2024. The gross proceeds from the Private Placement were approximately $4.2 million, prior to deducting the placement agent's fees and other offering expenses payable by the Company. The Company used $1.0 million of the net proceeds to fund certain obligations under its merger agreement with Evofem Biosciences, Inc. and the remainder of the net proceeds from the offering for working capital and other general corporate purposes.

Dawson James Securities ("Dawson James") served as the Company's exclusive placement agent in connection with the Private Placement, pursuant to that certain engagement letter, dated as of May 2, 2024, between the Company and Dawson James (the "Engagement Letter"). Pursuant to the Engagement Letter, the Company paid Dawson James (i) a total cash fee equal to 7% of the aggregate gross proceeds of the Private Placement. In addition, the Company agreed to pay Dawson James certain expenses and issued to Dawson James or its designees warrants (the "May PIPE Placement Agent Warrants") to purchase 5% of the number of securities sold in the Private Placement. The May PIPE Placement Agent Warrants are exercisable at an exercise price of $3.24375 per share commencing six months following issuance and have a term of exercise equal to five years from the date of issuance.

May Senior Notes

On May 24, 2024, the Company entered into the May Senior Notes. The notes had an original issuance discount of $211,382. The notes have a maturity date of August 22, 2024 and an interest rate of 14% per annum. There were also 328,468 share of the Company's common stock issued to the holders of the notes as part of this transaction. As of June 30, 2024, there was $986,381 in principal outstanding on these notes.

Preferred Stock

The Company is authorized to issue 3,000,000 shares of preferred stock, par value $0.001 per share. There were 39,277 and 24,905 shares of preferred stock outstanding as of June 30, 2024 and December 31, 2023, respectively.

Aditxt Preferred Share Class	Quantity Issued and Outstanding as of June 30, 2024
Series A Preferred Stock	-
Series A-1 Convertible Preferred Stock	22,280
Series B Preferred Stock	-
Series B-1 Convertible Preferred Stock	6,000
Series B-2 Convertible Preferred Stock	2,625
Series C Preferred Stock	-
Series C-1 Preferred Stock	4,186
Series D-1 Preferred Stock	4,186
Total Aditxt Preferred Shares Outstanding	39,277

Issuance of Series A-1 Preferred Stock:

On December 11, 2023 (the "Execution Date"), the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem Biosciences, Inc., a Delaware corporation ("Evofem"), pursuant to which, Merger Sub will be merged into and with Evofem (the "Merger"), with Evofem surviving the Merger as a wholly owned subsidiary of the Company.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), (i) all issued and outstanding shares of common stock, par value $0.0001 per share of Evofem ("Evofem Common Stock"), other than any shares of Evofem Common Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 610,000 shares of the Company's common stock, par value $0.001 per share ("Company Common Stock"); and (ii) all issued and outstanding shares of Series E-1 Preferred Stock, par value $0.0001 of Evofem (the "Evofem Unconverted Preferred Stock"), other than any shares of Evofem Unconverted Preferred Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 2,327 shares of Series A-1 Preferred Stock, par value $0.001 of the Company (the "Company Preferred Stock"), having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-1 Preferred Stock. See Series A-1 Preferred Stock certificate of designation incorporated by reference to this document.

On December 22, 2023, the Company entered into an Exchange Agreement (the "Exchange Agreement") with the holders (the "Holders") of an aggregate of 22,280 shares of Series F-1 Convertible Preferred Stock of Evofem (the "Evofem Series F-1 Preferred Stock") agreed to exchange their respective shares of Evofem Series F-1 Preferred Stock for an aggregate of 22,280 shares of a new series of convertible preferred stock of the Company designated as Series A-1 Convertible Preferred Stock, $0.001 par value, (the "Series A-1 Preferred Stock").

The following is only a summary of the Series A-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series A-1 Certificate of Designations, a copy of which is filed as Exhibit 3.1 to our Current Report on Form 8-K filed on December 26, 2023 and is incorporated by reference herein.

Designation, Amount, and Par Value: The number of Series A-1 Preferred Stock designated is 22,280 shares. The shares of Series A-1 Preferred Stock have a par value of $0.001 per share and a stated value of $1,000 per share.

Conversion Price: The Series A-1 Preferred Stock will be convertible into shares of Common Stock at an initial conversion price of $4.44 (subject to adjustment pursuant to the Series A-1 Certificate of Designations) (the "Conversion Price"). The Certificate of Designations also provides that in the event of certain Triggering Events (as defined below) any holder may, at any time, convert any or all of such holder's Series A-1 Preferred Stock at an alternate conversion rate equal to the product of (i) the Alternate Conversion Price (as defined below) and (ii) the quotient of (x) the 25% redemption premium multiplied by (y) the amount of Series A-1 Preferred Stock subject to such conversion. "Triggering Events" include, among others, (i) a suspension of trading or the failure to be traded or listed on an eligible market for five consecutive days or more, (ii) the failure to remove restrictive legends when required, (iii) the Company's default in payment of indebtedness in an aggregate amount of $500,000 or more (the Company is currently in default for payments greater than $500,000), (iv) proceedings for a bankruptcy, insolvency, reorganization or liquidation, which are not dismissed with 30 days, (v) commencement of a voluntary bankruptcy proceeding, and (viii) final judgments against the Company for the payment of money in excess of $100,000. "Alternate Conversion Price" means the lowest of (i) the applicable conversion price the in effect, (ii) the greater of (x) $0.888 (the "Floor Price") and (y) 80% of the volume weighted average price ("VWAP") of the Common Stock on the trading day immediately preceding the delivery of the applicable conversion notice. Further, the Series A-1 Certificate of Designations provides that if on any of the 90th and 180th day after each of the occurrence of any Stock Combination Event (as defined in the Series A-1 Certificate of Designations) and the Applicable Date (as defined in the Series A-1 Certificate of Designations), the conversion price then in effect is greater than the market price then in effect (the "Adjustment Price"), on such date then the conversion price shall automatically lower to the Adjustment Price.

Dividends: Holders of the Series A-1 Preferred Stock shall be entitled to receive dividends when and as declared by the Board, from time to time, in its sole discretion, which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in cash, in securities of the Company or any other entity, or using assets as determined by the Board on the Stated Value of such Preferred Share.

Liquidation: In the event of a Liquidation Event (as defined in the Series A-1 Certificate of Designation), the holders the Series A-1 Preferred Stock shall be entitled to receive in cash out of the assets of the Company, before any amount shall be paid to the holders of any other shares of capital stock of the Company, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series A-1 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series A-1 Preferred Stock would receive if they converted such share of Series A-1 Preferred Stock into Common Stock immediately prior to the date of such payment

Company Redemption: The Company may redeem all, or any portion, of the Series A-1 Preferred Stock for cash, at a price per share of Series A-1 Preferred Stock equal to 115% of the greater of (i) the Conversion Amount (as defined in the Series A-1 Certificate of Designation)being redeemed as of the Company Optional Redemption Date (as defined in the Series A-1 Certificate of Designation) and (ii) the product of (1) the Conversion Rate (as defined in the Series A-1 Certificate of Designation) with respect to the Conversion Amount being redeemed as of the Company Optional Redemption Date multiplied by (2) the greatest Closing Sale Price (as defined in the Certificate of Designation) of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Company Optional Redemption Notice Date (as defined in the Certificate of Designation) and ending on the Trading Day immediately prior to the date the Company makes the entire payment required to be made under the Certification of Designation.

Maximum Percentage: Holders of Series A-1 Preferred Stock are prohibited from converting shares of Series A-1 Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% (the "Maximum Percentage") of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion.

Voting Rights: The holders of the Series A-1 Preferred Stock shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Common Stock, except as expressly provided in the Certificate of Designations and where required by the DGCL.

Issuance of Series B Preferred Stock:

On July 19, 2022, the Company entered into a Subscription and Investment Representation Agreement with its Chief Executive Officer (the "Purchaser"), pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series B Preferred Stock (the "Preferred Stock"), par value $0.001 per share, to the Purchaser for $20,000 in cash.

On July 19, 2022, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Preferred Stock. The Certificate of Designation provides that the share of Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock. The Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Preferred Stock will not be entitled to receive dividends of any kind. See Series B Preferred Stock certificate of designation incorporated by reference to this document.

The outstanding share of Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split. Upon such redemption, the holder of the Preferred Stock will receive consideration of $20,000 in cash.

Redemption of Series B Preferred Stock

On October 7, 2022, the Company paid $20,000 in consideration for the one share of Preferred Stock which was redeemed on September 13, 2022.

Series B-1 Preferred Stock Certificate of Designation

On January 24, 2024, the Company filed a Certificate of Designations for its Series B-1 Preferred Stock with the Secretary of State of Delaware (the "Series B-1 Certificate of Designations"). The following is only a summary of the Series B-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series B-1 Certificate of Designations, a copy of which is filed as Exhibit 3.1 to a Current Report on Form 8-K and is incorporated by reference herein.

Designation, Amount, and Par Value: The number of Series B-1 Preferred Stock designated is 6,000 shares. The shares of Series B-1 Preferred Stock have a par value of $0.001 per share and a stated value of $1,000 per share.

Conversion Price: The Series B-1 Preferred Stock will be convertible into shares of Common Stock at an initial conversion price of $4.06 (subject to adjustment pursuant to the Series B-1 Certificate of Designations) (the "Conversion Price"). The Series B-1 Certificate of Designations also provides that in the event of certain Triggering Events (as defined below) any holder may, at any time, convert any or all of such holder's Series B-1 Preferred Stock at an alternate conversion rate equal to the product of (i) the Alternate Conversion Price (as defined below) and (ii) the quotient of (x) the 125% redemption premium multiplied by (y) the amount of Series B-1 Preferred Stock subject to such conversion. "Triggering Events" include, among others, (i) a suspension of trading or the failure to be traded or listed on an eligible market for five consecutive days or more, (ii) the failure to remove restrictive legends when required, (iii) the Company's default in payment of indebtedness in an aggregate amount of $500,000 or more, (iv) proceedings for a bankruptcy, insolvency, reorganization or liquidation, which are not dismissed with 30 days, (v) commencement of a voluntary bankruptcy proceeding, and (viii) final judgments against the Company for the payment of money in excess of $500,000. "Alternate Conversion Price" means the lowest of (i) the applicable conversion price the in effect, (ii) the greater of (x) $0.9420 (the "Floor Price") and (y) 80% of the lowest volume weighted average price ("VWAP") of the Common Stock during the five consecutive trading day period ending and including the trading day immediately preceding the delivery of the applicable conversion notice. Further, the Series B-1 Certificate of Designations provides that if on any of the 90th and 180th day after each of the occurrence of any Stock Combination Event (as defined in the Series B-1 Certificate of Designations) and the Applicable Date (as defined in the Series B-1 Certificate of Designations), the conversion price then in effect is greater than the market price then in effect (the "Adjustment Price"), on such date then the conversion price shall automatically lower to the Adjustment Price.

Dividends: Holders of the Series B-1 Preferred Stock shall be entitled to receive dividends when and as declared by the Board, from time to time, in its sole discretion, which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in cash, in securities of the Company or any other entity, or using assets as determined by the Board on the Stated Value of such Preferred Share.

Liquidation: In the event of a Liquidation Event (as defined in the Series B-1 Certificate of Designations), the holders the Series B-1 Preferred Stock shall be entitled to receive in cash out of the assets of the Company, before any amount shall be paid to the holders of any other shares of capital stock of the Company, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series B-1 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series B-1 Preferred Stock would receive if they converted such share of Series B-1 Preferred Stock into Common Stock immediately prior to the date of such payment.

Company Redemption: The Company may redeem all, or any portion, of the Series B-1 Preferred Stock for cash, at a price per share of Series B-1 Preferred Stock equal to 115% of the greater of (i) the Conversion Amount (as defined in the Series B-1 Certificate of Designations) being redeemed as of the Company Optional Redemption Date (as defined in the Series B-1 Certificate of Designations) and (ii) the product of (1) the Conversion Rate (as defined in the Series B-1 Certificate of Designations) with respect to the Conversion Amount being redeemed as of the Company Optional Redemption Date multiplied by (2) the greatest Closing Sale Price (as defined in the Series B-1 Certificate of Designations) of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Company Optional Redemption Notice Date (as defined in the Series B-1 Certificate of Designations) and ending on the Trading Day immediately prior to the date the Company makes the entire payment required to be made under the Certification of Designation.

Maximum Percentage: Holders of Series B-1 Preferred Stock are prohibited from converting shares of Series B-1 Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% (the "Maximum Percentage") of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion.

Voting Rights: The holders of the Series B-1 Preferred Stock shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Common Stock, except as expressly provided in the Series B-1 Certificate of Designations and where required by the DGCL.

Issuance of Series B-2 Preferred Stock:

On December 29, 2023, the Company entered into an Exchange Agreement (the "Note Exchange Agreement") with the Noteholder, pursuant to which the Noteholder agreed, subject to the terms and conditions set forth therein, to exchange the Note, including all accrued but unpaid interest thereon, for an aggregate of 2,625 shares of a new series of convertible preferred stock of the Company, designated as Series B-2 Convertible Preferred Stock, $0.001 par value (the "Series B-2 Preferred Stock"). See Series B-2 Preferred Stock certificate of designation incorporated by reference to this document.

The following is only a summary of the Series B-2 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series B-2 Certificate of Designations, a copy of which is filed as an exhibit to our Current Report on Form 8-K filed with the SEC on January 2, 2024.

Designation, Amount, and Par Value: The number of Series B-2 Preferred Stock designated is 2,625 shares. The shares of Series B-2 Preferred Stock have a par value of $0.001 per share and a stated value of $1,000 per share.

Conversion Price: The Series B-2 Preferred Stock will be convertible into shares of Common Stock at an initial conversion price of $4.71 (subject to adjustment pursuant to the Series B-2 Certificate of Designations) (the "Conversion Price"). The Series B-2 Certificate of Designations also provides that in the event of certain Triggering Events (as defined below) any holder may, at any time, convert any or all of such holder's Series B-2 Preferred Stock at an alternate conversion rate equal to the product of (i) the Alternate Conversion Price (as defined below) and (ii) the quotient of (x) the 125% redemption premium multiplied by (y) the amount of Series B-2 Preferred Stock subject to such conversion. "Triggering Events" include, among others, (i) a suspension of trading or the failure to be traded or listed on an eligible market for five consecutive days or more, (ii) the failure to remove restrictive legends when required, (iii) the Company's default in payment of indebtedness in an aggregate amount of $500,000 or more(the Company is currently in default for payments greater than $500,000), (iv) proceedings for a bankruptcy, insolvency, reorganization or liquidation, which are not dismissed with 30 days, (v) commencement of a voluntary bankruptcy proceeding, and (viii) final judgments against the Company for the payment of money in excess of $500,000. "Alternate Conversion Price" means the lowest of (i) the applicable conversion price the in effect, (ii) the greater of (x) $0.9420 (the "Floor Price") and (y) 80% of the lowest volume weighted average price ("VWAP") of the Common Stock during the five consecutive trading day period ending and including the trading day immediately preceding the delivery of the applicable conversion notice. Further, the Series B-2 Certificate of Designations provides that if on any of the 90th and 180th day after each of the occurrence of any Stock Combination Event (as defined in the Series B-2 Certificate of Designations) and the Applicable Date (as defined in the Series B-2 Certificate of Designations), the conversion price then in effect is greater than the market price then in effect (the "Adjustment Price"), on such date then the conversion price shall automatically lower to the Adjustment Price.

Dividends: Holders of the Series B-2 Preferred Stock shall be entitled to receive dividends when and as declared by the Board, from time to time, in its sole discretion, which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in cash, in securities of the Company or any other entity, or using assets as determined by the Board on the Stated Value of such Preferred Share.

Liquidation: In the event of a Liquidation Event (as defined in the Series B-2 Certificate of Designations), the holders the Series B-2 Preferred Stock shall be entitled to receive in cash out of the assets of the Company, before any amount shall be paid to the holders of any other shares of capital stock of the Company, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series B-2 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series B-2 Preferred Stock would receive if they converted such share of Series B-2 Preferred Stock into Common Stock immediately prior to the date of such payment.

Company Redemption: The Company may redeem all, or any portion, of the Series B-2 Preferred Stock for cash, at a price per share of Series B-2 Preferred Stock equal to 115% of the greater of (i) the Conversion Amount (as defined in the Series B-2 Certificate of Designations) being redeemed as of the Company Optional Redemption Date (as defined in the Series B-2 Certificate of Designations) and (ii) the product of (1) the Conversion Rate (as defined in the Series B-2 Certificate of Designations) with respect to the Conversion Amount being redeemed as of the Company Optional Redemption Date multiplied by (2) the greatest Closing Sale Price (as defined in the Series B-2 Certificate of Designations) of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Company Optional Redemption Notice Date (as defined in the Series B-2 Certificate of Designations) and ending on the Trading Day immediately prior to the date the Company makes the entire payment required to be made under the Certification of Designation.

Maximum Percentage: Holders of Series B-2 Preferred Stock are prohibited from converting shares of Series B-2 Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% (the "Maximum Percentage") of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion.

Voting Rights: The holders of the Series B-2 Preferred Stock shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Common Stock, except as expressly provided in the Series B-2 Certificate of Designations and where required by the DGCL.

Series C Preferred Stock

On July 11, 2023, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Preferred Stock. The Certificate of Designation provides that the share of Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Amended and Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock. The Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split. Upon such redemption, the holder of the Preferred Stock will receive consideration of $1,000 in cash. As of December 31, 2023, the share has been redeemed and the consideration has been paid.

On July 11, 2023, the Company entered into a Subscription and Investment Representation Agreement (the "Subscription Agreement") with Amro Albanna, its Chief Executive Officer, who is an accredited investor (the "Purchaser"), pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series C Preferred Stock, par value $0.001 per share (the "Preferred Stock"), to the Purchaser for $1,000 in cash. The sale closed on July 11, 2023. The Subscription Agreement contains customary representations and warranties and certain indemnification rights and obligations of the parties. See Series C Preferred Stock certificate of designation incorporated by reference to this document. On August 17, 2023, the share was redeemed.

Series C-1 Preferred Stock Certificate of Designation

On May 2, 2024, the Company filed a Certificate of Designation for its Series C-1 Preferred Stock with the Secretary of State of Delaware (the "Series C-1 Certificate of Designations"). The following is only a summary of the Series C-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series C-1 Certificate of Designations.

Designation, Amount, and Par Value. The number of Series C-1 Preferred Stock designated is 10,853 shares. The shares of Series C-1 Preferred Stock have a par value of $0.001 per share and a stated value of $1,000 per share.

Conversion Price: The Series C-1 Preferred Stock will be convertible into shares of Common Stock at an initial conversion price of $2.595 (subject to adjustment pursuant to the Series C-1 Certificate of Designations) (the "Series C-1 Conversion Price"). The Series C-1 Certificate of Designations also provides that in the event of certain Triggering Events (as defined below) any holder may, at any time, convert any or all of such holder's Series C-1 Preferred Stock at an alternate conversion rate equal to the product of (i) the Alternate Conversion Price (as defined below) and (ii) the quotient of (x) the 25% redemption premium multiplied by (y) the amount of Series C-1 Preferred Stock subject to such conversion. "Triggering Events" include, among others, (i) a suspension of trading or the failure to be traded or listed on an eligible market for five consecutive days or more, (ii) the failure to remove restrictive legends when required, (iii) the Company's default in payment of indebtedness in an aggregate amount of $500,000 or more, (iv) proceedings for a bankruptcy, insolvency, reorganization or liquidation, which are not dismissed with 30 days, (v) commencement of a voluntary bankruptcy proceeding, and (viii) final judgments against the Company for the payment of money in excess of $500,000. "Alternate Conversion Price" means the lowest of (i) the applicable conversion price the in effect, (ii) the greater of (x) $0.519 (the "Floor Price") and (y) 80% of the volume weighted average price ("VWAP") of the Common Stock on the trading day immediately preceding the delivery of the applicable conversion notice. Further, the Series C-1 Certificate of Designations provides that if on any of the 90th and 180th day after each of the occurrence of any Stock Combination Event (as defined in the Series C-1 Certificate of Designations) and the Applicable Date (as defined in the Series C-1 Certificate of Designations), the conversion price then in effect is greater than the market price then in effect (the "Adjustment Price"), on such date then the conversion price shall automatically lower to the Adjustment Price.

Dividends: Holders of the Series C-1 Preferred Stock shall be entitled to receive dividends when and as declared by the Board, from time to time, in its sole discretion, which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in cash, in securities of the Company or any other entity, or using assets as determined by the Board on the Stated Value of such Preferred Share.

Liquidation: In the event of a Liquidation Event (as defined in the Series C-1 Certificate of Designation), the holders the Series C-1 Preferred Stock shall be entitled to receive in cash out of the assets of the Company, before any amount shall be paid to the holders of any other shares of capital stock of the Company, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series C-1 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series C-1 Preferred Stock would receive if they converted such share of Series C-1 Preferred Stock into Common Stock immediately prior to the date of such payment

Company Redemption: The Company may redeem all, or any portion, of the Series C-1 Preferred Stock for cash, at a price per share of Series C-1 Preferred Stock equal to 115% of the greater of (i) the Conversion Amount (as defined in the Series C-1 Certificate of Designations) being redeemed as of the Company Optional Redemption Date (as defined in the Series C-1 Certificate of Designation) and (ii) the product of (1) the Conversion Rate (as defined in the Series C-1 Certificate of Designation) with respect to the Conversion Amount being redeemed as of the Company Optional Redemption Date multiplied by (2) the greatest Closing Sale Price (as defined in the Certificate of Designation) of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Company Optional Redemption Notice Date (as defined in the Certificate of Designation) and ending on the Trading Day immediately prior to the date the Company makes the entire payment required to be made under the Certification of Designation.

Maximum Percentage: Holders of Series C-1 Preferred Stock are prohibited from converting shares of Series C-1 Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% (the "Maximum Percentage") of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion.

Voting Rights. The holders of the Series C-1 Preferred Stock shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Common Stock, except as expressly provided in the Certificate of Designations and where required by the General Corporation Law of the State of Delaware (the "DGCL").

Series D-1 Preferred Stock Certificate of Designation

On May 2, 2024, the Company filed a Certificate of Designation for its Series D-1 Preferred Stock with the Secretary of State of Delaware (the "Series D-1 Certificate of Designations"). The following is only a summary of the Series D-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series D-1 Certificate of Designations, a copy of which is filed as Exhibit 3.1 to a Current Report on Form 8-K and is incorporated by reference herein.

The Series D-1 Certificate of Designations provides that the share of Preferred Stock will have 418,600,000 votes and will vote together with the outstanding shares of the Company's Common Stock as a single class exclusively with respect to any proposal to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of Common Stock that the Company is authorized to issue. The Series D-1Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of the Company's Common Stock are voted. The Series D-1 Preferred Stock otherwise has no voting rights except as otherwise required by the DGCL.

The Series D-1 Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Series D-1 Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holders of Series D-1 Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Series D-1 Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to increase the number of shares of Common Stock that the Company is authorized to issue. Upon such redemption, the holder of the Preferred Stock will receive consideration of $0.01 per share in cash.

Stock-Based Compensation

In October 2017, our Board of Directors adopted the Aditx Therapeutics, Inc. 2017 Equity Incentive Plan (the "2017 Plan"). The 2017 Plan provides for the grant of equity awards to directors, employees, and consultants. The Company is authorized to issue up to 2,500,000 shares of our common stock pursuant to awards granted under the 2017 Plan. The 2017 Plan is administered by our Board of Directors, and expires ten years after adoption, unless terminated earlier by the Board of Directors. All shares of our common stock pursuant to awards under the 2017 Plan have been awarded.

On February 24, 2021, our Board of Directors adopted the Aditx Therapeutics, Inc. 2021 Omnibus Equity Incentive Plan (the "2021 Plan"). The 2021 Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock and restricted stock units, and other stock-based awards (collectively, the "Awards"). Eligible recipients of Awards include employees, directors or independent contractors of the Company or any affiliate of the Company. The Compensation Committee of the Board of Directors (the "Committee") administers the 2021 Plan. A total of 60,000 shares of common stock, par value $0.001 per share, of the Company may be issued pursuant to Awards granted under the 2021 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than one hundred percent (100%) of the Fair Market Value (as defined in the 2021 Plan) of a share of Common Stock on the date of grant. The 2021 Plan was submitted and approved by the Company's stockholders at the 2021 annual meeting of stockholders, held on May 19, 2021.

During the six months ended June 30, 2024 and 2023, the Company granted no new options.

The Company recognizes option forfeitures as they occur, as there is insufficient historical data to accurately determine future forfeitures rates.

The following is an analysis of the stock option grant activity under the Plan:

Vested and Nonvested Stock Options	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding December 31, 2023	45,572	$ 173.12	9.74
Granted	-	-	-
Exercised	-	-	-
Expired or forfeited	-	-	-
Outstanding June 30, 2024	45,572	$ 173.12	9.24

Nonvested Stock Options	Number	Weighted-Average Exercise Price
Nonvested on December 31, 2023	-	$ -
Granted	-	-
Vested	-	-
Forfeited	-	-
Nonvested on June 30, 2024	-	$ -

As of June 30, 2024 there were 45,572 exercisable options; these options had a weighted average exercise price $173.12.

On December 18, 2023, our Board of Directors adopted the Pearsanta, Inc. 2023 Omnibus Equity Incentive Plan (the “Pearsanta 2023 Plan”) and the 2023 Parent Service Provider Equity Incentive Plan (the “Pearsanta Parent 2023 Plan”), collectively (the “Pearsanta Plans”). The Pearsanta Plans provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock and restricted stock units, and other stock-based awards (collectively, the “Pearsanta Awards”). Eligible recipients of Pearsanta Awards include employees, directors or independent contractors of the Company or any affiliate of the Company. The Board of Directors administers the Pearsanta Plans. The Pearsanta 2023 Plan consists of a total of 15,000,000 shares of Pearsanta common stock, par value $0.001 per share, which may be issued pursuant to Pearsanta Awards granted under the Pearsanta 2023 Plan. The Pearsanta Parent 2023 Plan consists of a total of 9,320,000 shares of Pearsanta common stock, par value $0.001 per share, which may be issued pursuant to Pearsanta Awards granted under the Pearsanta Parent 2023 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than one hundred percent (100%) of the Fair Market Value (as defined in the Pearsanta Plans) of a share of Common Stock on the date of grant.

During the six months ended June 30, 2024 and 2023, Pearsanta granted no new options under the Pearsanta 2023 Plan.

The following is an analysis of the stock option grant activity under the Pearsanta Plans:

Vested and Nonvested Stock Options	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding December 31, 2023	13,320,000	$ 0.02	9.97
Granted	-	-	-
Exercised	-	-	-
Expired or forfeited	-	-	-
Outstanding June 30, 2024	13,320,000	$ 0.02	9.47

Nonvested Stock Options	Number	Weighted-Average Exercise Price
Nonvested on December 31, 2023	4,000,000	$ 0.02
Granted	-	-
Vested	(1,334,000)	0.02
Forfeited	-	-
Nonvested on June 30, 2024	2,666,000	$ 0.02

As of June 30, 2024, there were 10,654,000 exercisable options; these options had a weighted average exercise price $0.02.

The Company recognized stock-based compensation expense related to all options granted and vesting expense of $4,905 during the three months ended June 30, 2024, of which $4,905 is included in general and administrative expenses in the accompanying statements of operations. The Company recognized stock-based compensation expense related to all options granted and vesting expense of $28,668 during the six months ended June 30, 2024, of which $28,668 is included in general and administrative expenses in the accompanying statements of operations. The remaining value to be expensed is $49,145 as of June 30, 2024. The weighted average vesting term is 1.67 years as of June 30, 2024.

The Company recognized stock-based compensation expense related to all options granted and vesting expense of $59,964 during the three months ended June 30, 2023, of which $24,429 is included in general and administrative expenses and $35,535 is included in research and development expenses in the accompanying statements of operations. The Company recognized stock-based compensation expense related to all options granted and vesting expense of $119,928 during the six months ended June 30, 2023, of which $48,858 is included in general and administrative expenses and $71,070 is included in research and development expenses in the accompanying statements of operations.

Warrants

For the six months ended June 30, 2024, the fair value of each warrant granted was estimated using the assumption and/or factors in the Black-Scholes Model as follows:

Exercise price	$ 5.23
Expected dividend yield	0%
Risk free interest rate	3.97%
Expected life in years	5.0
Expected volatility	219%

The risk-free interest rate assumption for warrants granted is based upon observed interest rates on the United States Government Bond Equivalent Yield appropriate for the expected term of warrants.

The Company determined the expected volatility assumption for warrants granted using the historical volatility of comparable public companies' common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future warrant grants, until such time that the Company's common stock has enough market history to use historical volatility.

The dividend yield assumption for warrants granted is based on the Company's history and expectation of dividend payouts. The Company has never declared nor paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

The Company recognizes warrant forfeitures as they occur, as there is insufficient historical data to accurately determine future forfeitures rates.

A summary of warrant issuances are as follows:

Vested and Nonvested Warrants	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding December 31, 2023	5,047,450	$ 14.11	2.73
Granted	1,840,531	2.18	4.83
Exercised	-	-	-
Expired or forfeited	(400)	400.00	-
Outstanding June 30, 2024	6,887,581	$ 10.63	3.01

Nonvested Warrants	Number	Weighted-Average Exercise Price
Nonvested on December 31, 2023	-	$ -
Granted	1,840,531	2.18
Vested	(50,000)	5.23
Forfeited	-	-
Nonvested on June 30, 2024	1,790,531	$ 2.10

Restricted Stock Units

A summary of Restricted Stock Units ("RSUs") issuances are as follows:

Nonvested RSUs	Number	Weighted Average Price
Nonvested December 31, 2023	-	$ -
Granted	18	1.92
Vested	(8)	1.92
Forfeited	-	-
Nonvested June 30, 2024	10	$ 1.92

The Company recognized stock-based compensation expense related to RSUs granted and vesting expense of $2 and $103,264 during the three months ended June 30, 2024 and June 30, 2023, respectively. The $2 is included in general and administrative, in the accompanying Statements of Operations.

The Company recognized stock-based compensation expense related to RSUs granted and vesting expense of $2 and $214,451 during the six months ended June 30, 2024 and June 30, 2023, respectively. The $2 is included in general and administrative, in the accompanying Statements of Operations. The remaining value to be expensed is $28 with a weighted average vesting term of 0.83 years as of June 30, 2024.

During the six months ended June 30, 2024, the Company granted a total of 18 RSUs. During the six months ended June 30, 2024, 8 RSUs vested and the Company issued 8 shares of common stock for the 8 vested RSUs. During the six months ended June 30, 2023, 85 RSUs vested and the Company issued 85 shares of common stock for the 3,400 vested RSUs.

NOTE 11 – INCOME TAXES

The Company has incurred losses since inception. During the six months ended June 30, 2024, the Company did not provide any provision for income taxes as the Company incurred losses during such period. The Company accounts for income taxes using the asset and liability method in accordance with ASC 740, "Accounting for Income Taxes". The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities and for operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. In assessing the need for a valuation allowance, the Company has considered both positive and negative evidence related to the likelihood of realization of deferred tax assets using a "more likely than not" standard. In making such assessment, more weight was given to evidence that could be objectively verified, including recent cumulative losses. Based on the Company's review of this evidence, the Company has recorded a full valuation allowance for its net deferred tax assets as of June 30, 2024.

As of June 30, 2024, the Company did not have any amounts recorded pertaining to uncertain tax positions.

NOTE 12 – SUBSEQUENT EVENTS

Appili Amending Agreement

On July 1, 2024, the Company, Adivir and Appili entered into an Amending Agreement (the "Amending Agreement"), pursuant to which the Parties (as defined in the Arrangement Agreement) agreed that: (i) the Outside Date (as defined in the Arrangement Agreement) would be changed to August 30, 2024; (ii) Adivir agreed that it would convene the Company Meeting (as defined in the Arrangement Agreement) no later than August 30, 2024, provided that Appili shall be under no obligation to convene the Company Meeting prior to the date that is 50 days following the date that Aditxt delivers to Appili all complete Additional Financial Disclosure (as defined in the Arrangement Agreement) required for inclusion in the Company Circular (as defined in the Arrangement Agreement); (iii) Aditxt shall use commercially reasonable efforts to complete the Financing (as defined in the Arrangement Agreement) no later than August 30, 2024; and (iv) Aditxt or Appili may terminate the Arrangement Agreement if the Financing is not completed by 5:00 p.m. (ET) on August 30, 2024 or such later date as the Parties may agree in writing.

July Notes

On July 9, 2024, the Company entered into a Securities Purchase Agreement (the "July Notes Securities Purchase Agreement") with an accredited investors (the "July Note Purchaser") pursuant to which the Company issued and sold a senior note in the principal amount of $625,000 (the "July Note") maturing on October 7, 2024. The Company received cash proceeds of $500,000 from the sale of the Note.

Upon an Event of Default (as defined in the July Note), the Note will bear interest at a rate of 14% per annum and the holder shall have the right to require the Company to redeem the July Note at a redemption premium of 125%. In addition, while the July Note is outstanding, the Company is required to utilize 100% of the proceeds from any offering of securities to redeem the Note. Pursuant to the July Notes Purchase Agreement, the Company agreed to use commercially reasonable efforts, including the filing of a registration statement with the SEC for a public offering, to pursue and consummate a financing transaction within 90 days of the closing date. In connection with the issuance of the July Note, the Company issued the July Note Purchasers a warrant (the "July Note Warrant") to purchase up to 1,250,000 shares of the Company's common stock (the "July Note Warrant Shares"). Pursuant to the July Note Purchase Agreement, the Company also agreed to file a registration statement with the SEC covering the resale of the Warrant Shares as soon as practicable following notice from an investor, and to cause such registration statement to become effective within 60 days following the filing thereof. The July Note Warrant is exercisable following Stockholder Approval (as defined in the Purchase Agreement) at an initial exercise price of $1.49 for a term of five years.

On July 12, 2024, additional accredited investors entered into the July Notes Securities Purchase Agreement. Pursuant to which the Company issued and sold the July Note in the principal amount of $875,000. The Company received cash proceeds of $700,000. In connection with the issuance of the July Note, the Company issued the July Note Warrant to purchase up to 1,750,000 shares of the Company's common stock. The initial exercise price is $1.582.

Warrant Reprice

On July 9, 2024, the Company entered into an amendment to common stock purchase warrants (the "Warrant Amendment") with the holder (the "Repriced Holder") of certain of the Company's warrants originally issued in December 2023, April 2023, September 2022, December 2021, August 2021, and September 2020 (collectively, the "Repriced Outstanding Warrants"), pursuant to which the Company and the Repriced Holder agreed to amend each of the Repriced Outstanding Warrants to lower the exercise price of the Outstanding Warrants to $1.49 per share.

Amended and Restated Evofem Agreement

On July 12, 2024 (the "Execution Date"), the Company entered into an Amended and Restated Agreement and Plan of Merger (the "Merger Agreement") with Adifem, Inc. f/k/a Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem, pursuant to which, Merger Sub will be merged into and with Evofem (the "Merger"), with Evofem surviving the Merger as a wholly owned subsidiary of the Company. The Merger Agreement amended and restated that certain Agreement and Plan of Merger dated as of December 11, 2023 by and among the Company, Merger Sub and Evofem (as amended, the "Original Agreement").

Effect on Capital Stock

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), (i) all issued and outstanding shares of common stock, par value $0.0001 per share of Evofem ("Evofem Common Stock"), other than any shares of Evofem Common Stock either held by the Company or Merger Sub immediately prior to the Effective Time or which are Dissenting Shares (as hereinafter defined), will be converted into the right to receive an aggregate of $1,800,000; and (ii) each issued and outstanding share of Series E-1 Preferred Stock, par value $0.0001 of Evofem (the "Evofem Unconverted Preferred Stock"), other than any shares of Evofem Unconverted Preferred Stock either held by the Company or Merger Sub immediately prior to the Effective Time or which are Dissenting Shares, will be converted into the right to receive one (1) share of Series A-2 Preferred Stock, par value $0.001 of the Company (the "Company Preferred Stock"), having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-2 Preferred Stock, the form of which is attached as Exhibit C to the Merger Agreement.

Any Evofem capital stock outstanding immediately prior to the Effective Time and held by an Evofem shareholder who has not voted in favor of or consented to the adoption of the Merger Agreement and who is entitled to demand and has properly demanded appraisal for such Company Capital Stock in accordance with the Delaware General Corporation Law ("DGCL"), and who, as of the Effective Time, has not effectively withdrawn or lost such appraisal rights (such Evofem capital Stock, "Dissenting Shares") shall not be converted into or be exchangeable for the right to receive a portion of the Merger Consideration and, instead, shall be entitled to only those rights as set forth in the DGCL. If, after the Effective Time, any such holder fails to perfect or withdraws or loses his, her or its right to appraisal under the DGCL, with respect to any Dissenting Shares, upon surrender of the certificate(s) representing such Dissenting Shares, such Dissenting Shares shall thereupon be treated as if they had been converted as of the Effective Time into the right to receive the portion of the merger consideration, if any, to which such Evofem capital stock is entitled pursuant to the Merger Agreement, without interest.

As a closing condition for the Company, there shall be no more than 4,141,434 Dissenting Shares that are Evofem Common Stock or 98 Dissenting Shares that are Evofem Preferred Stock.

Treatment of Evofem Options and Employee Stock Purchase Plan

At the Effective Time, each option outstanding under the Evofem 2014 Equity Incentive Plan, the Evofem 2018 Inducement Equity Incentive Plan and the Evofem 2019 Employee Stock Purchase Plan (collectively, the "Evofem Option Plans"), whether or not vested, will be canceled without the right to receive any consideration, and the board of directors of Evofem shall take such action such that the Evofem Option Plans are cancelled as of the Effective Time.

As soon as practicable following the Execution Date, Evofem will take all action that may be reasonably necessary to provide that: (i) no new offering period will commence under the Evofem 2019 Employee Stock Purchase Plan (the "Evofem ESPP"); (ii) participants in the Evofem ESPP as of the Execution Date shall not be permitted to increase their payroll deductions or make separate non-payroll contributions to the Evofem ESPP; and (iii) no new participants may commence participation in the Evofem ESPP following the Execution Date. Prior to the Effective Time, Evofem will take all action that may be reasonably necessary to: (A) cause any offering period or purchase period that otherwise be in progress at the Effective Time to be the final offering period under the Evofem ESPP and to be terminated no later than five business days prior to the anticipated closing date (the "Final Exercise Date"); (B) make any pro-rata adjustments that may be necessary to reflect the shortened offering period or purchase period; (C) cause each participant's then-outstanding share purchase right under the Evofem ESPP to be exercised as of the Final Exercise Date; and (D) terminate the Evofem ESPP, as of and contingent upon, the Effective Time.

Representations and Warranties

The parties to the Merger Agreement have agreed to customary representations and warranties for transactions of this type.

Covenants

The Merger Agreement contains various customary covenants, including but not limited to, covenants with respect to the conduct of Evofem's business prior to the Effective Time.

Closing Conditions

Mutual

The respective obligations of each of the Company, Merger Sub and Evofem to consummate the closing of the Merger (the "Closing") are subject to the satisfaction or waiver, at or prior to the closing of certain conditions, including but not limited to, the following:

(i) approval by the Evofem shareholders;

(ii) the entry into a voting agreement by the Company and certain members of Evofem management;

(iii) all preferred stock of Evofem other than the Evofem Unconverted Preferred Stock shall have been converted to Evofem Common Stock;

(iv) Evofem shall have received agreements (the "Evofem Warrant Holder Agreements") from all holders of Evofem warrants which provide:

  (a) waivers with respect to any fundamental transaction, change in control or other similar rights that such warrant holder may have under any such Evofem warrants, and (b) an agreement to such Evofem warrants to exchange such warrants for not more than an aggregate (for all holders of Evofem warrants) of 930.336 shares of Company Preferred Stock;

(v) Evofem shall have cashed out any other holder of Evofem warrants who has not provided an Evofem Warrant Holder Agreement; and

(vi) Evofem shall have obtained waivers from the holders of the convertible notes of Evofem (the "Evofem Convertible Notes") with respect to any fundamental transaction rights that such holder may have under the Evofem Convertible Notes, including any right to vote, consent, or otherwise approve or veto any of the transactions contemplated under the Merger Agreement.

(vii) The Company shall have received sufficient financing to satisfy its payment obligations under the Merger Agreement.

(viii) The requisite stockholder approval shall have been obtained by the Company at a Special Meeting of its stockholders to approve the Parent Stock Issuance (as defined in the Merger Agreement) pursuant to the requirements of NASDAQ.

The Company and Merger Sub

The obligations of the Company and Merger Sub to consummate the Closing are subject to the satisfaction or waiver, at or prior to the Closing of certain conditions, including but not limited to, the following:

(i) the Company shall have obtained agreements from the holders of Evofem Convertible Notes and purchase rights they hold to exchange such Convertible Notes and purchase rights for not more than an aggregate (for all holders of Evofem Convertible Notes) of 88,161 shares of Company Preferred Stock;

(ii) the Company shall have received waivers form the holders of certain of the Company's securities which contain prohibitions on variable rate transactions; and

(iii) the Company, Merger Sub and Evofem shall work together between the Execution Date and the Effective Time to determine the tax treatment of the Merger and the other transactions contemplated by the Merger Agreement.

Evofem

The obligations of Evofem to consummate the Closing are subject to the satisfaction or waiver, at or prior to the Closing of certain conditions, including but not limited to, the following:

(i) The Company shall be in compliance with the stockholders' equity requirement in Nasdaq Listing Rule 5550(b)(1) and shall meet all other applicable criteria for continued listing.

Termination

The Merger Agreement may be terminated at any time prior to the consummation of the Closing by mutual written consent of the Company and Evofem. Either the Company or Evofem may also terminate the Merger Agreement if (i) the Merger shall not have been consummated on or before 5:00 p.m. Eastern Time on September 30, 2024; (ii) if any judgment, law or order prohibiting the Merger or the Transactions has become final and non-appealable; (iii) the required vote of Evofem stockholders was not obtained; or (iv) in the event of any Terminable Breach (as defined in the Merger Agreement). The Company may terminate the Merger Agreement if (i) prior to approval by the required vote of Evofem's shareholders if the Evofem board of directors shall have effected a Company Change in Recommendation (as defined in the Merger Agreement); or (ii) in the event that the Company determines, in its reasonable discretion, that the acquisition of Evofem could result in a material adverse amount of cancellation of indebtedness income to the Company. Evofem may terminate the Merger Agreement if (i) at any time after there has been a Company Change of Recommendation; provided, that Evofem has provided the Company ten (10) calendar days' prior written notice thereof and has negotiated in good faith with the Company to provide a competing offer; (ii) the Company Common Stock is no longer listed for trading on Nasdaq; or (iii) any of: (A) the Initial Parent Equity Investment has not been made by the Initial Parent Equity Investment Date, (B) the Second Parent Equity Investment has not been made by the Second Parent Equity Investment Date, (C) the Third Parent Equity Investment has not been made by the Third Parent Equity Investment Date or (D) the Fourth Parent Equity Investment has not been made by the Fourth Parent Equity Investment Date (as all of such terms are defined in the Merger Agreement).

Effect of Termination

If the Merger Agreement is terminated, the Merger Agreement will become void, and there will be no liability under the Merger Agreement on the part of any party thereto.

Waiver Agreement

On July 12, 2024, the Company, Merger Sub and Evofem also entered into a Waiver Agreement (the "Waiver Agreement"), pursuant to which: (i) Evofem waived its Termination Right (as defined in the Merger Agreement) for such breaches by the Company and Merger Sub that have occurred prior to the date of the Waiver Agreement; (ii) the Company and Merger Sub waived the restrictive covenants in the Merger Agreement that would otherwise prevent Evofem from entering into and closing the transaction contemplated under that certain Asset Purchase Agreement by and between Evofem and Lupin, Inc. (the "Asset Purchase Agreement"); and (iii) the Company and Merger Sub waived the restrictive covenants in the Merger Agreement that would otherwise restrict Evofem from entering into a financing arrangement relating to its directors' and officers' insurance policy.

Securities Purchase Agreement – Evofem Series F-1 Convertible Preferred Stock

On July 12, 2024 (the "Closing Date"), the Company completed the Initial Parent Equity Investment (as defined under the Merger Agreement) and entered into a Securities Purchase (the "Series F-1 Securities Purchase Agreement") with Evofem, pursuant to which the Company purchased 500 shares of Evofem's Series F-1 Convertible Preferred Stock par value $0.0001 per share ("Evofem F-1 Preferred Stock") for an aggregate purchase price of $500,000. In connection with the Series F-1 Securities Purchase Agreement, the Company and Evofem entered into a Registration Rights Agreement (the "EvoFem F-1 Registration Rights Agreement"), pursuant to which Evofem agreed to file with the SEC a registration statement covering the resale of the shares of its common stock issuable upon conversion of the Evofem Series F-1 Preferred Stock within 300 days of the Closing Date and to have such registration statement declared effective by the SEC the earlier of the (i) 90th calendar day after the Closing Date and (ii) 2nd Business Day after the date Evofem is notified (orally or in writing, whichever is earlier) by the SEC that such registration statement will not be reviewed or will not be subject to further review. Pursuant to the Merger Agreement, the Company is also obligated to purchase: (i) an additional 500 shares of Evofem Series F-1 Preferred Stock for an additional aggregate purchase price of $500,000 on or prior to August 9, 2024; (ii) an additional 2,000 shares of Evofem Series F-1 Preferred Stock for an additional purchase price of $2 million on the earlier of August 30, 2024 or 5 business days of the closing of a public offering by the Company resulting in aggregate net proceeds to the Company of no less than $20 million; and (iii) an additional 1,000 shares of Evofem Series F-1 Preferred Stock for an additional purchase price of $1 million on or prior to September 30, 2024.

Exchange Agreement

On August 7, 2024, the Company entered into a Securities Exchange Agreement with the Holder (the "August Exchange Agreement"), pursuant to which the Company agreed to exchange the certain pre-funded warrants for: (i) an aggregate of 6,667 shares of the Company's Series C-1 Convertible Preferred Stock, par value $0.001 per share and (ii) warrants to purchase 2,569,171 shares of the Company's Common Stock at an exercise price of $1.49 per share for a term of five years (the "August Warrants").

Amendment to Certificate of Incorporation

On August 7, 2024, the Company filed with the Secretary of State of Delaware an amendment to the Company's Certificate of Incorporation, (the "Charter Amendment") to increase the number of authorized common stock from 100,000,000 shares to 1,000,000,000 shares. The Charter Amendment was approved by the Company's stockholders at the Company's Annual Meeting of Stockholders held on August 6, 2024.

Registered Direct Offering

On August 8, 2024, the Company entered into a securities purchase agreement (the "Registered Direct Purchase Agreement") with certain institutional investors, pursuant to which the Company agreed to sell to such investors 188,000 shares (the "Registered Direct Shares") of common stock of the Company (the "Common Stock"), pre-funded warrants (the "Registered Direct Pre-Funded Warrants") to purchase up to 942,189 shares of Common Stock of the Company (the "Registered Direct Pre-Funded Warrant Shares"), having an exercise price of $0.001 per share, at a purchase price of $1.06 per share of Common Stock and a purchase price of $1.059 per Registered Direct Pre-Funded Warrant (the "Registered Direct Offering"). The shares of Common Stock and Registered Direct Pre-Funded Warrants (and shares of common stock underlying the Registered Direct Pre-Funded Warrants) were offered by the Company pursuant to its shelf registration statement on Form S-3 (File No. 333-280757), which was declared effective by the Securities and Exchange Commission on August 6, 2024.

The closing of the sales of these securities under the Registered Direct Purchase Agreement took place on August 9, 2024. The gross proceeds from the offering were approximately $1.2 million, prior to deducting placement agent's fees and other offering expenses payable by the Company. The Company used $500,000 of the net proceeds from the offering to fund certain obligations under its Amended and Restated Merger agreement with Evofem Biosciences, Inc and the remainder for working capital and other general corporate purposes.

Amendment to EvoFem Amended and Restated Merger Agreement

On August 16, 2024, the Company, Merger Sub and Evofem entered into Amendment No. 1 to the Amended and Restated Merger Agreement ("Amendment No. 1"), pursuant to which the date by which the Company is to make the Third Parent Equity Investment (as defined under the Amended and Restated Merger Agreement) was amended to the earlier of September 6, 2024 or five (5) business days of the closing of a public offering by Parent resulting in aggregate net proceeds to Parent of no less than $20,000,000. Except as set forth herein, the terms and conditions of the Amended and Restated Merger Agreement have not been modified.

ADITXT, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Aditxt, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, stockholders' equity, and cash flows, for the years ended December 31, 2023 and 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's net losses and negative cash flow from operations, raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ dbbmckennon

We have served as the Company's auditor since 2018.

San Diego, California
April 16, 2024

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ADITXT, INC.
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash	$ 97,102	$ 2,768,640
Accounts receivable, net	408,326	527,961
Inventory	745,502	950,093
Prepaid expenses	217,390	496,869
Subscription receivable	5,444,628	-
TOTAL CURRENT ASSETS	6,912,948	4,743,563
Fixed assets, net	1,898,243	2,318,863
Intangible assets, net	9,444	107,000
Deposits	106,410	355,366
Right of use asset - long term	2,200,299	3,160,457
Deferred issuance costs	-	50,000
Investment in Evofem	22,277,211	-
Deposit on acquisition	11,173,772	-
TOTAL ASSETS	$ 44,578,327	$ 10,735,249
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 8,554,959	$ 1,958,502
Notes payable - related party	375,000	-
Notes payable, net of discount	15,653,477	-
Financing on fixed assets	147,823	409,983
Deferred rent	158,612	188,581
Lease liability - current	999,943	1,086,658
TOTAL CURRENT LIABILITIES	25,889,814	3,643,724
Settlement liability	1,600,000	-
Lease liability - long term	1,041,744	1,885,218
TOTAL LIABILITIES	28,531,558	5,528,942
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 3,000,000 shares authorized, zero shares issued and outstanding, respectively	-	-
Series A-1 Convertible Preferred stock, $0.001 par value, 22,280 shares authorized, 22,280 and zero shares issued and outstanding, respectively	22	-
Series B Preferred stock, $0.001 par value, 1 share authorized, zero and zero shares issued and outstanding, respectively	-	-
Series B-2 Convertible Preferred stock, $0.001 par value, 2,625 shares authorized, 2,625 and zero shares issued and outstanding, respectively	3	-
Series C Preferred stock, $0.001 par value, 1 share authorized, zero and zero shares issued and outstanding, respectively	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 1,318,969 and 107,698 shares issued and 1,318,918 and 107,647 shares outstanding, respectively	1,319	108
Treasury stock, 51 and 51 shares, respectively	(201,605)	(201,605)
Additional paid-in capital	143,997,710	100,448,166
Accumulated deficit	(127,741,072)	(95,040,362)
TOTAL ADITXT, INC. STOCKHOLDERS' EQUITY	16,056,377	5,206,307
NON-CONTROLLING INTEREST	(9,608)	-
TOTAL STOCKHOLDERS' EQUITY	16,046,769	5,206,307
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 44,578,327	$ 10,735,249

See accompanying notes to the consolidated financial statements.

ADITXT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2023	Year Ended December 31, 2022
REVENUE		
Sales	$ 645,176	$ 933,715
Cost of goods sold	756,836	766,779
Gross profit (loss)	(111,660)	166,936
OPERATING EXPENSES		
General and administrative expenses $1,133,077, and $1,516,805 in stock-based compensation, respectively	18,607,142	15,985,552
Research and development, includes $262,154, and $591,518 in stock-based compensation, respectively	7,074,339	7,268,084
Sales and marketing $6,787, and $1,023,045 in stock-based compensation, respectively	269,284	1,849,460
Impairment on notes receivable	-	543,938
Total operating expenses	25,950,765	25,647,034
NET LOSS FROM OPERATIONS	(26,062,425)	(25,480,098)
OTHER EXPENSE		
Interest expense	(4,195,127)	(753,038)
Interest income	10,166	57,348
Other income	-	58,960
Amortization of debt discount	(2,194,773)	(1,533,048)
Gain on note exchange agreement	51,712	-
Total other expense	(6,328,022)	(2,169,778)
Net loss before income taxes	(32,390,447)	(27,649,876)
Income tax provision	-	-
NET LOSS	$ (32,390,447)	$ (27,649,876)
NET LOSS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(9,608)	-
NET LOSS ATTRIBUTABLE TO ADITXT, INC. & SUBSIDIARIES	$ (32,380,839)	$ (27,649,876)
Deemed Dividend	(319,871)	(37,667)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (32,700,710)	$ (27,687,553)
Net loss per share - basic and diluted	$ (108.15)	$ (597.12)
Weighted average number of shares outstanding during the period - basic and diluted	302,356	46,369

See accompanying notes to the consolidated financial statements.

ADITXT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Preferred Shares Outstanding	Preferred Shares Par	Preferred A-1 Shares Outstanding	Preferred A-1 Shares Par	Preferred B Shares Outstanding	Preferred B Shares Par	Preferred B-2 Shares Outstanding	Preferred B-2 Shares Par	Preferred C Shares Outstanding	Preferred C Shares Par	Common Shares Outstanding	Common Shares Par	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
Balance December 31, 2022	-	-	$ -	-	-	$ -	-	$ -	-	$ -	107,647	$ 108	$(201,605)	$100,448,166	$ (95,040,362)	$ -	$ 5,206,307
Stock option compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	589,014	-	-	609,014
Restricted stock unit compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	308,479	-	-	308,479
Issuance of restricted stock units for compensation	-	-	-	-	-	-	-	-	-	-	157	2	-	(2)	-	-	-
Sale of common stock	-	-	-	-	-	-	-	-	-	-	8,463	9	-	507,007	-	-	507,016
Issuance of shares for services	-	-	-	-	-	-	-	-	-	-	74,675	75	-	484,450	-	-	484,525
Issuance of shares of Pearsanta Common Stock for IP	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	-	-	10,000
Warrants issued for cash, net of issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	1,581,467	-	-	1,581,467
Exercise of warrants	-	-	-	-	-	-	-	-	-	-	1,055,374	1,057	-	(57)	-	-	1,000
Sale of Series C Preferred shares to related party	-	-	-	-	-	-	-	-	1	-	-	-	-	1,000	-	-	1,000
Issuance of shares for debt issuance costs	-	-	-	-	-	-	-	-	-	-	31,251	32	-	354,806	-	-	354,838
Issuance of warrants for offering, net of issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	14,411,028	-	-	14,411,028
Modification of warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	319,871	(319,871)	-	-
Redemption of Series C Preferred shares to related party	-	-	-	-	-	-	-	-	(1)	-	-	-	-	(1,000)	-	-	(1,000)
Series A-1 Preferred shares issued for exchange agreement	-	-	22,280	22	-	-			-	-	-	-	-	22,277,211	-	-	22,277,233
Note exchange agreement	-	-	-	-	-	-	2,625	3	-	-	-	-	-	2,686,306	-	-	2,686,309
Rounding from reverse stock split	-	-	-	-	-	-			-	-	41,351	36	-	(36)	-	-	-
Net loss	--	-	-	-	-	-	-	-	-	-	-	-	-	-	(32,380,839)	(9,608)	(32,390,447)
Balance December 31, 2023	-	-	$ 22,280	22	-	$ -	2,625	$ 3	-	$ -	1,318,918	$ 1,319	$(201,605)	$143,997,710	$(127,741,072)	$ (9,608)	$ 16,046,769

See accompanying notes to the consolidated financial statements.

ADITXT, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

	Preferred Shares Outstanding	Preferred Shares Par	Preferred A-1 Shares Outstanding	Preferred A-1 Shares Par	Preferred B Shares Outstanding	Preferred B Shares Par	Preferred B-2 Shares Outstanding	Preferred B-2 Shares Par	Preferred C Shares Outstanding	Preferred C Shares Par	Common Shares Outstanding	Common Shares Par	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
Balance December 31, 2021	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	22,220	$ 22	$(201,605)	$ 77,735,165	$ (67,352,809)	$	$ 10,180,773
Stock option and warrant compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	1,413,904	-	-	1,413,904
Issuance of shares for vested restricted stock units	-	-	-	-	-	-	-	-	-	-	463	4	-	1,209,902	-	-	1,209,906
Issuance of shares for services	-	-	-	-	-	-	-	-	-	-	3,707	5	-	507,553	-	-	507,558
Exercise of warrants, modification of warrants, and issuance of warrants	-	-	-	-	-	-	-	-	-	-	4,486	5	-	1,203,764	-	-	1,203,769
Sale of Series B Preferred shares to related party	-	-	-	-	1	-	-	-	-	-	-	-	-	20,000	-	-	20,000
Redemption of Series B Preferred shares to related party	-	-	-	-	(1)	-	-	-	-	-	-	-	-	(20,000)	-	-	(20,000)
Shares issued as inducement on loans, net of issuance costs	-	-	-	-	-	-	-	-	-	-	1,195	2	-	146,520	-	-	146,522
Warrants issued with loans	-	-	-	-	-	-	-	-	-	-	-	-	-	878,622	-	-	878,622
Reset provision on warrants and modification of warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	37,677	(37,677)	-	-
Issuance of shares for debt issuance costs	-	-	-	-	-	-	-	-	-	-	262	1	-	96,029	-	-	96,030
Exercise of warrants	-	-	-	-	-	-	-	-	-	-	44,173	45	-	(45)	-	-	-
Issuance of shares and warrants for offering, net of issuance costs	-	-	-	-	-	-	-	-	-	-	30,609	31	-	17,232,276	-	-	17,232,307
Issuance costs related to exercise of warrants, modification of warrants, and issuance of warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	(94,195)	-	-	(94,195)
Issuance of shares for settlement of AP	-	-	-	-	-	-	-	-	-	-	231	1	-	79,999	-	-	80,000
Rounding from reverse stock split	-	-	-	-	-	-	-	-	-	-	301	(8)	-	(5)	-	-	(13)
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,649,876)	-	(27,649,876)
Balance December 31, 2022	-	$ -	-	$ -	-	$ -	-	$ -	-	$ -	107,647	$ 108	$(201,605)	$100,448,166	$ (95,040,362)	$ -	$ 5,206,307

See accompanying notes to the consolidated financial statements.

ADITXT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2023	Year Ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (32,390,447)	$ (27,649,876)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation	1,402,018	3,131,368
Depreciation expense	435,027	428,977
Amortization of intangible assets	107,556	107,000
Amortization of debt discount	2,821,629	1,533,048
Impairment on notes receivable	-	543,938
Disposal of fixed assets	-	6,976
Gain on note exchange agreement	(51,712)	-
Changes in operating assets and liabilities:		
Accounts receivable	119,635	(438,117)
Prepaid expenses	279,479	(36,767)
Deposits	248,956	23,884
Inventory	204,591	(455,396)
Accounts payable and accrued expenses	6,646,457	412,959
Settlement liability	1,600,000	-
Net cash used in operating activities	(18,576,811)	(22,392,006)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(14,407)	(367,079)
Tenant improvement allowance receivable	-	125,161
Net cash used in investing activities	(14,407)	(241,918)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes - related party	1,062,523	80,000
Proceeds from notes and convertible notes payable, net of offering costs	7,903,445	2,795,000
Repayments of note payable - related party	(687,523)	(80,000)
Repayments of note payable	(3,152,488)	(3,206,887)
Sale of Series B Preferred shares to related party	-	20,000
Redemption of Series B Preferred shares to related party	-	(20,000)
Common stock and warrants issued for cash, net of issuance costs	11,054,883	17,233,307
Sale of Series C Preferred shares to related party	1,000	-
Redemption of Series C Preferred shares to related party	(1,000)	-
Exercise of warrants, modification of warrants, and issuance of warrants	1,000	1,109,574
Payments on financing on fixed asset	(262,160)	(400,491)
Net cash provided by financing activities	15,919,680	17,530,503
NET INCREASE (DECREASE) IN CASH	(2,671,538)	(5,103,421)
CASH AT BEGINNING OF YEAR	2,768,640	7,872,061
CASH AT END OF YEAR	$ 97,102	$ 2,768,640
Supplemental cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest expense	$ 2,726,020	$ 753,038
Issuance of shares for the settlement of accounts payable	$ -	$ 80,000
Debt discount from warrants issued with convertible note payable	$ -	$ 878,622
Debt discount from shares issued as inducement for note payable	$ -	$ 146,522
Shares issued for debt offering costs	$ 354,838	$ 96,030
Warrant modification	$ 319,871	$ 37,677
Deferred issuance costs	$ -	$ 50,000
Issuance of shares of Pearsanta Common Stock for IP	$ 10,000	$ -
Assumption of notes payable from Evofem merger agreement	$ 11,173,750	$ -
Series A-1 Preferred shares issued for exchange agreement	$ 22,277,233	$ -
Accrued intertest rolled into notes payable	$ 701,315	$ -
Series B-2 Preferred shares issued in note exchange agreement	$ 2,686,306	$ -

See accompanying notes to the consolidated financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Company Background

Overview

We are a biotech innovation company with a mission of prolonging life and enhancing its quality by improving the health of the immune system. We are an innovation company developing and commercializing technologies with a focus on monitoring and modulating the immune system. Our immune reprogramming technologies are currently at the pre-clinical stage and are designed to retrain the immune system to induce tolerance with an objective of addressing rejection of transplanted organs, autoimmune diseases, and allergies. Our immune monitoring technologies are designed to provide a personalized comprehensive profile of the immune system and we plan to utilize them in our upcoming reprogramming clinical trials to monitor subjects' immune response before, during and after drug administration.

On January 1, 2023, the Company formed Adimune, Inc., a Delaware wholly owned subsidiary.

On January 1, 2023, the Company formed Pearsanta, Inc., a Delaware majority owned subsidiary.

On April 13, 2023, the Company formed Adivir, Inc., a Delaware wholly owned subsidiary.

On August 24, 2023, the Company formed Adivue, Inc., a Delaware wholly owned subsidiary.

On October 16, 2023, the Company formed Adicure, Inc., a Delaware wholly owned subsidiary.

Reverse Stock Split

On September 13, 2022, the Company effectuated a 1 for 50 reverse stock split (the "2022 Reverse Split"). The Company's stock began trading on a split-adjusted basis effective on the Nasdaq Stock Market on September 14, 2022. There was no change to the number of authorized shares of the Company's common stock.

On August 17, 2023, the Company effectuated a 1 for 40 reverse stock split (the "2023 Reverse Split"). The Company's stock began trading on a split-adjusted basis effective on the Nasdaq Stock Market on August 18, 2023. There was no change to the number of authorized shares of the Company's common stock. All share amounts referenced in this report are adjusted to reflect the 2023 Reverse Split.

Offerings

On August 31, 2021, the Company completed a registered direct offering ("August 2021 Offering"). In connection therewith, the Company issued 2,292 shares of common stock, at a purchase price of $4,800.00 per share, resulting in gross proceeds of approximately $11.0 million. In a concurrent private placement, the Company issued warrants to purchase up to 2,292 shares. The warrants have an exercise price of $5,060.00 per share and are exercisable for a five-year period commencing months from the date of issuance. The warrants exercise price was subsequently repriced to $3,000.00. In addition, the Company issued a warrant to the placement agent to purchase up to 115 shares of common stock at an exercise price of $6,000.00 per share.

On October 18, 2021, the Company entered into an underwriting agreement with Revere Securities LLC, relating to the public offering (the "October 2021 Offering") of 1,417 shares of the Company's common stock (the "Shares") by the Company. The Shares were offered, issued, and sold at a price to the public of $3,000.00 per share under a prospectus supplement and accompanying prospectus filed with the SEC pursuant to an effective shelf registration statement filed with the SEC on Form S-3 (File No. 333-257645), which was declared effective by the SEC on July 13, 2021. The October 2021 Offering closed on October 20, 2021 for gross proceeds of $4.25 million. The Company utilized a portion of the proceeds, net of underwriting discounts of approximately $3.91 million from the October 2021 Offering to fund certain obligations of the Company.

On December 6, 2021, the Company completed a public offering for net proceeds of $16.0 million (the "December 2021 Offering"). As part of the December 2021 Offering, we issued 4,123 units consisting of shares of the Company's common stock and warrant to purchase shares of the Company's common stock and 4,164 prefunded warrants. The warrant issued as part of the units had an exercise price of $2,300.00 and the prefunded warrants had an exercise price of $0.04. On June 15, 2022, the Company entered an agreement with a holder of certain warrants in the December 2021 Offering. (See Note 10)

On September 20, 2022, the Company completed a public offering for net proceeds of $17.2 million (the "September 2022 Offering"). As part of the September 2022 Offering, we issued 30,608 of shares of the Company's common stock, pre-funded warrants to purchase 52,725 shares of common stock, and warrants to purchase 83,333 shares of the Company's common stock. The warrants had an exercise price of $240.00 and the pre-funded warrants had an exercise price of $0.04.

On April 20, 2023, the Company entered into a securities purchase agreement (the "April Purchase Agreement") with an institutional investor, pursuant to which the Company agreed to sell to such investor pre-funded warrants (the "April Pre-Funded Warrants") to purchase up to 39,634 shares of common stock of the Company (the "Common Stock") at a purchase price of $48.76 per April Pre-Funded Warrant. The April Pre-Funded Warrants (and shares of common stock underlying the April Pre-Funded Warrants) were offered by the Company pursuant to its shelf registration statement on Form S-3 (File No. 333-257645), which was declared effective by the Securities and Exchange Commission on July 13, 2021. Concurrently with the sale of the April Pre-Funded Warrants, pursuant to the Purchase Agreement in a concurrent private placement, for each April Pre-Funded Warrant purchased by the investor, such investor received from the Company an unregistered warrant (the "Warrant") to purchase two shares of Common Stock. The warrants have an exercise price of $34.40 per share, and are exercisable for a three year period. In addition, the Company issued a warrant to the placement agent to purchase up to 2,378 shares of common stock at an exercise price of $61.00 per share. The closing of the sales of these securities under the April Purchase Agreement took place on April 24, 2023. The gross proceeds from the offering were approximately $1.9 million, prior to deducting placement agent's fees and other offering expenses payable by the Company.

On August 31, 2023, the "Company entered into a securities purchase agreement (the "August Purchase Agreement") with an institutional investor for the issuance and sale in a private placement (the "Private Placement") of (i) pre-funded warrants (the "August Pre-Funded Warrants") to purchase up to 1,000,000 shares of the Company's common stock at an exercise price of $0.001 per share, and (ii) warrants (the "Common Warrants") to purchase up to 1,000,000 shares of the Company's Common Stock at an exercise price of $10.00 per share. The Private Placement closed on September 6, 2023. The net proceeds to the Company from the Private Placement were approximately $9 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company. The Company used the net proceeds received from the Private Placement for (i) the payment of approximately $3.1 million in outstanding obligations, (ii) the repayment of approximately $0.4 million of outstanding debt, and (iii) the balance for continuing operating expenses and working capital.

On December 29, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor ("the "Purchaser") for the issuance and sale in a private placement (the "Private Placement") of (i) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 1,237,114 shares of the Company's common stock, par value $0.001 (the "Common Stock") at an exercise price of $0.001 per share, and (ii) warrants (the "Common Warrants") to purchase up to 2,474,228 shares of the Company's Common Stock, at a purchase price of $4.85 per share. The Private Placement closed and the funds were received on January 4, 2024. The net proceeds to the Company from the Private Placement were approximately $5.4 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company. The Company intends to use the net proceeds received from the Private Placement for continuing operating expenses and working capital.

Risks and Uncertainties

The Company has a limited operating history and is in the very early stages of generating revenue from intended operations. The Company's business and operations are sensitive to general business and economic conditions in the U.S. and worldwide along with local, state, and federal governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include: changes in the biotechnology regulatory environment, technological advances that render our technologies obsolete, availability of resources for clinical trials, acceptance of technologies into the medical community, and competition from larger, more well-funded companies. These adverse conditions could affect the Company's financial condition and the results of its operations.

NOTE 2 – GOING CONCERN ANALYSIS

Management Plans

The Company was incorporated on September 28, 2017 and has not generated significant revenues to date. During the year ended December 31, 2023, the Company had a net loss of $32,390,447 and negative cash flow from operating activities of $18,576,811. As of December 31, 2023, the Company's cash balance was $97,102.

As of December 31, 2023, the Company had approximately $1.8 million of availability to sell under its shelf registration statement on Form S-3. Upon the filing of the Company's annual report on Form 10-K on April 17, 2023, the Company's aggregate market value of the voting and non-voting equity held by non-affiliates was below $75.0 million. As a result, the maximum amount that the Company can sell under its shelf registration statement on Form S-3 during any 12 month period is equal to one-third of the aggregate market value of the voting and non-voting equity held by non-affiliates of the Company.

On November 21, 2023, the Company received written notice from Nasdaq that we had regained compliance with the Public Float Rule. On December 29, 2023, the Company received written notice from Nasdaq that we had regained compliance with the Stockholders' Equity Rule but will be subject to a Mandatory Panel Monitor for a period of one year.

If we are delisted from Nasdaq, but obtain a substitute listing for our common stock, it will likely be on a market with less liquidity, and therefore experience potentially more price volatility than experienced on Nasdaq. Stockholders may not be able to sell their shares of common stock on any such substitute market in the quantities, at the times, or at the prices that could potentially be available on a more liquid trading market. As a result of these factors, if our common stock is delisted from Nasdaq, the value and liquidity of our common stock, warrants and pre-funded warrants would likely be significantly adversely affected. A delisting of our common stock from Nasdaq could also adversely affect our ability to obtain financing for our operations and/or result in a loss of confidence by investors, employees and/or business partners.

The Company continues to actively pursue numerous capital raising transactions with the objective of obtaining sufficient bridge funding to meet the Company's existing capital needs as well as more substantial capital raises to meet the Company's longer-term needs.

In addition, factors such as stock price, volatility, trading volume, market conditions, demand and regulatory requirements may adversely affect the Company's ability to raise capital in an efficient manner. Because of these factors, the Company believes that this creates substantial doubt with the Company's ability to continue as a going concern.

In addition to the shelf registration, the Company has the ability to raise capital from equity or debt through private placements or public offerings pursuant to a registration statement on Form S-1. We may also secure loans from related parties.

The financial statements included in this report do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the matters discussed herein. The Company's ability to continue as a going concern is dependent upon the ability to complete clinical studies and implement the business plan, generate sufficient revenues and to control operating expenses. In addition, the Company is consistently focused on raising capital, strategic acquisitions and alliances, and other initiatives to strengthen the Company.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

Principles of Consolidation

The consolidated financial statements include the accounts of Aditxt, Inc., its wholly owned subsidiaries and, one majority owned subsidiary. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of 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 revenue and expense during the reporting period. Actual results could differ from those estimates. Significant estimates underlying the financial statements include the collectability of notes receivable, the reserve on insurance billing, value of preferred shares issued, our investments in preferred shares, estimation of discounts on non-interest bearing borrowing, and the fair value of stock options and warrants.

Fair Value Measurements and Fair Value of Financial Instruments

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements. ASC Topic 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 - Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 - Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with ASC Topic 820.

Due to the short-term nature of all financial assets and liabilities, their carrying value approximates their fair value as of the balance sheet dates. (See Note 9)

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company maintains its cash accounts at financial institutions which are insured by the Federal Deposit Insurance Corporation. At times, the Company may have deposits in excess of federally insured limits.

Substantially all the Company's accounts receivable are with companies in the healthcare industry, individuals, and the U.S. government. However, concentration of credit risk is mitigated due to the Company's number of customers. In addition, for receivables due from U.S. government agencies, the Company does not believe the receivables represent a credit risk as these are related to healthcare programs funded by the U.S. government and payment is primarily dependent upon submitting the appropriate documentation.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments.

Inventory

Inventory consists of laboratory materials and supplies used in laboratory analysis. We capitalize inventory when purchased. Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis. We periodically perform obsolescence assessments and write off any inventory that is no longer usable.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes expenditures for furniture, office equipment, laboratory equipment, and other assets. Maintenance and repairs are charged to expense as incurred. When assets are sold, retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations. The costs of fixed assets are depreciated using the straight-line method over the estimated useful lives or lease life of the related assets.

Useful lives assigned to fixed assets are as follows:

Computers	Three years to five years
Lab Equipment	Seven to ten years
Office Furniture	Five to ten years
Other fixed assets	Five to ten years
Leasehold Improvements	Shorter of estimated useful life or remaining lease term

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. For intangible assets that have finite lives, the assets are amortized using the straight-line method over the estimated useful lives of the related assets. For intangible assets with indefinite lives, the assets are tested periodically for impairment.

Investments

The following table sets forth a summary of the changes in equity investments. This investment has been recorded at cost in accordance with ASC 321.

	For the year ended December 31, 2023
As of December 31, 2022	-
Purchase of equity investments	22,711,211
Unrealized gains	-
As of December 31, 2023	$ 22,711,221

This investment is included in its own line item on the Company's consolidated balance sheet.

Non-marketable equity investments (for which we do not have significant influence or control) are investments without readily determinable fair values that are recorded based on initial cost minus impairment, if any, plus or minus adjustments resulting from observable price changes in orderly transactions for identical or similar securities, if any. All gains and losses on investments in non-marketable equity securities, realized and unrealized, are recognized in investment and other income (expense), net.

We monitor equity method and non-marketable equity investments for events or circumstances that could indicate the investments are impaired, such as a deterioration in the investee's financial condition and business forecasts and lower valuations in recently completed or anticipated financings, and recognize a charge to investment and other income (expense), net for the difference between the estimated fair value and the carrying value. For equity method investments, we record impairment losses in earnings only when impairments are considered other-than-temporary.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company generally does not require collateral to support customer receivables. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. As of December 31, 2023 and 2022, there was an allowance for doubtful accounts of zero and $18,634, respectively. Accounts receivable is made up on billed and unbilled of $236,605 and $171,721 as of December 31, 2023 and $527,961 and zero as of December 31, 2022, respectively.

Income Taxes

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 bases and operating loss and tax credit carry forwards. 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 income in the period that includes the enactment date. At December 31, 2023 and December 31, 2022, the Company had a full valuation allowance against its deferred tax assets.

Offering Costs

Offering costs incurred in connection with equity are recorded as a reduction of equity and offering costs incurred in connection with debt are recorded as a reduction of debt as a debt discount. Equity instruments issued as offering costs have zero net effect on the Company's equity.

Revenue Recognition

In accordance with ASC 606 (Revenue From Contracts with Customers), revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. To achieve this core principle, the Company applies the following five steps:

1) *Identify the contract with a customer*

2) *Identify the performance obligations in the contract*

3) *Determine the transaction price*

4) *Allocate the transaction price to performance obligations in the contract*

5) *Recognize revenue when or as the Company satisfies a performance obligation*

Revenues reported from services relating to the AditxtScore™ are recognized when the AditxtScore™ report is delivered to the customer. The services performed include the analysis of specimens received in the Company's CLIA laboratory and the generation of results which are then delivered upon completion.

The Company recognizes revenue in the following manner for the following types of customers:

Client Payers:

Client payers include physicians or other entities for which services are billed based on negotiated fee schedules. The Company principally estimates the allowance for credit losses for client payers based on historical collection experience and the period of time the receivable has been outstanding.

Cash Pay:

Customers are billed based on established patient fee schedules or fees negotiated with physicians on behalf of their patients. Collection of billings is subject to credit risk and the ability of the patients to pay.

Insurance:

Reimbursements from healthcare insurers are based on fee for service schedules. Net revenues recognized consist of amounts billed net of contractual allowances for differences between amounts billed and the estimated consideration the Company expects to receive from such payers, collection experience, and the terms of the Company's contractual arrangements.

Leases

Under Topic 842 (Leases), operating lease expense is generally recognized evenly over the term of the lease. The Company has operating leases consisting of office space, laboratory space, and lab equipment.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. We combine the lease and non-lease components in determining the lease liabilities and right of use ("ROU") assets.

Stock-Based Compensation

The Company accounts for stock-based compensation costs under the provisions of ASC 718, Compensation—Stock Compensation, which requires the measurement and recognition of compensation expense related to the fair value of stock-based compensation awards that are ultimately expected to vest. Stock-based compensation expense recognized includes the compensation cost for all stock-based payments granted to employees, officers, and directors based on the grant date fair value estimated in accordance with the provisions of ASC 718. ASC 718 is also applied to awards modified, repurchased, or cancelled during the periods reported. Stock-based compensation is recognized as expense over the employee's requisite vesting period and over the nonemployee's period of providing goods or services.

Patents

The Company incurs fees from patent licenses, which are reflected in research and development expenses, and are expensed as incurred. During the years ended December 31, 2023 and 2022, the Company incurred patent licensing fees of $123,541 and $263,273, respectively.

Research and Development

We incur research and development costs during the process of researching and developing our technologies and future offerings. We expense these costs as incurred unless such costs qualify for capitalization under applicable guidance. During the years ended December 31, 2023 and 2022, the Company incurred research and development costs of $7,074,339 and $7,268,084, respectively.

Non-controlling Interest in Subsidiary

Non-controlling interests represent the Company's subsidiary's cumulative results of operations and changes in deficit attributable to non-controlling shareholders. During the years ended December 31, 2023 and 2022, the Company recognized $9,608 and $0 in net loss attributable to non-controlling interest in Pearsanta. The Company owns approximately 97.5% of Pearsanta, Inc., as of December 31, 2023.

Basic and Diluted Net Loss per Common Share

Basic loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding for each period. Diluted loss per share is computed by dividing the net loss attributable of common stockholders by the weighted average number of shares of common stock outstanding plus the dilutive effect of shares issuable through the common stock equivalents. The weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. As of December 31, 2023, 45,572 stock options, 0 unvested restricted stock units, 5,047,451 warrants, 22,280 shares of preferred series A-1 stock, and 2,625 shares of preferred series B-2 stock were excluded from dilutive earnings per share as their effects were anti-dilutive. As of December 31, 2022, 1,105 stock options, 180 unvested restricted stock units, and 127,251 warrants were excluded from dilutive earnings per share as their effects were anti-dilutive.

Recent Accounting Pronouncements

The FASB issues ASUs to amend the authoritative literature in ASC. There have been several ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

NOTE 4 – FIXED ASSETS

The Company's fixed assets include the following on December 31, 2023:

	Cost Basis	Accumulated Depreciation	Net
Computers	$ 378,480	$ (320,473)	$ 58,007
Lab Equipment	2,585,077	(859,612)	1,725,465
Office Furniture	56,656	(13,866)	42,790
Other Fixed Assets	8,605	(2,084)	6,521
Leasehold Improvements	120,440	(54,980)	65,460
Total Fixed Assets	$ 3,149,258	$ (1,251,015)	$ 1,898,243

The Company's fixed assets include the following on December 31, 2022:

	Cost Basis	Accumulated Depreciation	Net
Computers	$ 376,429	$ (197,907)	$ 178,522
Lab Equipment	2,572,720	(579,015)	1,993,705
Office Furniture	56,656	(8,200)	48,456
Other Fixed Assets	8,605	(1,224)	7,381
Leasehold Improvements	120,440	(29,641)	90,799
Total Fixed Assets	$ 3,134,850	$ (815,987)	$ 2,318,863

Depreciation expense was $435,027 and $428,977 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the fixed assets that serve as collateral subject to the financed asset liability have a carrying value of $1,316,830 and $1,359,091, respectively.

Financed Assets:

In October 2020, the Company purchased two pieces of lab equipment and financed them for a period of twenty-four months with a monthly payment of $19,487, with an interest rate of 8%. As of December 31, 2023, the Company has one payment in arrears.

In January of 2021, the Company purchased one piece of lab equipment and financed it for a period of twenty-four months with a monthly payment of $9,733, with an interest rate of 8%. As of December 31, 2023, the Company has one payment in arrears.

In March of 2021, the Company purchased five pieces of lab equipment and financed them for a period of twenty-four months with a monthly payment of $37,171, with an interest rate of 8%. As of December 31, 2023, the Company has four payments in arrears.

As of December 31, 2023, all lab equipment financing agreements have matured and are in default status.

NOTE 5 – INTANGIBLE ASSETS

The Company's intangible assets include the following on December 31, 2023:

	Cost Basis	Accumulated Amortization	Net
Proprietary Technology	$ 321,000	$ (321,000)	$ -
Intellectual property	10,000	556	9,444
Total Intangible Assets	$ 321,000	$ (321,556)	$ 9,444

The Company's intangible assets include the following on December 31, 2022:

	Cost Basis	Accumulated Amortization	Net
Proprietary Technology	$ 321,000	$ (214,000)	$ 107,000
Total Intangible Assets	$ 321,000	$ (214,000)	$ 107,000

Amortization expense was $107,556 and $107,000 for the years ended December 31, 2023 and 2022, respectively. The Company's proprietary technology is being amortized over its estimated useful life of three years.

NOTE 6 – RELATED PARTY TRANSACTIONS

On January 28, 2022, the Company granted 9,600 restricted stock units to an officer of the Company pursuant to the Company's 2021 Equity Incentive Plan. The Company recognized $146,613 in stock-based compensation for the issuance of these vested and unvested restricted stock units during the year ended December 31, 2022. (Note 11)

On July 19, 2022, the Company entered into a Subscription and Investment Representation Agreement with its Chief Executive Officer (the "Purchaser"), pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series B Preferred Stock (the "Series B Preferred Stock"), par value $0.001 per share, to the Purchaser for $20,000 in cash.

On July 19, 2022, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Series B Preferred Stock. The Certificate of Designation provides that the share of Series B Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock. The Series B Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Series B Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Series B Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Series B Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Series B Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Series B Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split. Upon such redemption, the holder of the Series B Preferred Stock will receive consideration of $20,000 in cash. On September 13, 2022, the share was redeemed.

On July 19, 2022, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Series B Preferred Stock. The Certificate of Designation provides that the share of Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock. The Series B Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Series B Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

On July 21, 2022, the Chief Executive Officer loaned $80,000 to the Company. The loan was evidenced by an unsecured promissory note (the "July 2022 Promissory Note"). Pursuant to the terms of the July 2022 Promissory Note, it will accrue interest at a rate of four and three-quarters percent (4.75%) per annum, the Prime rate on the date of signing, and is due on the earlier of January 22, 2023, or an event of default. On October 7, 2022, the Company fully repaid the $80,000 July 2022 Promissory Note and $812 of accrued interest to its Chief Executive Officer. The Chief Executive Officer and the Company entered the July 2022 Promissory Note on July 21, 2022.

On April 21, 2023, Amro Albanna, the Chief Executive Officer of the Company, and Shahrokh Shabahang, the Chief Innovation Officer of the Company, loaned $87,523 and $100,000, respectively, to the Company. The loans were each evidenced by an unsecured promissory note (the "April Note"). Pursuant to the terms each April Note, it will accrue interest at the Prime rate of eight percent (8.00%) per annum and is due on the earlier of October 21, 2023, or an event of default, as defined therein. As of December 31, 2023, the note was fully paid off.

On May 25, 2023, Amro Albanna, the Chief Executive Officer of the Company, loaned $200,000 to the Company. The loan was evidenced by an unsecured promissory note (the "May Note"). Pursuant to the terms of the May Note, it will accrue interest at a rate of eight and one-quarter percent (8.25%) per annum, the Prime rate on the date of signing, and is due on the earlier of November 25, 2023 or an event of default, as defined therein. As of December 31, 2023, the note was fully paid off.

On June 12, 2023, Amro Albanna, the Chief Executive Officer of the Company, and Shahrokh Shabahang, the Chief Innovation Officer of the Company, loaned $200,000 and $100,000, respectively, to the Company. The loans were evidenced by an unsecured promissory note (the "June Note"). Pursuant to the terms of the June Note, it will accrue interest at the Prime rate of eight and one-quarter percent (8.25%) per annum and is due on the earlier of December 12, 2023, or an event of default, as defined therein. As of December 31, 2023, the June Note was fully paid off.

On July 11, 2023, the Company entered into a Subscription and Investment Representation Agreement with the Purchaser, pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series C Preferred Stock (the "Series C Preferred Stock"), par value $0.001 per share, to the Purchaser for $1,000 in cash.

On July 11, 2023, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Series C Preferred Stock. The Certificate of Designation provides that the share of Series C Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock. The Series C Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Series C Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Series C Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Series C Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Series C Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Series C Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split. Upon such redemption, the holder of the Series C Preferred Stock will receive consideration of $1,000 in cash. On August 17, 2023, the share was redeemed.

On November 30, 2023, Amro Albanna, the Chief Executive Officer of the Company, loaned $10,000 to the Company. The loan was evidenced by an unsecured promissory note (the "November Note"). Pursuant to the terms of the November Note, it will accrue interest at a rate of eight and a half percent (8.50%) per annum, the Prime rate on the date of signing, and is due on the earlier of May 30, 2024 or an event of default, as defined therein. As of December 31, 2023, there was a remaining principal balance of $10,000 on the November Loan and accrued interest of $72.

On December 6, 2023, Amro Albanna, the Chief Executive Officer of the Company, loaned $200,000 to the Company. The loan was evidenced by an unsecured promissory note (the "First December Note"). Pursuant to the terms of the First December Note, it will accrue interest at a rate of eight and a half percent (8.50%) per annum, the Prime rate on the date of signing, and is due on the earlier of June 6, 2024 or an event of default, as defined therein. As of December 31, 2023, there was a remaining principal balance of $200,000 on the First December Loan and accrued interest of $1,164.

On December 20, 2023, Amro Albanna, the Chief Executive Officer of the Company, loaned $165,000 to the Company. The loan was evidenced by an unsecured promissory note (the "Second December Note"). Pursuant to the terms of the Second December Note, it will accrue interest at a rate of eight and a half percent (8.50%) per annum, the Prime rate on the date of signing, and is due on the earlier of June 20, 2024 or an event of default, as defined therein. As of December 31, 2023, there was a remaining principal balance of $165,000 on the Second December Loan and accrued interest of $423.

See Note 12 for additional loans incurred or paid subsequent to December 31, 2023.

NOTE 7 – NOTES PAYABLE

On February 21, 2023, the Company entered into an agreement for the purchase and sale of future receipts (the "Future Receipts Agreement") with a commercial funding source pursuant to which the Company agreed to sell to the funder certain future trade receipts in the aggregate amount of $2,160,000 (the "Future Receipts Purchased Amount" for gross proceeds to the Company of $1,500,000, less origination fees of $75,000. Pursuant to the Future Receipts Agreement, the Company granted the funder a security interest in all of the Company's present and future accounts receivable in an amount not to exceed the Future Receipts Purchased Amount. The Future Receipts Purchased Amount shall be repaid by the Company in 28 weekly installments of approximately $77,000 with the final payment due on September 5, 2023. On May 30, 2023, the Company entered into the May Loan (as defined below) for gross proceeds to the Company of $2,000,000, less origination fees of $100,000 and less the full outstanding balance under the Future Receipts Agreement of $1,157,143, resulting in net proceeds to the Company of $742,857.

On April 4, 2023, the Company entered into a Business Loan and Security Agreement (the "April Loan Agreement") with a commercial funding source (the "April Lender"), pursuant to which the Company obtained a loan from the April Lender in the principal amount of $1,060,000, which includes origination fees of $60,000 (the "April Loan"). Pursuant to the April Loan Agreement, the Company granted the April Lender a continuing secondary security interest in; (i) any and all amounts owed to the Company now or in the future from any merchant processor processing charges made by customers of the Company via credit card or debit card transactions, and (ii) all other tangible and intangible property. The total amount of interest and fees payable by the Company to the April Lender under the April Loan (the "April Repayment Amount") will be (i) $1,000,000 if paid prior to April 6, 2023, (ii) $1,219,000 if paid prior to April 10, 2023, or (iii) $1,590,000 if paid after April 10, 2023, and will be repaid in 20 weekly installments of $79,500 commencing on April 10, 2023 and ending on August 21, 2023. On April 24, 2023, the Company entered into the Loan Agreement (as defined below) for gross proceeds of $1,000,000, less the full outstanding balance under the April Loan Agreement of $139,500, resulting net proceeds to the Company of $860,500.

On April 24, 2023, the Company entered into a Business Loan and Security Agreement (the "Loan Agreement") with a commercial funding source (the "Lender"), pursuant to which the Company obtained a loan from the Lender in the principal amount of $1,060,000, which includes origination fees of $60,000 (the "Loan"). Pursuant to the Loan Agreement, the Company granted the Lender a continuing secondary security interest in; (i) any and all amounts owed to the Company now or in the future from any merchant processor processing charges made by customers of the Company via credit card or debit card transactions, and (ii) all other tangible and intangible property. The total amount of interest and fees payable by the Company to the Lender under the Loan (the "April Repayment Amount") will be $1,590,000 and will be repaid in 20 weekly installments of $79,500. On August 23, 2023, the April Repayment Amount was restructured in connection with the August Loan Agreement, as defined below.

On May 30, 2023, the Company entered into a Business Loan and Security Agreement (the "May Loan Agreement") with a commercial funding source (the "May Lender"), pursuant to which the Company obtained a loan from the Lender in the principal amount of $2,000,000, which includes origination fees of $100,000 (the "May Loan"). Pursuant to the May Loan Agreement, the Company granted the May Lender a continuing secondary security interest in; (i) any and all amounts owed to the Company now or in the future from any merchant processor processing charges made by customers of the Company via credit card or debit card transactions, and (ii) all other tangible and intangible property. The total amount of interest and fees payable by the Company to the Lender under the Loan will be $2,880,000 (the "May Repayment Amount) and will be repaid in 28 weekly installments of $102,857. On October 5, 2023 the May Repayment Amount was restructured in connection with the October MCA Agreement (as defined below).

On July 3, 2023, the Company entered into a Business Loan and Security Agreement (the "July Loan Agreement") with a commercial funding source (the "July Lender''), pursuant to which the Company obtained a loan from the Lender in the principal amount of $215,000, which includes origination fees of $10,750 (the "July Loan"). Pursuant to the July Loan Agreement, the Company granted the July Lender a continuing secondary security interest in certain collateral (as defined in the July Loan Agreement). The total amount of interest and fees payable by the Company to the Lender under the Loan (the "July Repayment Amount") will be (i) $322,285 and will be repaid in 13 weekly installments of $24,500 with a final payment of $3,785 in the fourteenth week. As of December 31, 2023, the note was fully paid off. On August 23, 2023, the July Repayment Amount was restructured in connection with the August Loan Agreement, as defined below.

On August 23, 2023, the Company entered into a Business Loan and Security Agreement (the "August Loan Agreement") with a commercial funding source (the "August Lender''), pursuant to which the Company obtained a loan from the Lender in the principal amount of $1,400,000, which includes origination fees of $70,000 (the "August Loan"). Pursuant to the August Loan Agreement, the Company granted the August Lender a continuing secondary security interest in certain collateral (as defined in the August Loan Agreement). The total amount of interest and fees payable by the Company to the Lender under the Loan (the "Repayment Amount") will be (i) $2,079,000 (the "August Repayment Amount") and will be repaid in 21 weekly installments of $99,000 On November 7, 2023 the August Repayment Amount was restructured in connection with the November Loan Agreement (as defined below).

On October 5, 2023, the Company entered into an Agreement for the Purchase and Sale of Future Receipts (the "October MCA Agreement") pursuant to which the existing funder (the "Funder") increased the existing outstanding amount to $4,470,000 (the "October MCA Purchased Amount") for gross proceeds to the Company of $3,000,000, less origination fees of $240,000 and the outstanding balance under the existing agreement of $1,234,461, resulting in net proceeds to the Company of $1,525,539. Pursuant to the October MCA Agreement, the Company granted the Funder a security interest in all of the Company's present and future accounts receivable in an amount not to exceed the October MCA Purchased Amount. The October MCA Purchased Amount shall be repaid by the Company in 30 weekly installments of $149,000. The October Purchased Amount may be prepaid by the Company via a payment of $3,870,000 if repaid within 30 days, $4,110,000 if repaid within 60 days and $4,230,000 if repaid within 90 days. As of December 31, 2023 the October MCA Agreement has an outstanding principal balance of $2,498,245. The October MCA Agreement is currently in default status.

On November 7, 2023, the Company entered into a Business Loan and Security Agreement (the "November Loan Agreement") with the lender (the "Lender"), pursuant to which the Company obtained a loan from the Lender in the principal amount of $2,100,000, which satisfied the outstanding balance on the August Loan of $1,089,000 and includes origination fees of $140,000 (the "November Loan"). Pursuant to the November Loan Agreement, the Company granted the Lender a continuing secondary security interest in certain collateral (as defined in the November Loan Agreement). The total amount of interest and fees payable by us to the Lender under the November Loan will be $3,129,000, which will be repaid in 34 weekly installments ranging from $69,000 - $99,000. As of December 31, 2023 the November Loan has an outstanding principal balance of $1,990,699. The November Loan Agreement is currently in default status.

On November 24, 2023, the Company entered into a loan with a principal of $53,099. The loan was evidenced by an unsecured promissory note (the "Second November Note"). Pursuant to the terms of the Second November Note, it will accrue interest at a rate of eight and a half percent (8.50%) per annum, the Prime rate on the date of signing, and is due on the earlier of May 24, 2024 or an event of default, as defined therein. As of December 31, 2023, there was a remaining principal balance of $53,099 on the Second December Loan and accrued interest of $458.

Securities Purchase Agreement

On July 3, 2023, the Company entered into a Securities Purchase Agreement (the "First Tranche Securities Purchase Agreement") with an accredited investor pursuant to which the Company issued and sold a secured promissory note in the principal amount of $375,000 (the "First Tranche Note") resulting in gross proceeds to the Company of $250,000. In connection with the issuance of the First Tranche Note, the Company issued 3,907 shares of its common stock (the "First Tranche Commitment Shares") as a commitment fee to the investor. Pursuant to the First Tranche Securities Purchase Agreement, the Company was obligated to and obtained approval of its shareholders ("First Tranche Shareholder Approval") with respect to the issuance of any securities in connection with the First Tranche Securities Purchase Agreement and the First Tranche Note in excess of 19.99% of the Company's issued and outstanding shares on the closing date, which was equal to 33,792 shares of the Company's common stock. The Company recognized a total debt discount of $164,775 on the Note from the issuance of stock and original issuance discount. The First Tranche Note has a maturity date of December 31, 2023, and is convertible following First Tranche Shareholder Approval and the occurrence of an Event of Default (as defined in the July Note) at a conversion price of $18.00 per share.

In connection with the First Tranche Securities Purchase Agreement and the issuance of the First Tranche Note, the Company and certain of its subsidiaries also entered into a Security Agreement with the investor (the "First Tranche Security Agreement") pursuant to which it granted the investor a security interest in certain Collateral (as defined in the First Tranche Security Agreement) to secure its obligations under the First Tranche Note. In addition, the Company entered into a registration rights agreement with the investor pursuant to which the Company agreed to prepare and file with the U.S. Securities and Exchange Commission a registration statement covering the resale of the First Tranche Commitment Shares and any shares of the Company's common stock issuable upon conversion of the First Tranche Note within 120 days of the closing date and to have such registration statement declared effective within 150 days of the closing date. As of December 31, 2023, the First Tranche Note was fully paid off.

On July 24, 2023, the Company entered into a Securities Purchase Agreement (the "Second Tranche Securities Purchase Agreement") with an accredited investor pursuant to which the Company issued and sold a secured promissory note in the principal amount of $2,625,000 (the "Second Tranche Note") resulting in gross proceeds to the Company of $1,750,000. In connection with the issuance of the Second Tranche Note, the Company agreed to issue a total of 27,344 shares of its common stock (the "Second Tranche Commitment Shares") as a commitment fee to the investor. At the request of the investor, the Company issued 17,278 Second Tranche Commitment Shares and will issue the remaining 10,066 Second Tranche Commitment Shares within 120 days, subject to the investor's discretion. Pursuant to the Second Tranche Securities Purchase Agreement, the Company was obligated to and obtained approval of its shareholders ("Second Tranche Shareholder Approval") with respect to the issuance of any securities in connection with the Second Tranche Securities Purchase Agreement and the Second Tranche Note in excess of 19.99% of the Company's issued and outstanding shares on the closing date, which was equal to 38,026 shares of the Company's common stock. The company recognized a total debt discount of $1.0 million on the Second Tranche Note from the issuance of stock and original issuance discount. The Note has a maturity date of December 31, 2023 and is convertible following Second Tranche Shareholder Approval and the occurrence of an Event of Default (as defined in the Second Tranche Note) at a conversion price of $15.60 per share.

In connection with the Second Tranche Securities Purchase Agreement and the issuance of the Second Tranche Note, the Company and certain of its subsidiaries also entered into a Security Agreement with the investor (the "Second Tranche Security Agreement") pursuant to which it granted the investor a security interest in certain Collateral (as defined in the Second Tranche Security Agreement) to secure its obligations under the Second Tranche Note. In addition, the Company entered into a registration rights agreement with the investor pursuant to which the Company agreed to prepare and file with the U.S. Securities and Exchange Commission a registration statement covering the resale of the Second Tranche Commitment Shares and any shares of the Company's common stock issuable upon conversion of the Second Tranche Note within 90 days of the closing date and to have such registration statement declared effective within 120 days of the closing date. As of December 31, 2023, $2,625,000 in outstanding principal on the Second Tranche Note and accrued interest of $113,021 was converted into 2,625 shares of the Company's Series B-2 Preferred Stock (See Note 10).

Evofem Merger

In connection with the Agreement and Plan of Merger (the "Merger Agreement") with Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem Biosciences, Inc., a Delaware corporation ("Evofem"), the Company, Evofem and the holders (the "Holders") of certain senior indebtedness (the "Notes") entered into an Assignment Agreement dated December 11, 2023 (the "Assignment Agreement"), pursuant to which the Holders assigned the Notes to the Company in consideration for the issuance by the Company of (i) an aggregate principal amount of $5 million in secured notes of the Company due on January 2, 2024 (the "January 2024 Secured Notes"), (ii) an aggregate principal amount of $8 million in secured notes of the Company due on September 30, 2024 (the "September 2024 Secured Notes"), (iii) an aggregate principal amount of $5 million in ten-year unsecured notes (the "Unsecured Notes"), and (iv) payment of $154,480 in respect of net sales of Phexxi in respect of the calendar quarter ended September 30, 2023, which amount is due and payable on December 14, 2023. The January 2024 Secured Notes are secured by certain intellectual property assets of the Company and its subsidiaries pursuant to an Intellectual Property Security Agreement (the "IP Security Agreement") entered into in connection with the Assignment Agreement. The September 2024 Secured Notes are secured by the Notes and certain associated security documents pursuant to a Security Agreement (the "Security Agreement") entered into in connection with the Assignment Agreement. As of December 31, 2023, there was a remaining principal balance of $13,000,000 on the Notes.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), (i) all issued and outstanding shares of common stock, par value $0.0001 per share of Evofem ("Evofem Common Stock"), other than any shares of Evofem Common Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 610,000 shares of the Company's common stock, par value $0.001 per share ("Company Common Stock"); and (ii) all issued and outstanding shares of Series E-1 Preferred Stock, par value $0.0001 of Evofem (the "Evofem Unconverted Preferred Stock"), other than any shares of Evofem Unconverted Preferred Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 2,327 shares of Series A-1 Preferred Stock, par value $0.001 of the Company (the "Company Preferred Stock"), having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-1 Preferred Stock, the form of which is attached as Exhibit C to the Merger Agreement.

The respective obligations of each of the Company, Merger Sub and Evofem to consummate the closing of the Merger (the "Closing") are subject to the satisfaction or waiver, at or prior to the closing of certain conditions, including but not limited to, the following:

(i) approval by the Company's shareholders and Evofem shareholders;

(ii) the registration statement on Form S-4 pursuant to which the shares of the Company Common Stock issuable in the Merger being declared effective by the U.S. Securities and Exchange Commission;

(iii) the entry into a voting agreement by the Company and certain members of Evofem management;

(iv) all preferred stock of Evofem other than the Evofem Unconverted Preferred Stock shall have been converted to Evofem Common Stock;

(v) Evofem shall have received agreements (the "Evofem Warrant Holder Agreements") from all holders of Evofem warrants which provide:

a. waivers with respect to any fundamental transaction, change in control or other similar rights that such warrant holder may have under any such Evofem warrants, and (b) an agreement to such Evofem warrants to exchange such warrants for not more than an aggregate (for all holders of Evofem warrants) of 551 shares of Company Preferred Stock;

(vi) Evofem shall have cashed out any other holder of Evofem warrants who has not provided an Evofem Warrant Holder Agreement; and

(vii) Evofem shall have obtained waivers from the holders of the convertible notes of Evofem (the "Evofem Convertible Notes") with respect to any fundamental transaction rights that such holder may have under the Evofem Convertible Notes, including any right to vote, consent, or otherwise approve or veto any of the transactions contemplated under the Merger Agreement.

The obligations of the Company and Merger Sub to consummate the Closing are subject to the satisfaction or waiver, at or prior to the Closing of certain conditions, including but not limited to, the following:

(i) the Company shall have obtained agreements from the holders of Evofem Convertible Notes and purchase rights they hold to exchange such Convertible Notes and purchase rights for not more than an aggregate (for all holders of Evofem Convertible Notes) of 86,153 shares of Company Preferred Stock;

(ii) the Company shall have received waivers form the holders of certain of the Company's securities which contain prohibitions on variable rate transactions; and

(iii) the Company, Merger Sub and Evofem shall work together between the Execution Date and the Effective Time to determine the tax treatment of the Merger and the other transactions contemplated by the Merger Agreement.

The obligations of the Company to consummate the Closing are subject to the satisfaction or waiver, at or prior to the Closing of certain conditions, including but not limited to, the following:

(i) the Company shall have regained compliance with the stockholders' equity requirement in Nasdaq Listing Rule 5550(b)(1) and shall meet all other applicable criteria for continued listing, subject to any panel monitor imposed by Nasdaq.

As the January 2024 Secured Notes and September 2024 Secured Notes did not contain a stated interest rate, the Company calculated an imputed interest rate of 26.7% based on the Company's weighted average cost of capital for the period in which the January 2024 Secured Notes and September 2024 Secured Notes were outstanding. This amounted to approximately $1.8 million which was recorded as a discount to be amortized over the life of the January 2024 Secured Notes and September 2024 Secured Notes.

See Note 12 for amendments entered into subsequent to year end.

NOTE 8 – LEASES

Our lease agreements generally do not provide an implicit borrowing rate; therefore, an internal incremental borrowing rate is determined based on information available at lease commencement date for purposes of determining the present value of lease payments. We used the incremental borrowing rate on December 31, 2023 and 2022 for all leases that commenced prior to that date. In determining this rate, which is used to determine the present value of future lease payments, we estimate the rate of interest we would pay on a collateralized basis, with similar payment terms as the lease and in a similar economic environment.

Our corporate headquarters is located in Richmond, Virginia, where we lease approximately 25,000 square feet. The lease expires in August 31, 2026, subject to extension. As of December 31, 2023 the Company is 1.75 months in arrears on this lease.

We also lease approximately 5,810 square feet of laboratory and office space in Mountain View, California. The lease expires in August 31, 2024, subject to extension. As of December 31, 2023 the Company is 1 month in arrears on this lease.

Additionally, we lease approximately 3,150 square feet of office space in Melville, New York. The lease expires in December 31, 2025, subject to extension. As of December 31, 2023 the Company is 1 month in arrears on this lease.

Lease Costs

	Year Ended December 31, 2023	Year Ended December 31, 2022
Components of total lease costs:		
Operating lease expense	$ 1,140,949	$ 1,396,875
Total lease costs	$ 1,140,949	$ 1,396,875

Lease Positions as of December 31, 2023 and 2022

ROU lease assets and lease liabilities for our operating leases are recorded on the balance sheet as follows:

	December 31, 2023	December 31, 2022
Assets		
Right of use asset – long term	$ 2,200,299	$ 3,160,457
Total right of use asset	$ 2,200,299	$ 3,160,457
Liabilities		
Operating lease liabilities – short term	$ 999,943	$ 1,086,658
Operating lease liabilities – long term	1,041,744	1,885,218
Total lease liability	$ 2,041,687	$ 2,971,876

Lease Terms and Discount Rate as of December 31, 2023

Weighted average remaining lease term (in years) – operating leases	1.92
Weighted average discount rate – operating leases	8.00%

Maturities of leases are as follows:

Year Ended December 31, 2023

2024	$ 1,004,982
2025	710,546
2026	423,930
Total lease payments	$ 2,139,458

Less imputed interest	(97,771)
Less current portion	(999,943)
Total maturities, due beyond one year	$ 1,041,744

See Note 12 for additional disclosure regarding the Company's leases.

NOTE 9 – COMMITMENTS & CONTINGENCIES

License Agreement with Loma Linda University

On March 15, 2018, as amended on July 1, 2020, we entered into a LLU License Agreement directly with Loma Linda University.

Pursuant to the LLU License Agreement, we obtained the exclusive royalty-bearing worldwide license in and to all intellectual property, including patents, technical information, trade secrets, proprietary rights, technology, know-how, data, formulas, drawings, and specifications, owned or controlled by LLU and/or any of its affiliates (the "LLU Patent and Technology Rights") and related to therapy for immune-mediated inflammatory diseases (the ADI™ technology). In consideration for the LLU License Agreement, we issued 13 shares of common stock to LLU.

Pursuant to the LLU License Agreement, we are required to pay an annual license fee to LLU. Also, we paid LLU $455,000 in July 2020 for outstanding milestone payments and license fees. We are also required to pay to LLU milestone payments in connection with certain development milestones. Specifically, we are required to make the following milestone payments to LLU: $175,000 on March 31, 2022; $100,000 on March 31, 2024; $500,000 on March 31, 2026; and $500,000 on March 31, 2027. In lieu of the $175,000 milestone payment due on March 31, 2023, the Company paid LLU an extension fee of $100,000. Upon payment of this extension fee, an additional year will be added for the March 31, 2023 milestone. Additionally, as consideration for prior expenses incurred by LLU to prosecute, maintain and defend the LLU Patent and Technology Rights, we made the following payments to LLU: $70,000 at the end of December 2018, and a final payment of $60,000 at the end of March 2019. We are required to defend the LLU Patent and Technology Rights during the term of the LLU License Agreement. Additionally, we will owe royalty payments of (i) 1.5% of Net Product Sales (as such terms are defined under the LLU License Agreement) and Net Service Sales on any Licensed Products (defined as any finished pharmaceutical products which utilizes the LLU Patent and Technology Rights in its development, manufacture or supply), and (ii) 0.75% of Net Product Sales and Net Service Sales for Licensed Products and Licensed Services (as such terms are defined under the LLU License Agreement) not covered by a valid patent claim for technology rights and know-how for a three (3) year period beyond the expiration of all valid patent claims. We also are required to produce a written progress report to LLU, discussing our development and commercialization efforts, within 45 days following the end of each year. All intellectual property rights in and to LLU Patent and Technology Rights shall remain with LLU (other than improvements developed by or on our behalf).

The LLU License Agreement shall terminate on the last day that a patent granted to us by LLU is valid and enforceable or the day that the last patent application licensed to us is abandoned. The LLU License Agreement may be terminated by mutual agreement or by us upon 90 days written notice to LLU. LLU may terminate the LLU License Agreement in the event of (i) non-payments or late payments of royalty, milestone and license maintenance fees not cured within 90 days after delivery of written notice by LLU, (ii) a breach of any non-payment provision (including the provision that requires us to meet certain deadlines for milestone events (each, a "Milestone Deadline")) not cured within 90 days after delivery of written notice by LLU and (iii) LLU delivers notice to us of three or more actual breaches of the LLU License Agreement by us in any 12-month period. Additional Milestone Deadlines include: (i) the requirement to have regulatory approval of an IND application to initiate first-in-human clinical trials on or before March 31, 2023, which will be extended to March 31, 2024 with a payment of a $100,000 extension fee, (ii) the completion of first-in-human (phase I/II) clinical trials by March 31, 2024, (iii) the completion of Phase III clinical trials by March 31, 2026 and (iv) biologic licensing approval by the FDA by March 31, 2027.

License Agreement with Leland Stanford Junior University

On February 3, 2020, we entered into an exclusive license agreement (the "February 2020 License Agreement") with Stanford regarding a patent concerning a method for detection and measurement of specific cellular responses. Pursuant to the February 2020 License Agreement, we received an exclusive worldwide license to Stanford's patent regarding use, import, offer, and sale of Licensed Products (as defined in the agreement). The license to the patented technology is exclusive, including the right to sublicense, beginning on the effective date of the agreement, and ending when the patent expires. Under the exclusivity agreement, we acknowledged that Stanford had already granted a non-exclusive license in the Nonexclusive Field of Use, under the Licensed Patents in the Licensed Field of Use in the Licensed Territory (as those terms are defined in the February 2020 License Agreement"). However, Stanford agreed to not grant further licenses under the Licensed Patents in the Licensed Field of Use in the Licensed Territory. On December 29, 2021, we entered into an amendment to the February 2020 License Agreement which extended our exclusive right to license the technology deployed in AditxtScore™ and securing worldwide exclusivity in all fields of use of the licensed technology.

We were obligated to pay and paid a fee of $25,000 to Stanford within 60 days of February 3, 2020. We also issued 10 shares of the Company's common stock to Stanford. An annual licensing maintenance fee is payable by us on the first anniversary of the February 2020 License Agreement in the amount of $40,000 for 2021 through 2024 and $60,000 starting in 2025 until the license expires upon the expiration of the patent. The Company is required to pay and has paid $25,000 for the issuances of certain patents. The Company will pay milestone fees of $50,000 on the first commercial sales of a licensed product and $25,000 at the beginning of any clinical study for regulatory clearance of an in vitro diagnostic product developed and a potential licensed product. The Company paid a milestone fee for a clinical study for regulatory clearance of an in vitro diagnostic product developed and a potential licensed product of $25,000 in March of 2022. We are also required to: (i) provide a listing of the management team or a schedule for the recruitment of key management positions by March 31, 2020 (which has been completed), (ii) provide a business plan covering projected product development, markets and sales forecasts, manufacturing and operations, and financial forecasts until at least $10,000,000 in revenue by June 30, 2020 (which has been completed), (iii) conduct validation studies by September 30, 2020 (which has been completed), (iv) hold a pre-submission meeting with the FDA by September 30, 2020 (which has been completed), (iv) submit a 510(k) application to the FDA, Emergency Use Authorization ("EUA"), or a Laboratory Developed Test ("LDT") by March 31, 2021 (which has been completed), (vi) develop a prototype assay for human profiling by December 31, 2021 (which has been completed), (vii) execute at least one partnership for use of the technology for transplant, autoimmunity, or infectious disease purposes by March 31, 2022 (which has been completed) and (viii) provided further development and commercialization milestones for specific fields of use in writing prior to December 31, 2022.

In addition to the annual license maintenance fees outlined above, we will pay Stanford royalties on Net Sales (as such term is defined in the February 2020 License Agreement) during the of the term of the agreement as follows: 4% when Net Sales are below or equal to $5 million annually or 6% when Net Sales are above $5 million annually. The February 2020 License Agreement may be terminated upon our election on at least 30 days advance notice to Stanford, or by Stanford if we: (i) are delinquent on any report or payment; (ii) are not diligently developing and commercializing Licensed Product; (iii) miss certain performance milestones; (iv) are in breach of any provision of the February 2020 License Agreement; or (v) provide any false report to Stanford. Should any events in the preceding sentence occur, we have a thirty (30) day cure period to remedy such violation.

Asset Purchase Agreement

On April 18, 2023, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Cellvera Global Holdings LLC ("Cellvera Global"), Cellvera Holdings Ltd. ("BVI Holdco"), Cellvera, Ltd. ("Cellvera Ltd."), Cellvera Development LLC ("Cellvera Development" and together with Cellvera Global, BVI Holdco, Cellvera Ltd. and Cellvera Development (the "Sellers"), AiPharma Group Ltd. ("Seller Owner" and collectively with the Sellers, "Cellvera"), and the legal representative of Cellvera, pursuant to which, the Company will purchase Cellvera's 50% ownership interest in G Response Aid FZE ("GRA"), certain other intellectual property and all goodwill related thereto (the "Acquired Assets"). Unless expressly stated otherwise herein, capitalized terms used but not defined herein have the meanings ascribed to them in the Asset Purchase Agreement. Pursuant to the Asset Purchase Agreement, the consideration for the Acquired Assets consists of (A) $24.5 million, comprised of: (i) the forgiveness of the Company's $14.5 million loan to Cellvera Global, and (ii) approximately $10 million in cash, and (B) future revenue sharing payments for a term of seven years. GRA holds an exclusive, worldwide license for the antiviral medication, Avigan® 200mg, excluding Japan, China and Russia. The other 50% interest in GRA is held by Agility, Inc. ("Agility"). Additionally, upon the closing, the Share Exchange Agreement previously entered into as of December 28, 2021, between Cellvera Global Holdings, LLC f/k/a AiPharma Global Holdings, LLC (together with other affiliates and subsidiaries) and the Company, and all other related agreements will be terminated.

The obligations of the Company to consummate the closing are subject to the satisfaction or waiver, at or prior to the Closing of certain conditions, including but not limited to, the following:

(i) Satisfactory completion of due diligence;

(ii) Completion by the Company of financing sufficient to consummate the transactions contemplated by the Asset Purchase Agreement;

(iii) Receipt by the Company of all required Consents from Governmental Bodies for the Acquisition, including but not limited to, any consents required to complete the transfer and assignment of Cellvera's membership interests in GRA;

(iv) Receipt of executed payoff letters reflecting the amount required to be fully pay all of each of Seller's and Seller Owner's Debt to be paid at Closing;

(v) Receipt by the Company of a release from Agility;

(iv) Execution of an agreement acceptable to the Company with respect to the acquisition by the Company of certain intellectual property presently held by a third party;

(v) Execution of an amendment to an asset purchase agreement previously entered into by Cellvera with a third party that effectively grants the Company the rights to acquire the intellectual property from the third party under such agreement;

(vi) Receipt of a fairness opinion by the Company with respect to the transactions contemplated by the Asset Purchase Agreement; and

(vii) Receipt by the Company from the Seller Owner of written consent, whether through its official liquidator or the Board of Directors of Seller Owner, to the sale and purchase of the Acquired Assets and Assumed Liabilities pursuant to the Assert Purchase Agreement.

Departure of Officer

On July 21, 2023, Matthew Shatzkes tendered his resignation as Chief Legal Officer, General Counsel and Corporate Secretary of the Company. In connection with his resignation, the Company entered into a Separation Agreement and General Release (the "Separation Agreement") with Mr. Shatzkes. Pursuant to the Separation Agreement, Mr. Shatzkes' employment with the Company terminated on August 4, 2023 (the "Termination Date"). In addition, the Company agreed to pay Mr. Shatzkes' within seven days after the Termination Date: (i) $122,292, representing all accrued salary and wages (inclusive of Base Compensation and earned Subsequent Quarterly Bonus amounts, as those terms are defined in Mr. Shatzkes' employment agreement), and (ii) $32,576, representing Mr. Shatzkes accrued, but unused paid time off (collectively, the "Initial Payment"). The Company also agreed to pay Mr. Shatzkes: (i) $385,000, representing 12 months of Mr. Shatzkes' Base Compensation (as that term is defined in Mr. Shatzkes employment agreement), and (ii) $290,000, representing Mr. Shatzkes Subsequent Year Minimum Bonus (as such term is defined in Mr. Shatzkes employment agreement), on the 60th day following the Termination Date. In addition, the Company shall reimburse Mr. Shatzkes COBRA premium for a period of 12 months and shall cause any restricted stock units granted to Mr. Shatzkes to immediately vest as of the Termination Date. As of December 31, 2023, the Company has completed all obligations under the Separation Agreement.

Contingent Liability

On September 7, 2023, the Company received a demand letter from the holder of certain warrants issued by the Company in April 2023. The demand letter alleged that the investor suffered more than $2 million in damages as a result of the Company failing to register the shares of the Company's common stock underlying the warrants as required under the securities purchase agreement. The Company denies the amount of the liability claimed by the investor and intends to defend itself vigorously against any such claims. The Company is engaged in ongoing discussions with the investor and, as a result, has accrued a loss of $1.6 million relating to the potential liability. This liability was settled subsequent to December 31, 2023. (See Note 12)

Letter of Intent Termination

On August 1, 2023, the Company and Natural State Genomics and Natural State Laboratories mutually agreed to terminate the Amended and Restated Non-Binding Letter of Intent dated June 12, 2023.

EvoFem Merger Agreement

On December 11, 2023 (the "Execution Date"), Aditxt, Inc., a Delaware corporation (the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem Biosciences, Inc., a Delaware corporation ("Evofem"), pursuant to which, Merger Sub will be merged into and with Evofem (the "Merger"), with Evofem surviving the Merger as a wholly owned subsidiary of the Company.

In connection with the Merger Agreement the Company assumed $13.0 million in notes payable held by Evofem (see Note 7) and assumed a payable for $154,480 (see Note 7). These items were capitalized on the Company's balance sheet to deposit on acquisition as of December 31, 2023. The Company recognized a debt discount of $1,826,250. As of December 31, 2023, there was an unamortized discount of $1,633,389.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), (i) all issued and outstanding shares of common stock, par value $0.0001 per share of Evofem ("Evofem Common Stock"), other than any shares of Evofem Common Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 610,000 shares of the Company's common stock, par value $0.001 per share ("Company Common Stock"); and (ii) all issued and outstanding shares of Series E-1 Preferred Stock, par value $0.0001 of Evofem (the "Evofem Unconverted Preferred Stock"), other than any shares of Evofem Unconverted Preferred Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 2,327 shares of Series A-1 Preferred Stock, par value $0.001 of the Company (the "Company Preferred Stock"), having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-1 Preferred Stock. (See Note 10)

Evofem Exchange Agreement

On December 22, 2023, the Company entered into an Exchange Agreement (the "Exchange Agreement") with the holders of an aggregate of 22,280 shares of Series F-1 Convertible Preferred Stock of Evofem (the "Evofem Series F-1 Preferred Stock") agreed to exchange their respective shares of Evofem Series F-1 Preferred Stock for an aggregate of 22,280 shares of a new series of convertible preferred stock of the Company designated as Series A-1 Convertible Preferred Stock, $0.001 par value, (the "Series A-1 Preferred Stock"), having a total value of $22,277,233. (see Note 10) This investment has been recorded at cost in accordance with ASC 321.

NOTE 10 – STOCKHOLDERS' EQUITY

Common Stock

On May 24, 2021, the Company increased the number of authorized shares of the Company's common stock, par value $0.001 per share, from 27,000,000 to 100,000,000 (the "Authorized Shares Increase") by filing a Certificate of Amendment (the "Certificate of Amendment") to its Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware. In accordance with the General Corporation Law of the State of Delaware, the Authorized Shares Increase and the Certificate of Amendment were approved by the stockholders of the Company at the Company's Annual Meeting of Stockholders on May 19, 2021. On September 13, 2022, the Company effectuated a 1 for 50 reverse stock split (the "2022 Reverse Split"). The Company's stock began trading at the 2022 Reverse Split price effective on the Nasdaq Stock Market on September 14, 2022. There was no change to the number of authorized shares of the Company's common stock. On August 17, 2023, the Company effectuated a 1 for 40 reverse stock split (the "2023 Reverse Split"). The Company's stock began trading at the 2023 Reverse Split price effective on the Nasdaq Stock Market on August 17, 2023. There was no change to the number of authorized shares of the Company's common stock.

Formed in January 2023, our majority owned subsidiary Pearsanta™, Inc. ("Pearsanta") seeks to take personalized medicine to a new level by delivering "Health by the Numbers." On November 22, 2023, Pearsanta entered into an assignment agreement with FirstVitals LLC, an entity controlled by Pearsanta's CEO, Ernie Lee ("FirstVitals"), pursuant to which FirstVitals assigned its rights in certain intellectual property and website domain to Pearsanta in consideration of the issuance of 500,000 shares of Pearsanta common stock to FirstVitals. On December 18, 2023, the board of directors of Pearsanta adopted the Pearsanta 2023 Omnibus Equity Incentive Plan (the "Pearsanta Omnibus Incentive Plan"), pursuant to which it reserved 15 million shares of common stock of Pearsanta for future issuance under the Pearsanta Omnibus Incentive Plan and the Pearsanta 2023 Parent Service Provider Equity Incentive Plan (the "Pearsanta Parent Service Provider Plan") and approved the issuance of 9.32 million options, exercisable into shares of Pearsanta common stock under the Pearsanta Parent Service Provider Plan and the issuance of 4.0 million options, exercisable into shares of Pearsanta common stock, subject to vesting, and 1.0 million restricted common stock shares under the Pearsanta Omnibus Incentive Plan.

During the year ended December 31, 2023, the Company issued 74,675 shares of common stock and recognized expense of $484,525 in stock-based compensation for consulting services. The stock-based compensation for consulting services is calculated by the number of shares multiplied by the closing price on the effective date of the contract. The Company recognized expense of $308,479 in stock-based compensation related to the RSUs for the year ended December 31, 2023. The stock-based compensation for shares issued or RSUs granted during the period were valued based on the fair market value on the date of grant. During the year ended December 31, 2023, the Company issued 1,055,374 shares of common stock for the exercise of warrants.

During the year ended December 31, 2022, the Company issued 3,707 shares of common stock and recognized expense of $507,558 in stock-based compensation for consulting services. The Company also granted 292 RSUs, 463 vested and resulted in the issuance of shares. As a result, the Company recognized expense of $1,209,906 in stock-based compensation. The stock-based compensation for shares issued or RSU's granted during the period were valued based on the fair market value on the date of grant. During the year ended December 31, 2022, the Company issued 48,659 shares of common stock for the exercise of warrants.

On December 20, 2022, the Company entered into an At The Market Offering Agreement (the "ATM") with H.C. Wainwright & Co., LLC as agent (the "Agent"), pursuant to which the Company may offer and sell, from time to time through the Agent, shares of the Company's common stock having an aggregate offering price of up to $50,000,000 (the "Shares").

The offer and sale of the Shares was made pursuant to a shelf registration statement on Form S-3 and the related prospectus (File No. 333-257645) filed by the Company with the SEC on July 2, 2021, amended on July 6, 2021 and declared effective by the SEC on July 13, 2021, under the Securities Act of 1933, as amended.

For the year ended December 31, 2023, the Company sold 8,463 Shares at an average price of $62.05 per share under the ATM. The sale of Shares generated net proceeds of $507,016 after paying commissions and related fees.

On April 20, 2023, the Company entered into an amendment to the ATM, pursuant to which the Company and the Agent agreed to reduce the aggregate gross sales price of the Shares under the ATM from $50,000,000 to zero.

Preferred Stock

The Company is authorized to issue 3,000,000 shares of preferred stock, par value $0.001 per share. There were 24,905 and zero shares of preferred stock outstanding as of December 31, 2023 and 2022, respectively.

Issuance of Series A-1 Preferred Stock:

On December 11, 2023 (the "Execution Date"), the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem Biosciences, Inc., a Delaware corporation ("Evofem"), pursuant to which, Merger Sub will be merged into and with Evofem (the "Merger"), with Evofem surviving the Merger as a wholly owned subsidiary of the Company.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger (the "Effective Time"), (i) all issued and outstanding shares of common stock, par value $0.0001 per share of Evofem ("Evofem Common Stock"), other than any shares of Evofem Common Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 610,000 shares of the Company's common stock, par value $0.001 per share ("Company Common Stock"); and (ii) all issued and outstanding shares of Series E-1 Preferred Stock, par value $0.0001 of Evofem (the "Evofem Unconverted Preferred Stock"), other than any shares of Evofem Unconverted Preferred Stock held by the Company or Merger Sub immediately prior to the Effective Time, will be converted into the right to receive an aggregate of 2,327 shares of Series A-1 Preferred Stock, par value $0.001 of the Company (the "Company Preferred Stock"), having such rights, powers, and preferences set forth in the form of Certificate of Designation of Series A-1 Preferred Stock. See Series A-1 Preferred Stock certificate of designation incorporated by reference to this document.

On December 22, 2023, the Company entered into an Exchange Agreement (the "Exchange Agreement") with the holders (the "Holders") of an aggregate of 22,280 shares of Series F-1 Convertible Preferred Stock of Evofem (the "Evofem Series F-1 Preferred Stock") agreed to exchange their respective shares of Evofem Series F-1 Preferred Stock for an aggregate of 22,280 shares of a new series of convertible preferred stock of the Company designated as Series A-1 Convertible Preferred Stock, $0.001 par value, (the "Series A-1 Preferred Stock").

The following is only a summary of the Series A-1 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series A-1 Certificate of Designations, a copy of which is filed as Exhibit 3.1 to our Current Report on Form 8-K filed on December 26, 2023 and is incorporated by reference herein.

Designation, Amount, and Par Value: The number of Series A-1 Preferred Stock designated is 22,280 shares. The shares of Series A-1 Preferred Stock have a par value of $0.001 per share and a stated value of $1,000 per share.

Conversion Price: The Series A-1 Preferred Stock will be convertible into shares of Common Stock at an initial conversion price of $4.44 (subject to adjustment pursuant to the Series A-1 Certificate of Designations) (the "Conversion Price"). The Certificate of Designations also provides that in the event of certain Triggering Events (as defined below) any holder may, at any time, convert any or all of such holder's Series A-1 Preferred Stock at an alternate conversion rate equal to the product of (i) the Alternate Conversion Price (as defined below) and (ii) the quotient of (x) the 25% redemption premium multiplied by (y) the amount of Series A-1 Preferred Stock subject to such conversion. "Triggering Events" include, among others, (i) a suspension of trading or the failure to be traded or listed on an eligible market for five consecutive days or more, (ii) the failure to remove restrictive legends when required, (iii) the Company's default in payment of indebtedness in an aggregate amount of $500,000 or more (the Company is currently in default for payments greater than $500,000), (iv) proceedings for a bankruptcy, insolvency, reorganization or liquidation, which are not dismissed with 30 days, (v) commencement of a voluntary bankruptcy proceeding, and (viii) final judgments against the Company for the payment of money in excess of $100,000. "Alternate Conversion Price" means the lowest of (i) the applicable conversion price the in effect, (ii) the greater of (x) $0.888 (the "Floor Price") and (y) 80% of the volume weighted average price ("VWAP") of the Common Stock on the trading day immediately preceding the delivery of the applicable conversion notice. Further, the Series A-1 Certificate of Designations provides that if on any of the 90th and 180th day after each of the occurrence of any Stock Combination Event (as defined in the Series A-1 Certificate of Designations) and the Applicable Date (as defined in the Series A-1 Certificate of Designations), the conversion price then in effect is greater than the market price then in effect (the "Adjustment Price"), on such date then the conversion price shall automatically lower to the Adjustment Price.

Dividends: Holders of the Series A-1 Preferred Stock shall be entitled to receive dividends when and as declared by the Board, from time to time, in its sole discretion, which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in cash, in securities of the Company or any other entity, or using assets as determined by the Board on the Stated Value of such Preferred Share.

Liquidation: In the event of a Liquidation Event (as defined in the Series A-1 Certificate of Designation), the holders the Series A-1 Preferred Stock shall be entitled to receive in cash out of the assets of the Company, before any amount shall be paid to the holders of any other shares of capital stock of the Company, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series A-1 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series A-1 Preferred Stock would receive if they converted such share of Series A-1 Preferred Stock into Common Stock immediately prior to the date of such payment

Company Redemption: The Company may redeem all, or any portion, of the Series A-1 Preferred Stock for cash, at a price per share of Series A-1 Preferred Stock equal to 115% of the greater of (i) the Conversion Amount (as defined in the Series A-1 Certificate of Designation)being redeemed as of the Company Optional Redemption Date (as defined in the Series A-1 Certificate of Designation) and (ii) the product of (1) the Conversion Rate (as defined in the Series A-1 Certificate of Designation) with respect to the Conversion Amount being redeemed as of the Company Optional Redemption Date multiplied by (2) the greatest Closing Sale Price (as defined in the Certificate of Designation) of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Company Optional Redemption Notice Date (as defined in the Certificate of Designation) and ending on the Trading Day immediately prior to the date the Company makes the entire payment required to be made under the Certification of Designation.

Maximum Percentage: Holders of Series A-1 Preferred Stock are prohibited from converting shares of Series A-1 Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% (the “Maximum Percentage”) of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion.

Voting Rights: The holders of the Series A-1 Preferred Stock shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Common Stock, except as expressly provided in the Certificate of Designations and where required by the DGCL.

Issuance of Series B Preferred Stock:

On July 19, 2022, the Company entered into a Subscription and Investment Representation Agreement with its Chief Executive Officer (the “Purchaser”), pursuant to which the Company agreed to issue and sell one (1) share of the Company’s Series B Preferred Stock (the “Preferred Stock”), par value $0.001 per share, to the Purchaser for $20,000 in cash.

On July 19, 2022, the Company filed a certificate of designation (the “Certificate of Designation”) with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Preferred Stock. The Certificate of Designation provides that the share of Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company’s common stock as a single class exclusively with respect to any proposal to amend the Company’s Restated Certificate of Incorporation to effect a reverse stock split of the Company’s common stock. The Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Preferred Stock will not be entitled to receive dividends of any kind. See Series B Preferred Stock certificate of designation incorporated by reference to this document.

The outstanding share of Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split. Upon such redemption, the holder of the Preferred Stock will receive consideration of $20,000 in cash.

Redemption of Series B Preferred Stock

On October 7, 2022, the Company paid $20,000 in consideration for the one share of Preferred Stock which was redeemed on September 13, 2022.

Issuance of Series B-2 Preferred Stock:

On December 29, 2023, the Company entered into an Exchange Agreement (the "Note Exchange Agreement") with the Noteholder, pursuant to which the Noteholder agreed, subject to the terms and conditions set forth therein, to exchange the Note, including all accrued but unpaid interest thereon, for an aggregate of 2,625 shares of a new series of convertible preferred stock of the Company, designated as Series B-2 Convertible Preferred Stock, $0.001 par value (the "Series B-2 Preferred Stock"). See Series B-2 Preferred Stock certificate of designation incorporated by reference to this document.

The following is only a summary of the Series B-2 Certificate of Designations, and is qualified in its entirety by reference to the full text of the Series B-2 Certificate of Designations, a copy of which is filed as an exhibit to our Current Report on Form 8-K filed with the SEC on January 2, 2024.

Designation, Amount, and Par Value: The number of Series B-2 Preferred Stock designated is 2,625 shares. The shares of Series B-2 Preferred Stock have a par value of $0.001 per share and a stated value of $1,000 per share.

Conversion Price: The Series B-2 Preferred Stock will be convertible into shares of Common Stock at an initial conversion price of $4.71 (subject to adjustment pursuant to the Series B-2 Certificate of Designations) (the "Conversion Price"). The Series B-2 Certificate of Designations also provides that in the event of certain Triggering Events (as defined below) any holder may, at any time, convert any or all of such holder's Series B-2 Preferred Stock at an alternate conversion rate equal to the product of (i) the Alternate Conversion Price (as defined below) and (ii) the quotient of (x) the 125% redemption premium multiplied by (y) the amount of Series B-2 Preferred Stock subject to such conversion. "Triggering Events" include, among others, (i) a suspension of trading or the failure to be traded or listed on an eligible market for five consecutive days or more, (ii) the failure to remove restrictive legends when required, (iii) the Company's default in payment of indebtedness in an aggregate amount of $500,000 or more(the Company is currently in default for payments greater than $500,000), (iv) proceedings for a bankruptcy, insolvency, reorganization or liquidation, which are not dismissed with 30 days, (v) commencement of a voluntary bankruptcy proceeding, and (viii) final judgments against the Company for the payment of money in excess of $500,000. "Alternate Conversion Price" means the lowest of (i) the applicable conversion price the in effect, (ii) the greater of (x) $0.9420 (the "Floor Price") and (y) 80% of the lowest volume weighted average price ("VWAP") of the Common Stock during the five consecutive trading day period ending and including the trading day immediately preceding the delivery of the applicable conversion notice. Further, the Series B-2 Certificate of Designations provides that if on any of the 90th and 180th day after each of the occurrence of any Stock Combination Event (as defined in the Series B-2 Certificate of Designations) and the Applicable Date (as defined in the Series B-2 Certificate of Designations), the conversion price then in effect is greater than the market price then in effect (the "Adjustment Price"), on such date then the conversion price shall automatically lower to the Adjustment Price.

Dividends: Holders of the Series B-2 Preferred Stock shall be entitled to receive dividends when and as declared by the Board, from time to time, in its sole discretion, which Dividends shall be paid by the Company out of funds legally available therefor, payable, subject to the conditions and other terms hereof, in cash, in securities of the Company or any other entity, or using assets as determined by the Board on the Stated Value of such Preferred Share.

Liquidation: In the event of a Liquidation Event (as defined in the Series B-2 Certificate of Designations), the holders the Series B-2 Preferred Stock shall be entitled to receive in cash out of the assets of the Company, before any amount shall be paid to the holders of any other shares of capital stock of the Company, equal to the greater of (A) 125% of the Conversion Amount (as defined in the Series B-2 Certificate of Designation) on the date of such payment and (B) the amount per share such holder of Series B-2 Preferred Stock would receive if they converted such share of Series B-2 Preferred Stock into Common Stock immediately prior to the date of such payment.

Company Redemption: The Company may redeem all, or any portion, of the Series B-2 Preferred Stock for cash, at a price per share of Series B-2 Preferred Stock equal to 115% of the greater of (i) the Conversion Amount (as defined in the Series B-2 Certificate of Designations) being redeemed as of the Company Optional Redemption Date (as defined in the Series B-2 Certificate of Designations) and (ii) the product of (1) the Conversion Rate (as defined in the Series B-2 Certificate of Designations) with respect to the Conversion Amount being redeemed as of the Company Optional Redemption Date multiplied by (2) the greatest Closing Sale Price (as defined in the Series B-2 Certificate of Designations) of the Common Stock on any Trading Day during the period commencing on the date immediately preceding such Company Optional Redemption Notice Date (as defined in the Series B-2 Certificate of Designations) and ending on the Trading Day immediately prior to the date the Company makes the entire payment required to be made under the Certification of Designation.

Maximum Percentage: Holders of Series B-2 Preferred Stock are prohibited from converting shares of Series B-2 Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own in excess of 4.99% (the "Maximum Percentage") of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion.

Voting Rights: The holders of the Series B-2 Preferred Stock shall have no voting power and no right to vote on any matter at any time, either as a separate series or class or together with any other series or class of share of capital stock, and shall not be entitled to call a meeting of such holders for any purpose nor shall they be entitled to participate in any meeting of the holders of Common Stock, except as expressly provided in the Series B-2 Certificate of Designations and where required by the DGCL.

Series C Preferred Stock

On July 11, 2023, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Preferred Stock. The Certificate of Designation provides that the share of Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Amended and Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock. The Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split. Upon such redemption, the holder of the Preferred Stock will receive consideration of $1,000 in cash. As of December 31, 2023, the share has been redeemed and the consideration has been paid.

On July 11, 2023, the Company entered into a Subscription and Investment Representation Agreement (the "Subscription Agreement") with Amro Albanna, its Chief Executive Officer, who is an accredited investor (the "Purchaser"), pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series C Preferred Stock, par value $0.001 per share (the "Preferred Stock"), to the Purchaser for $1,000 in cash. The sale closed on July 11, 2023. The Subscription Agreement contains customary representations and warranties and certain indemnification rights and obligations of the parties. See Series C Preferred Stock certificate of designation incorporated by reference to this document. On August 17, 2023, the share was redeemed.

Stock-Based Compensation

In October 2017, our Board of Directors adopted the Aditx Therapeutics, Inc. 2017 Equity Incentive Plan (the "2017 Plan"). The 2017 Plan provides for the grant of equity awards to directors, employees, and consultants. The Company is authorized to issue up to 2,500,000 shares of our common stock pursuant to awards granted under the 2017 Plan. The 2017 Plan is administered by our Board of Directors, and expires ten years after adoption, unless terminated earlier by the Board of Directors. All shares of our common stock pursuant to awards under the 2017 Plan have been awarded.

On February 24, 2021, our Board of Directors adopted the Aditx Therapeutics, Inc. 2021 Omnibus Equity Incentive Plan (the "2021 Plan"). The 2021 Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock and restricted stock units, and other stock-based awards (collectively, the "Awards"). Eligible recipients of Awards include employees, directors or independent contractors of the Company or any affiliate of the Company. The Compensation Committee of the Board of Directors (the "Committee") administers the 2021 Plan. A total of 60,000 shares of common stock, par value $0.001 per share, of the Company may be issued pursuant to Awards granted under the 2021 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than one hundred percent (100%) of the Fair Market Value (as defined in the 2021 Plan) of a share of Common Stock on the date of grant. The 2021 Plan was submitted and approved by the Company's stockholders at the 2021 annual meeting of stockholders, held on May 19, 2021.

During the years ended December 31, 2023 and 2022, the Company granted 44,445 and 0 new options. respectively.

For the year ended December 31, 2023, the fair value of each option granted was estimated using the assumption and/or factors in the Black-Scholes Model as follows:

Exercise price	$ 5.01
Expected dividend yield	0%
Risk free interest rate	4.49%
Expected life in years	10
Expected volatility	164%

The risk-free interest rate assumption for options granted is based upon observed interest rates on the United States Government Bond Equivalent Yield appropriate for the expected term of option.

The Company determined the expected volatility assumption for options granted using the historical volatility of comparable public companies' common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future option grants, until such time that the Company's common stock has enough market history to use historical volatility.

The dividend yield assumption for option granted is based on the Company's history and expectation of dividend payouts. The Company has never declared nor paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

The Company recognizes option forfeitures as they occur, as there is insufficient historical data to accurately determine future forfeitures rates.

The following is an analysis of the stock option grant activity under the Plan:

Vested and Nonvested Stock Options	**Number**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life**
Outstanding December 31, 2022	1,127	$ 6,802.93	5.74
Granted	44,445	5.01	9.86
Exercised	-	-	-
Expired or forfeited	-	-	-
Outstanding December 31, 2023	45,572	$ 173.12	9.74

Nonvested Stock Options	**Number**	**Weighted-Average Exercise Price**
Nonvested on December 31, 2022	55	$ 3,840
Granted	44,445	5.01
Vested	(44,500)	9.75
Forfeited	-	-
Nonvested on December 31, 2023	-	$ -

As of December 31, 2023 there were 45,572 exercisable options; these options had a weighted average exercise price $173.12. These options had a grant date fair value of $221,005.

On December 18, 2023, our Board of Directors adopted the Pearsanta, Inc. 2023 Omnibus Equity Incentive Plan (the "Pearsanta 2023 Plan") and the 2023 Parent Service Provider Equity Incentive Plan (the "Pearsanta Parent 2023 Plan"), collectively (the "Pearsanta Plans"). The Pearsanta Plans provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock and restricted stock units, and other stock-based awards (collectively, the "Pearsanta Awards"). Eligible recipients of Pearsanta Awards include employees, directors or independent contractors of the Company or any affiliate of the Company. The Board of Directors administers the Pearsanta Plans. The Pearsanta 2023 Plan consists of a total of 15,000,000 shares of Pearsanta common stock, par value $0.001 per share, which may be issued pursuant to Pearsanta Awards granted under the Pearsanta 2023 Plan. The Pearsanta Parent 2023 Plan consists of a total of 9,320,000 shares of Pearsanta common stock, par value $0.001 per share, which may be issued pursuant to Pearsanta Awards granted under the Pearsanta Parent 2023 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than one hundred percent (100%) of the Fair Market Value (as defined in the Pearsanta Plans) of a share of Common Stock on the date of grant.

During the years ended December 31, 2023 and 2022, Pearsanta granted 4,000,000 and 0 new options under the Pearsanta 2023 Plan, respectively.

During the years ended December 31, 2023 and 2022, Pearsanta granted 9,320,000 and 0 new options under the Pearsanta Parent 2023 Plan, respectively.

For the year ended December 31, 2023, the fair value of each option granted was estimated using the assumption and/or factors in the Black-Scholes Model as follows:

Exercise price	$ 0.02
Expected dividend yield	0%
Risk free interest rate	3.95%
Expected life in years	10
Expected volatility	194%

The risk-free interest rate assumption for warrants granted is based upon observed interest rates on the United States Government Bond Equivalent Yield appropriate for the expected term of option.

The Company determined the expected volatility assumption for options granted using the historical volatility of comparable public companies' common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future option grants, until such time that the Company's common stock has enough market history to use historical volatility.

The dividend yield assumption for option granted is based on the Company's history and expectation of dividend payouts. The Company has never declared nor paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

The following is an analysis of the stock option grant activity under the Pearsanta Plans:

Vested and Nonvested Stock Options	**Number**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life**
Outstanding December 31, 2022	-	$ -	-
Granted	13,320,000	0.02	9.97
Exercised	-	-	-
Expired or forfeited	-	-	-
Outstanding December 31, 2023	13,320,000	$ 0.02	9.97

Nonvested Stock Options	**Number**	**Weighted-Average Exercise Price**
Nonvested on December 31, 2022	-	$ -
Granted	13,320,000	0.02
Vested	(9,320,000)	0.02
Forfeited	-	-
Nonvested on December 31, 2023	4,000,000-	$ 0.02-

As of December 31, 2023 there were 9,320,000 exercisable options; these options had a weighted average exercise price $0.02. These options had a grant date fair value of $265,929.

The Company recognized stock-based compensation expense related to all options granted and vesting expense of $589,014 during the year ended December 31, 2023, of which $385,640 is included in general and administrative expenses and $203,374 is included in research and development expenses in the accompanying statements of operations. The remaining value to be expensed is $77,812 as of December 31, 2023. The weighted average vesting term is 2.17 years as of December 31, 2023. The Company recognized stock-based compensation expense related to all options granted and vesting expense of $791,187 during the year ended December 31, 2022, of which $555,772 is included in general and administrative expenses and $235,415 is included in research and development expenses in the accompanying statements of operations.

Warrants

For the year ended December 31, 2023, the fair value of each warrant granted was estimated using the assumption and/or factors in the Black-Scholes Model as follows:

Exercise price	$ 300-2,300
Expected dividend yield	0%
Risk free interest rate	1.13%-3.47%
Expected life in years	5-5.50
Expected volatility	147-165%

For the year ended December 31, 2022, the fair value of each warrant granted was estimated using the assumption and/or factors in the Black-Scholes Model as follows:

Exercise price	$ 7.50-20.00
Expected dividend yield	0%
Risk free interest rate	2.55%-3.47%
Expected life in years	5.00-5.50
Expected volatility	147%-165%

The risk-free interest rate assumption for warrants granted is based upon observed interest rates on the United States Government Bond Equivalent Yield appropriate for the expected term of warrants.

The Company determined the expected volatility assumption for warrants granted using the historical volatility of comparable public companies' common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future warrant grants, until such time that the Company's common stock has enough market history to use historical volatility.

The dividend yield assumption for warrants granted is based on the Company's history and expectation of dividend payouts. The Company has never declared nor paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

The Company recognizes warrant forfeitures as they occur, as there is insufficient historical data to accurately determine future forfeitures rates.

A summary of warrant issuances are as follows:

Vested and Nonvested Warrants	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding December 31, 2022	127,281	$ 514.97	4.54
Granted	5,975,936	3.92	2.72
Exercised	(1,055,374)	0.24	-
Expired or forfeited	(393)	8,249.36	-
Outstanding December 31, 2023	5,047,450	$ 14.11	2.73

On September 1, 2023, the Company recognized a deemed dividend resulting in the issuance of 9,086 warrants, 6,128 of which were immediately exercised.

Nonvested Warrants	Number	Weighted-Average Exercise Price
Nonvested on December 31, 2022	2,500	$ 300.00
Granted	5,975,936	3.92
Vested	(5,978,436)	4.04
Forfeited	-	-
Nonvested on December 31, 2023	-	$ -

The Company recognized stock-based compensation expense related to warrants granted and vesting expense of zero and $609,748 during the years ended December 31, 2023 and 2022, respectively, of which $105,049 is included in general and administrative and $504,699 is included in sales and marketing in the accompanying Statements of Operations. The remaining value to be expensed is zero as of December 31, 2023. The weighted average vesting term is zero years as of December 31, 2023.

On April 20, 2023, the Company entered into a securities purchase agreement (the “Purchase Agreement”) with an institutional investor, pursuant to which the Company agreed to sell to such investor pre-funded warrants (the “Pre-Funded Warrants”) to purchase up to 39,634 shares of common stock of the Company (the “Common Stock”) at a purchase price of $48.76 per Pre-Funded Warrant, resulting in proceeds of approximately $1.6 million after deducting approximately $291,000 in commissions and closing fees. Concurrently with the sale of the Pre-Funded Warrants, pursuant to the Purchase Agreement in a concurrent private placement, for each Pre-Funded Warrant purchased by the investor, such investor received from the Company an unregistered warrant (the “Warrant”) to purchase two shares of Common Stock. The warrants have an exercise price of $34.40 per share and are exercisable for a three year period. In addition, the Company issued a warrant to the placement agent to purchase up to 2,379 shares of common stock at an exercise price of $61.00 per share and were valued at $56,742 using a Black Scholes valuation model. As these warrants were considered offering costs, they had a zero net effect on the Company’s equity.

On August 31, 2023, the Company entered into a securities purchase agreement (the “August Purchase Agreement”) with an institutional investor for the issuance and sale in a private placement (the “Private Placement”) of (i) pre-funded warrants (the “Pre-Funded Warrants”) to purchase up to 1,000,000 shares of the Company’s common stock at an exercise price of $0.001 per share, and (ii) warrants (the “Common Warrants”) to purchase up to 1,000,000 shares of the Company’s Common Stock at an exercise price of $10.00 per share. 60,000 warrants were also issued to the placement agent. These warrants had an exercise price of $12.50 and a term of 5.5 years. The Common Warrants were valued at $32.3 million and the 60,000 warrants issued to the placement agents were valued at $1.9 million using a Black Scholes valuation model. As these warrants were considered offering costs, they had a zero net effect on the Company’s equity. The Private Placement closed on September 6, 2023. The net proceeds to the Company from the Private Placement were approximately $9 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company. The Company used the net proceeds received from the Private Placement for (i) the payment of approximately $3.1 million in outstanding obligations, (ii) the repayment of approximately $0.4 million of outstanding debt, and (iii) the balance for continuing operating expenses and working capital.

On December 29, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor ("the "Purchaser") for the issuance and sale in a private placement (the "Private Placement") of (i) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 1,237,114 shares of the Company's common stock, par value $0.001 (the "Common Stock") at an exercise price of $0.001 per share, and (ii) warrants (the "Common Warrants") to purchase up to 2,474,228 shares of the Company's Common Stock, at a purchase price of $4.85 per share. As of December 31, 2023, the Company had not received the funds from the Purchase Agreement resulting in a $5,444,628 receivable. These funds were received on January 4, 2024.

The Common Warrants are exercisable immediately upon issuance at an exercise price of $4.60 per share and have a term of exercise equal to three years from the date of issuance. The Pre-Funded Warrants are exercisable immediately and may be exercised at any time until the Pre-Funded Warrants are exercised in full. A holder of Pre-Funded Warrants or Warrants (together with its affiliates) may not exercise any portion of a warrant to the extent that the holder would own more than 4.99% (or, at the election of the holder 9.99%) of the Company's outstanding common stock immediately after exercise.

Pursuant to the Purchase Agreement, the Company agreed to reduce the exercise price of certain outstanding warrants to purchase Common Stock of the Company ("Outstanding Warrants") held by the Purchaser to $4.60 per share in consideration for the cash payment by the Purchaser of $0.125 per share of Common Stock underlying the Outstanding Warrants, effective immediately. The Company issued a warrant to the placement agent to purchase up to 74,227 shares of common stock at an exercise price of $6.06 per share and were valued at $470,772 using a Black Scholes valuation model. As these warrants were considered offering costs, they had a zero net effect on the Company's equity.

Restricted Stock Units

A summary of Restricted Stock Units ("RSUs") issuances are as follows:

Nonvested RSUs	**Number**	**Weighted Average Price**
Nonvested December 31, 2022	187	$ 1,856,21
Granted	-	-
Vested	(170)	2,714.15
Forfeited	(35)	1,345.77
Rounding for Reverse Split	18	-
Nonvested December 31, 2023	-	$ -

The Company recognized stock-based compensation expense related to RSUs granted and vesting expense of $308,479 and $1,843,902 during the years ended December 31, 2023 and 2022, respectively. Of the $308,479, $242,915 is included in general and administrative, $58,777 is included in research and development, and $6,787 is included in sales and marketing in the accompanying Statements of Operations. Of the $1,843,902, $1,237,182 is included in general and administrative and $606,720 is included in research and development in the accompanying Statements of Operations. The remaining value to be expensed is $0 with a weighted average vesting term of 0 years as of December 31, 2023.

During the year ended December 31, 2023, the Company granted a total of zero RSUs. During the year ended December 31, 2023, 170 RSUs vested and the Company issued 157 shares of common stock for the 170 vested RSUs.

Pearsanta Restricted Stock Award

During the year ended December 31, 2023, Pearsanta granted a total of 1,000,000 immediately vested restricted stock awards under the Pearsanta 2023 Plan. The Company recognized stock-based compensation expense related to the Pearsanta restricted stock awards of $20,000.

NOTE 11 – INCOME TAXES

For the years ended December 31, 2023 and 2022, the Company did not record a current or deferred income tax expense or benefit due to current and historical losses incurred by the Company. The Company's losses before income taxes consist solely of losses from domestic operations.

A reconciliation of income tax expense (benefit) computed at the statutory federal income tax rate to income taxes as reflected in the financial statements is as follows:

	2023	2022
Income taxes at U.S. statutory rate	21%	21%
State income taxes	0.8	1.6
Tax Credits	0.5	1.0
Permanent Differences/Others	(1.9)	(10.5)
Change in valuation allowance	(20.5)	(13.1)
Total provision for income taxes	0%	0%

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The significant components of the Company's deferred tax assets and liabilities as of December 31, 2023 and 2022 are comprised of the following:

	Years Ended December 31,	
	2023	2022
Deferred tax assets		
Net operating loss carryforwards	$ 18,555,428	$ 13,499,811
Tax credits carryforwards	796,320	430,468
Stock-based compensation	1,580,038	1,511,849
Lease liability	486,473	722,126
Section 174 Capitalization	2,207,611	1,547,343
Loss on impairment of debt	3,326,129	3,288,363
Other	92,704	114,973
Total deferred tax assets	27,044,703	21,114,933
Valuation allowance	(26,414,533)	(20,217,400)
Net deferred tax assets	630,170	897,533
Deferred tax liabilities		
Right of use assets	(486,473)	(722,127)
Fixed assets	(143,697)	(175,406)
Total deferred tax liabilities	(630,170)	(897,533)
Net deferred taxes	$ —	$ —

The Company has evaluated the positive and negative evidence bearing upon its ability to realize its deferred tax assets, which are comprised primarily of net operating loss carryforwards and tax credits. Management has considered the Company's history of cumulative net losses in the United States, estimated future taxable income and prudent and feasible tax planning strategies and has concluded that it is more likely than not that the Company will not realize the benefits of its U.S. federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against these net deferred tax assets as of December 31, 2023 and 2022, respectively. The Company reevaluates the positive and negative evidence at each reporting period. The Company's valuation allowance increased during 2023 by approximately $6.2 million primarily due to the generation of net operating loss and tax credit carryforwards and the capitalization of research and experimental expenditures. The Company's valuation allowance increased during 2022 by approximately $3.5 million primarily due to the generation of net operating loss and tax credit carryforwards and the capitalization of research and experimental expenditures.

As of December 31, 2023 and 2022, the Company had U.S. federal net operating loss carryforwards of $75.2 million and $56.6 million, respectively, which may be available to offset future income tax liabilities. The 2017 Tax Cuts and Jobs Act (" TCJA") will generally allow losses incurred after 2017 to be carried over indefinitely, but will generally limit the net operating loss deduction to the lesser of the net operating loss carryover or 80% of a corporation's taxable income (subject to Section 382 of the Internal Revenue Code of 1986, as amended). Also, there will be no carryback for losses incurred after 2017. Losses incurred prior to 2018 will generally be deductible to the extent of the lesser of a corporation's net operating loss carryover or 100% of a corporation's taxable income and be available for twenty years from the period the loss was generated. The Company has federal net operating losses generated following 2017 of $75.1 million, which do not expire. The federal net operating losses generated prior to 2018 of $0.1 million will expire at various dates through 2037. The CARES Act temporarily allows the Company to carryback net operating losses arising in 2018, 2019 and 2020 to the five prior tax years. In addition, net operating losses generated in these years could fully offset prior year taxable income without the 80% of the taxable income limitation under the TCJA which was enacted on December 22, 2017. The Company has been generating losses since its inception, as such the net operating loss carryback provision under the CARES Act is not applicable to the Company.

As of December 31, 2023 and 2022, the Company also had U.S. state net operating loss carryforwards (post-apportioned) of $28.2 million and $26.2 million, respectively, which may be available to offset future income tax liabilities and expire at various dates through 2042.

As of December 31, 2023, the Company had $0.1 million federal tax credit carryforwards available to reduce future tax liabilities which expire at various dates through 2042. As of December 31, 2022, the Company had $0.1 federal tax credit carryforwards. As of December 31, 2023 and 2022, the Company had state research and development tax credit carryforwards of approximately $0.4 million and $0.2 million, respectively, which may be available to reduce future tax liabilities and can be carried over indefinitely.

Utilization of the U.S. federal and state net operating loss and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, due to ownership changes that have occurred previously or that could occur in the future. These ownership changes may limit the amount of net operating loss and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax liabilities, respectively. The Company has not completed a study to assess whether a change of ownership has occurred, or whether there have been multiple ownership changes since its formation. Any limitation may result in expiration of a portion of the net operating loss carryforwards or research and development tax credit carryforwards before utilization.

The Company has not, as of yet, conducted a study of research and development tax credit carryforwards. Such a study, once undertaken by the Company, may result in an adjustment to the research and development tax credit carryforwards; however, a full valuation allowance has been provided against the Company's research and development tax credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the valuation allowance. Thus, there would be no impact to the balance sheet or statement of operations if an adjustment is required.

The Company files tax returns in the United States, California, Virginia, and New York. The Company is subject to U.S. federal and state tax examinations by tax authorities for the tax years ended December 31, 2019 through present. As of December 31, 2023 and 2022, the Company has recorded no liability for unrecognized tax benefits, interest, or penalties related to federal and state income tax matters and there currently no pending tax examinations. The Company will recognize interest and penalties related to uncertain tax positions in income tax expense.

NOTE 12 – SUBSEQUENT EVENTS

Closing of Private Placement

On December 29, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor ("the "December Purchaser") for the issuance and sale in a private placement (the "December Private Placement") of (i) pre-funded warrants (the "December Pre-Funded Warrants") to purchase up to 1,237,114 shares of the Company's Common Stock, par value $0.001 at an exercise price of $0.001 per share, and (ii) warrants (the "December Common Warrants") to purchase up to 2,474,228 shares of the Company's Common Stock, at a purchase price of $4.85 per share.

Pursuant to the Purchase Agreement, the Company agreed to reduce the exercise price of certain outstanding warrants to purchase Common Stock of the Company ("Certain Outstanding Warrants") held by the Purchaser to $4.60 per share in consideration for the cash payment by the December Purchaser of $0.125 per share of Common Stock underlying the Certain Outstanding Warrants, effective immediately.

The December Private Placement closed on January 4, 2024. The net proceeds to the Company from the December Private Placement were approximately $5.5 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company.

In addition, the Company agreed to pay H.C. Wainwright & Co., LLC ("Wainwright") certain expenses and issued to Wainwright or its designees warrants (the "December Placement Agent Warrants") to purchase up to an aggregate of 74,227 shares of Common Stock at an exercise price equal to $6.0625 per share. The December Placement Agent Warrants are exercisable immediately upon issuance and have a term of exercise equal to three years from the date of issuance.

Secured Notes Amendments and Assignment

On January 2, 2024, the Company and certain holders of the secured notes (the "Holders") entered into amendments to the January 2024 Secured Notes ("Amendment No. 1 to January 2024 Secured Notes"), pursuant to which the maturity date of the January 2024 Notes was extended to January 5, 2024.

On January 5, 2024, the Company and the Holders entered into amendments to the January 2024 Secured Notes ("Amendment No. 2 to January 2024 Secured Notes") and amendments to the September 2024 Secured Notes ("Amendment No. 1 to September 2024 Secured Notes"), pursuant to which the Company and the Holders agreed that in consideration of a principal payment in the aggregate amount of $1 million on the January 2024 Secured Notes and in increase in the aggregate principal balance of $250,000 on the September 2024 Secured Notes, that the maturity date of the January 2024 Secured Notes would be further extended to January 31, 2024.

On January 31, 2024, the Company and the Holders entered into amendments to the January 2024 Secured Notes ("Amendment No. 3 to January 2024 Secured Notes"), pursuant to which the maturity date of the January 2024 Notes was extended to February 29, 2024. In addition, on January 31, 2024, the Company and the Holders entered into amendments to the September 2024 Secured Notes ("Amendment No. 2 to September 2024 Secured Notes"), pursuant to which the Company and the Holders agreed that in consideration of a principal payment in the aggregate amount of $1.25 million on the January 2024 Secured Notes and in increase in the aggregate principal balance of $300,000 on the September 2024 Secured Notes.

Pursuant to Amendment No. 3 to the January 2024 Secured Notes, the Company was required to make the Additional Consideration payment no later than February 9, 2024. As a result of the Company's failure to make the Additional Consideration payment by February 9, 2023, the January 2024 Secured Notes and the September 2024 Secured Notes were in default and the entire principal balance of the January 2024 Secured Notes and the September 2024 Secured Notes, without demand or notice, were due and payable.

As a result of the defaults on the January 2024 Secured Notes and the September 2024 Secured Notes, the Company was in default on the Business Loan and Security Agreement dated January 24, 2024 (the January Business Loan"), which has a current balance of approximately $5.2 million, and the Business Loan and Security Agreement dated November 7, 2023 (the "November Business Loan") which had a current balance of approximately $2.7 million.

On February 26, 2024, the Company and the Holders entered into an Assignment Agreement (the "February Assignment Agreement"), pursuant to which the Company assigned all remaining amounts due under the January 2024 Secured Notes, the September 2024 Secured Notes and the Unsecured Notes (collectively, the "Notes") back to the Holders. In connection with the February Assignment Agreement, the Company and the Holders entered into a payoff letter (the "Payoff Letter") and amendments to the January 2024 Secured Notes ("Amendment No. 4 to January 2024 Secured Notes"), pursuant to which the maturity date of the January 2024 Secured Notes was extended to March 31, 2024 and the outstanding balance under the Notes, after giving effect to the transactions contemplated by the February Assignment Agreement as applied pursuant to the Payoff Letter, was adjusted to $250,000. On April 15, 2024, the Company has repaid the $250,000.

Settlement Agreement

On January 3, 2024, the Company entered into a settlement agreement and general release with an investor (the "Settlement Agreement"), pursuant to which the Company and the investor agreed to settle an action filed in the United States District Court in the Southern District of New York by an investor against the Company (the "Action") in consideration of the issuance by the Company of shares of the Company's Common Stock (the "Settlement Shares"). The number of Settlement Shares to be issued will be equal to $1.6 million divided by the closing price of the Company's Common Stock on the day prior to court approval of the joint motion. Following the issuance of the Settlement Shares, the Investor will file a dismissal stipulation in the Action.

On January 17, 2024, the Company issued 296,296 Settlement Shares to the investor. The Settlement Shares were issued pursuant to an exemption from registration pursuant to Section 3(a)(10) under the Securities Act of 1933, as amended.

Closing of MDNA Transaction

On January 4, 2024 (the "Closing Date"), the Company completed its acquisition of certain assets and issued to MDNA Lifesciences, Inc. ("MDNA"): the Company's Common Stock, the Company's Warrants, and the Pearsanta Preferred Stock. The Company expects to account for this transaction as an asset acquisition.

On January 4, 2024, the Company, Pearsanta and MDNA entered into a First Amendment to Asset Purchase Agreement (the "First Amendment to Asset Purchase Agreement"), pursuant to which the parties agreed to: (i) the removal of an upfront working capital payment, (ii) the removal of a Closing Working Capital Payment (as defined in the Purchase Agreement"), and (iii) to increase the maximum amount of payments to be made by Aditxt under the Transition Services Agreement (as defined below) from $2.2 million to $3.2 million.

On January 4, 2024, Pearsanta and MDNA entered into a Transition Services Agreement (the "Transition Services Agreement"), pursuant to which MDNA agreed that it would perform, or cause certain of its affiliates or third parties to perform, certain services as described in the Transition Services Agreement for a term of three months in consideration for the payment by Pearsanta of certain fees as provided in the Transition Services Agreement, in an amount not to exceed $3.2 million.

Evofem Merger Agreement and Amendments

As previously reported in a Current Report on Form 8-K filed by the Company, on December 11, 2023 the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub") and Evofem Biosciences, Inc., a Delaware corporation ("Evofem"), pursuant to which, Merger Sub will be merged into and with Evofem (the "Merger"), with Evofem surviving the Merger as a wholly owned subsidiary of the Company.

On January 8, 2024, the Company, Adicure, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub"), and Evofem Biosciences, Inc., a Delaware corporation ("Evofem") entered into the First Amendment (the "First Amendment to Merger Agreement"), to the Agreement and Plan of Merger (the "Merger Agreement") pursuant to which the parties agreed to extend the date by which the joint proxy statement would be filed with the SEC until February 14, 2024.

On January 30, 2024, the Company, Adicure and Evofem entered into the Second Amendment to the Merger Agreement (the "Second Amendment to Merger Agreement") to amend (i) the date of the Parent Loan (as defined in the Merger Agreement) to Evofem to be February 29, 2024, (ii) to change the date by which Evofem may terminate the Merger Agreement for failure to receive the Parent Loan to be February 29, 2024, and (iii) to change the filing date for the Joint Proxy Statement (as defined in the Merger Agreement) to April 1, 2024.

On February 29, 2024, the Company, Adicure and Evofem entered into the Third Amendment to the Merger Agreement (the "Third Amendment to Merger Agreement") in order to (i) make certain conforming changes to the Merger Agreement regarding the Notes, (ii) extend the date by which the Company and Evofem will file the joint proxy statement until April 30, 2024, and (iii) remove the requirement that the Company make the Parent Loan (as defined in the Merger Agreement) by February 29, 2024 and replace it with the requirement that the Company make an equity investment into Evofem consisting of (a) a purchase of 2,000 shares of Evofem Series F-1 Preferred Stock for an aggregate purchase price of $2.0 million on or prior to April 1, 2024, and (b) a purchase of 1,500 shares of Evofem Series F-1 Preferred Stock for an aggregate purchase price of $1.5 million on or prior to April 30, 2024. As of the date of this filing the Company has not purchased the 2,000 shares of EvoFem Series F-1 Preferred Stock.

Business Loan Agreement

On January 24, 2024, the Company entered into a Business Loan and Security Agreement (the "January Loan Agreement") with a commercial funding source (the "Lender"), pursuant to which the Company obtained a loan from the Lender in the principal amount of $3,600,000, which includes origination fees of $252,000 (the "January Loan"). Pursuant to the January Loan Agreement, the Company granted the Lender a continuing secondary security interest in certain collateral (as defined in the January Loan Agreement). The total amount of interest and fees payable by the Company to the Lender under the January Loan will be $5,364,000, which will be repayable by the Company in 30 weekly installments of $178,800. The Company received net proceeds from the January Loan of $814,900 following repayment of the outstanding balance on the October Purchased Amount of $2,533,100.

Brain Scientific Assignment Agreement

On January 24, 2024, the Company entered into an Assignment and Assumption Agreement (the "Brain Assignment Agreement") with the agent (the "Agent") of certain secured creditors (the "Brain Creditors") of Brain Scientific, Inc., a Nevada corporation ("Brain Scientific") and Philip J. von Kahle (the "Brain Seller"), as assignee of Brain Scientific and certain affiliated entities (collectively, the "Brain Companies") under an assignment for the benefit of creditors pursuant to Chapter 727 of the Florida Statutes. Pursuant to the Brain Assignment Agreement, the Agent assigned its rights under that certain Asset Purchase and Settlement Agreement dated October 31, 2023 between the Seller and the Agent (the "Brain Asset Purchase Agreement") to the Company in consideration for the issuance by the Company of an aggregate of 6,000 shares of a new series of convertible preferred stock of the Company, designated as Series B-1 Convertible Preferred Stock, $0.001 par value (the "Series B-1 Preferred Stock"). The shares of Series B-1 Preferred Stock were issued pursuant to a Securities Purchase Agreement entered into by and between the Company and each of the purchasers signatory thereto (the "Brain Purchase Agreement").

In connection with the Brain Assignment Agreement, on January 24, 2024, the Company entered into a Patent Assignment with the Brain Seller (the "Brain Patent Assignment"), pursuant to which the Seller assigned all of its rights, titles and interests in certain patents and patent applications that were previously held by the Brain Companies to the Company.

Series B-1 Preferred Stock Certificate of Designation

On January 24, 2024, the Company filed a Certificate of Designations for its Series B-1 Preferred Stock with the Secretary of State of Delaware. See Series B-1 Preferred Stock certificate of designation incorporated by reference to this document.

Officer Promissory Notes

On January 8, 2024, the Company fully repaid the November Note, First December Note, and Second December Note to Amro Albanna, the Company's Chief Executive Officer.

On February 7, 2024, Amro Albanna, the Chief Executive Officer of the Company loaned $30,000 to the Company. The loan was evidenced by an unsecured promissory note (the "February 7th Note"). Pursuant to the terms of the February 7th Note, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of August 7, 2024 or an event of default, as defined therein.

On February 15, 2024, Amro Albanna, the Chief Executive Officer of the Company loaned $205,000 to the Company. The loan was evidenced by an unsecured promissory note (the "February 15th Note"). Pursuant to the terms of the February 15th Note, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of August 15, 2024 or an event of default, as defined therein.

On February 29, 2024, Amro Albanna, the Chief Executive Officer of the Company, and Shahrokh Shabahang, the Chief Innovation Officer of the Company, loaned $117,000 and $115,000, respectively, to the Company. The loans were evidenced by an unsecured promissory note (the "February 29th Notes"). Pursuant to the terms of the February 29th Notes, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of August 29, 2024 or an event of default, as defined therein.

Engagement Letter with Dawson James Securities, Inc.

On February 16, 2024, the "Company" entered into an engagement letter (the "Dawson Engagement Letter") with Dawson James Securities, Inc.("Dawson"), pursuant to which the Company engaged Dawson to serve as financial advisor with respect to one or more potential business combinations involving the Company for a term of twelve months. Pursuant to the Dawson Engagement Letter, the Company agreed to pay Dawson an initial fee of $1.85 million (the "Dawson Initial Fee"), which amount is payable on the later of (i) the closing of an offering resulting in gross proceeds to the Company of greater than $4.9 million, or (ii) five days after the execution of the Dawson Engagement Letter. At the Company's option, the Dawson Initial Fee may be paid in securities of the Company. In addition, with respect to any business combination (i) that either is introduced to the Company by Dawson following the date of the Dawson Engagement Letter or (ii) that with respect to which the Company hereafter requests Dawson to provide M&A advisory services, the Company shall compensate Dawson in an amount equal to 5% of the Total Transaction Value (as defined in the Engagement Letter) with respect to the first $20.0 million in Total Transaction Value plus 10.0% of the Total Transaction Value that is in excess of $20.0 million (the "Transaction Fee"). The Transaction Fee is payable upon the closing of a business combination transaction.

Lease Default

On March 6, 2024, the Company received correspondence from 532 Realty Associates, LLC (the "Landlord") that the Company is in default under that certain Agreement of Lease dated November 3, 2021 by and between the Landlord and the Company (the "New York Lease") for failure to pay Basic Rent and Additional Rent (as each term is defined in the New York Lease) in the aggregate amount of $40,707 (the "Past Due Rent").

Promissory Note

On March 7, 2024, Sixth Borough Capital Fund, LP loaned $300,000 to the Company. The loan was evidenced by an unsecured promissory note (the "Sixth Borough Note"). Pursuant to the terms of the Sixth Borough Note, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of March 31, 2024 or an event of default, as defined therein.

Appili Arrangement Agreement

On April 1, 2024 (the "Execution Date"), the Company, entered into an Arrangement Agreement (the "Arrangement Agreement") with Adivir, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Adivir" or the "Buyer"), and Appili Therapeutics, Inc., a Canadian corporation ("Appili"), pursuant to which, Adivir will acquire all of the issued and outstanding Class A common shares of Appili (the "Appili Shares") on the terms and subject to the conditions set forth therein. The acquisition of the Appili Shares (the "Arrangement") will be completed by way of a statutory plan of arrangement under the Canada Business Corporation Act.

At the effective time of the Arrangement (the "Effective Time"), each Appili Share outstanding immediately prior to the Effective Time (other than Appili Shares held by a registered holder of Appili Shares who has validly exercised such holder's dissent rights) will be deemed to be assigned and transferred by the holder thereof to the Buyer in exchange for (i) $0.0467 in cash consideration per share for an aggregate cash payment of $5,668,222 (the "Cash Consideration") and (ii) 0.002745004 of a share of common stock of Aditxt or an aggregate of 332,876 shares (the "Consideration Shares" and together with the Cash Consideration, the "Transaction Consideration"). In connection with the transaction, each outstanding option and warrant of Appili will be cashed-out based on the implied in-the-money value of the Transaction Consideration, which is expected to result in an additional aggregate cash payment of approximately $341,000 (based on the number of issued and outstanding options and warrants and exchange rates as of the date of the Arrangement Agreement).

Promissory Note

On April 10, 2024, Sixth Borough Capital Fund, LP loaned $230,000 to the Company. The loan was evidenced by an unsecured promissory note (the "April Sixth Borough Note"). Pursuant to the terms of the April Sixth Borough Note, it will accrue interest at the Prime rate of eight and one-half percent (8.5%) per annum and is due on the earlier of April 19, 2024 or an event of default, as defined therein.

ADITXT, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Aditxt, Inc. (the "Company") as of December 31, 2022 and 2021, the related statements of operations, stockholders' equity, and cash flows, for the years ended December 31, 2022 and 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's net losses, negative cash flow from operations, and ability to access capital raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ dbb*mckennon*

We have served as the Company's auditor since 2018.

San Diego, California
April 17, 2023

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ADITXT, INC.
BALANCE SHEETS

	December 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,768,640	$ 7,872,061
Accounts receivable, net	527,961	89,844
Inventory	950,093	494,697
Prepaid expenses	496,869	460,102
Note receivable, net	-	500,000
TOTAL CURRENT ASSETS	4,743,563	9,416,704
Fixed assets, net	2,318,863	2,267,297
Intangible assets, net	107,000	214,000
Deposits	355,366	379,250
Right of use asset - long term	3,160,457	4,097,117
Deferred issuance costs	50,000	-
Other assets	-	289,539
TOTAL ASSETS	$ 10,735,249	$ 16,663,907
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 1,958,502	$ 1,575,543
Financing on fixed assets – current	409,983	700,433
Deferred rent	188,581	186,058
Lease liability - current	1,086,658	1,145,126
TOTAL CURRENT LIABILITIES	3,643,724	3,607,160
Financing on fixed assets - long term	-	110,041
Lease liability - long term	1,885,218	2,765,933
TOTAL LIABILITIES	5,528,942	6,483,134
STOCKHOLDERS' EQUITY		
Preferred stock, $0.001 par value, 3,000,000 shares authorized, zero shares issued and outstanding, respectively	-	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 4,307,487 and 890,614 shares issued and 4,305,470 and 888,579 shares outstanding, respectively	4,307	899
Treasury stock, 2,017 and 2,017 shares, respectively	(201,605)	(201,605)
Additional paid-in capital	100,443,967	77,734,288
Accumulated deficit	(95,040,362)	(67,352,809)
TOTAL STOCKHOLDERS' EQUITY	5,206,307	10,180,773
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 10,735,249	$ 16,663,907

See accompanying notes to the financial statements.

ADITXT, INC.
STATEMENTS OF OPERATIONS

	Year Ended December 31, 2022	Year Ended December 31, 2021
REVENUE		
Sales	$ 933,715	$ 105,034
Cost of goods sold	766,779	77,979
Gross profit	166,936	27,055
OPERATING EXPENSES		
General and administrative expenses, includes $1,516,805 and $3,927,551 in stock-based compensation, respectively	15,985,552	22,084,389
Research and development, includes $591,518 and $713,130 in stock-based compensation, respectively	7,268,084	5,042,617
Sales and marketing, includes $1,023,045, and $0 in stock-based compensation, respectively	1,849,460	334,977
Impairment on notes receivable	543,938	14,500,000
Total operating expenses	25,647,034	41,961,983
NET LOSS FROM OPERATIONS	(25,480,098)	(41,934,928)
OTHER EXPENSE		
Interest expense	(753,038)	(93,209)
Interest income	57,348	3,101
Other income	58,960	-
Loss on extinguishment of debt	-	(2,500,970)
Amortization of debt discount	(1,533,048)	(1,845,358)
Total other expense	(2,169,778)	(4,436,436)
Net loss before income taxes	(27,649,876)	(46,371,364)
Income tax provision	-	-
NET LOSS	$ (27,649,876)	$ (46,371,364)
Implied Dividends	(37,667)	(102,267)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (27,612,199)	$ (46,269,097)
Net loss per share - basic and diluted	$ (14.89)	$ (121.18)
Weighted average number of shares outstanding during the year - basic and diluted	1,854,724	381,811

See accompanying notes to the financial statements.

ADITXT, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Preferred Shares Outstanding	Preferred Shares Par	Preferred B Shares Outstanding	Preferred B Shares Par	Common Shares Outstanding	Common Shares Par	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance December 31, 2021	-	$ -	-	$ -	888,597	$ 899	$(201,605)	$ 77,734,288	$ (67,352,809)	$ 10,180,773
Stock option and warrant compensation	-	-	-	-	-	-	-	1,413,904	-	1,413,904
Issuance of restricted stock units for compensation	-	-	-	-	18,469	19	-	1,209,887	-	1,209,906
Issuance of shares for services	-	-	-	-	148,227	150	-	507,408	-	507,558
Exercise of warrants, modification of warrants, and issuance of warrants	-	-	-	-	179,419	180	-	1,203,589	-	1,203,769
Sale of Series B Preferred shares to related party	-	-	1	-	-	-	-	20,000	-	20,000
Redemption of Series B Preferred shares to related party	-	-	(1)	-	-	-	-	(20,000)	-	(20,000)
Shares issued as inducement on loans, net of issuance costs	-	-	-	-	47,779	48	-	146,474	-	146,522
Warrants issued with loans	-	-	-	-	-	-	-	878,622	-	878,622
Reset provision on warrants and modification of warrants	-	-	-	-	-	-	-	37,677	(37,677)	-
Issuance of shares for debt issuance costs	-	-	-	-	10,477	11	-	96,019	-	96,030

Exercise of warrants	-	-	-	-	1,766,917	1,767	-	(1,767)	-	-
Issuance of shares and warrants for offering, net of issuance costs	-	-	-	-	1,224,333	1,224	-	17,232,083	-	17,233,307
Issuance costs related to exercise of warrants, modification of warrants, and issuance of warrants	-	-	-	-	-	-	-	(94,195)	-	(94,195)
Issuance of shares for settlement of AP	-	-	-	-	9,237	9	-	79,991	-	80,000
Rounding from reverse stock split	-	-	-	-	12,015	-	-	(13)	-	(13)
Net loss	-	-	-	-	-	-	-	-	(27,649,876)	(27,649,876)
Balance December 31, 2022	-	$ -	-	$ -	4,305,470	$ 4,307	$(201,605)	$100,443,967	$ (95,040,362)	$ 5,206,307

See accompanying notes to the financial statements.

ADITXT, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Preferred Shares Outstanding	Preferred Shares Par	Common Shares Outstanding	Common Shares Par	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance December 31, 2020	-	$ -	259,474	$ 262	$(201,605)	$32,092,003	$ (20,879,178)	$ 11,011,482
Stock option and warrant compensation	-	-	-	-	-	1,016,962	-	1,016,962
Exercise of warrants	-	-	189,844	191	-	3,727,094	-	3,727,285
Restricted stock unit compensation	-	-	-	-	-	1,843,902	-	1,843,902
Issuance of shares for services	-	-	4,133	7	-	366,110	-	336,117
Issuance of shares for employee compensation	-	-	9,300	191	-	1,443,690	-	1,443,700
Issuance of shares for vested restricted stock units	-	-	16,533	18	-	(18)	-	-
Issuance of shares for the conversion of debt	-	-	96,050	97	-	5,749,825	-	5,749,922
Fair value of warrants issued with convertible note payable	-	-	-	-	-	1,322,840	-	1,322,840
Issuance of shares and warrants for offering, net of issuance costs	-	-	256,596	257	-	26,123,354	-	26,123,611
Issuance of shares for offerings, net of issuance costs	-	-	56,667	57	-	3,744,943	-	3,745,000
Warrant consideration for convertible debt offering costs	-	-	-	-	-	231,316	-	231,316
Reduction in exercise price of warrants	-	-	-	-	-	102,267	(102,267)	-
Net loss	-	-	-	-	-	-	(46,371,364)	(46,371,364)
Balance December 31, 2021	-	$ -	888,597	$ 899	$(201,605)	$77,734,288	$ (67,352,809)	$ 10,180,773

See accompanying notes to the financial statements.

ADITXT, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2022	Year Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (27,649,876)	$ (46,371,364)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation	3,131,368	4,640,681
Depreciation expense	428,977	369,236
Amortization of intangible assets	107,000	107,000
Amortization of debt discount	1,533,048	1,845,358
Loss on extinguishment of debt	-	2,500,970
Impairment on notes receivable	543,938	14,500,000
Disposal of fixed assets	6,976	-
Changes in operating assets and liabilities:		
Accounts receivable	(36,767)	(312,460)
Prepaid expenses	23,884	(306,954)
Deposits	(438,117)	(89,844)
Inventory	(455,396)	(494,697)
Accounts payable and accrued expenses	412,959	1,333,930
Net cash used in operating activities	(22,392,006)	(22,278,144)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(367,079)	(1,015,752)
Tenant improvement allowance receivable	125,161	(287,018)
Notes receivable and accrued interest	-	(15,002,521)
Net cash used in investing activities	(241,918)	(16,305,291)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable - related party	80,000	-
Repayments of note payable - related party	(80,000)	-
Proceeds from notes and convertible notes payable, net of offering costs	2,795,000	4,473,540
Repayments of notes and convertible notes payable	(3,206,887)	(315,790)
Sale of Series B Preferred shares to related party	20,000	-
Redemption of Series B Preferred shares to related party	(20,000)	-
Common stock and warrants issued for cash, net of issuance costs	17,233,307	29,868,611
Exercise of warrants, net of offering costs	1,109,574	3,727,285
Payments on financing on fixed asset	(400,491)	(598,976)
Cash paid on extinguishment of note payable	-	(1,200,000)
Net cash provided by financing activities	17,530,503	35,954,670
NET DECREASE IN CASH	(5,103,421)	(2,628,765)
CASH AT BEGINNING OF YEAR	7,872,061	10,500,826
CASH AT END OF YEAR	$ 2,768,640	$ 7,872,061
Supplemental cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest expense	$ 753,038	$ 15,789
NON-CASH INVESTING AND FINANCING ACTIVITIES:		

Issuance of shares for the settlement of notes payable	$ -	$ 5,749,922
Lease liability recognized from right of use asset	$ -	$ 3,131,388
Issuance of shares for the settlement of accounts payable	$ 80,000	$ -
Original offering discount on convertible note payable	$ -	$ 1,000,000
Debt discount from warrants issued with convertible note payable	$ 878,622	$ 1,322,840
Debt discount from warrant consideration for convertible debt offering costs	$ -	$ 231,316
Debt discount from shares issued as inducement for convertible note payable	$ 146,522	$ -
Liability recognized for financed assets	$ -	$ 821,862
Reduction in exercise price of warrants	$ -	$ 102,267
Shares issued for debt offering costs	$ 96,030	$ -
Warrant modification	$ 37,677	$ -
Deferred issuance costs	$ 50,000	$ -

See accompanying notes to the financial statements.

ADITXT, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Company Background

Overview

We are a biotech innovation company with a mission of prolonging life and enhancing its quality by improving the health of the immune system. We are an innovation company developing and commercializing technologies with a focus on monitoring and modulating the immune system. Our immune reprogramming technologies are currently at the pre-clinical stage and are designed to retrain the immune system to induce tolerance with an objective of addressing rejection of transplanted organs, autoimmune diseases, and allergies. Our immune monitoring technologies are designed to provide a personalized comprehensive profile of the immune system and we plan to utilize them in our upcoming reprogramming clinical trials to monitor subjects' immune response before, during and after drug administration.

Reverse Stock Split

On September 13, 2022, the Company effectuated a 1 for 50 reverse stock split (the "Reverse Split"). The Company's stock began trading on a split-adjusted basis effective on the Nasdaq Stock Market on September 14, 2022. There was no change to the number of authorized shares of the Company's common stock. All shares amounts referenced in this report are adjusted to reflect the Reverse Split.

Offerings

On August 31, 2021, the Company completed a registered direct offering ("August 2021 Offering"). In connection therewith, the Company issued 91,667 shares of common stock, at a purchase price of $120.00 per share, resulting in gross proceeds of approximately $11.0 million. In a concurrent private placement, the Company issued warrants to purchase up to 91,667 shares. The warrants have an exercise price of $126.50 per share and are exercisable for a five-year period commencing six months from the date of issuance. The warrants exercise price was subsequently repriced to $75.00. In addition, the Company issued a warrant to the placement agent to purchase up to 4,584 shares of common stock at an exercise price of $150.00 per share.

On October 18, 2021, the Company entered into an underwriting agreement with Revere Securities LLC, relating to the public offering (the "October 2021 Offering") of 56,667 shares of the Company's common stock (the "Shares") by the Company. The Shares were offered, issued, and sold at a price to the public of $75.00 per share under a prospectus supplement and accompanying prospectus filed with the SEC pursuant to an effective shelf registration statement filed with the SEC on Form S-3 (File No. 333-257645), which was declared effective by the SEC on July 13, 2021. The October 2021 Offering closed on October 20, 2021 for gross proceeds of $4.25 million. The Company utilized a portion of the proceeds, net of underwriting discounts of approximately $3.91 million from the October 2021 Offering to fund certain obligations under the Credit Agreement. (See Note 4)

On December 6, 2021, the Company completed a public offering for net proceeds of $16.0 million (the "December 2021 Offering"). As part of the December 2021 Offering, we issued 164,929 units consisting of shares of the Company's common stock and warrant to purchase shares of the Company's common stock and 166,572 prefunded warrants. The warrant issued as part of the units had an exercise price of $57.50 and the prefunded warrants had an exercise price of $0.001. On June 15, 2022, the Company entered an agreement with a holder of certain warrants in the December 2021 Offering. (See Note 11)

On September 20, 2022, the Company completed a public offering for net proceeds of $17.2 million (the "September 2022 Offering"). As part of the September 2022 Offering, we issued 1,224,333 of shares of the Company's common stock, pre-funded warrants to purchase 2,109,000 shares of common stock, and warrants to purchase 3,333,333 shares of the Company's common stock. The warrants had an exercise price of $6.00 and the pre-funded warrants had an exercise price of $0.001.

Risks and Uncertainties

The Company has a limited operating history and is in the very early stages of generating revenue from intended operations. The Company's business and operations are sensitive to general business and economic conditions in the U.S. and worldwide along with local, state, and federal governmental policy decisions. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include: changes in the biotechnology regulatory environment, technological advances that render our technologies obsolete, availability of resources for clinical trials, acceptance of technologies into the medical community, and competition from larger, more well-funded companies. These adverse conditions could affect the Company's financial condition and the results of its operations.

On January 30, 2020, the World Health Organization declared the COVID-19 novel coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The COVID-19 coronavirus and actions taken to mitigate it have had an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. While it is unknown how long these conditions will last and what the financial impact will be to the Company, it is reasonably possible that future capital raising efforts and additional development of our technologies may be negatively affected.

NOTE 2 – GOING CONCERN ANALYSIS

Management Plans

The Company was incorporated on September 28, 2017 and has not generated significant revenues to date. During the year ended December 31, 2022, the Company had a net loss of $27,649,876 and negative cash flow from operating activities of $22,049,040. As of December 31, 2022, the Company's cash balance was $2,768,640. As of December 31, 2022, the Company had $51.5 million of remaining availability, subject to regulatory requirements, to raise future funds pursuant to an effective shelf registration statement filed with the SEC on Form S-3 declared effective on July 13, 2021. However, factors such as stock price, volatility, trading volume, market conditions, demand and regulatory requirements may adversely affect the Company's ability to raise capital in an efficient manner.

In addition to the shelf registration, the Company has the ability to raise capital from equity of debt through private placements or public offerings pursuant to a registration statement on Form S-1. We may also secure loans from related parties.

Because of these factors, the Company believes that this creates substantial doubt with the Company's ability to continue as a going concern.

The financial statements included in this report do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the matters discussed herein. The Company's ability to continue as a going concern is dependent upon the ability to complete clinical studies and implement the business plan, generate sufficient revenues and to control operating expenses. In addition, the Company is consistently focused on raising capital, strategic acquisitions and alliances, and other initiatives to strengthen the Company.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC").

Use of Estimates

The preparation of 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 revenue and expense during the reporting period. Actual results could differ from those estimates. Significant estimates underlying the financial statements include the collectability of notes receivable, collectability and reserve on accounts receivable, the reserve on insurance billing, and the fair value of stock options and warrants.

Fair Value Measurements and Fair Value of Financial Instruments

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements. ASC Topic 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 - Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 - Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with ASC Topic 820.

Due to the short-term nature of all financial assets and liabilities, their carrying value approximates their fair value as of the balance sheet dates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company maintains its cash accounts at financial institutions which are insured by the Federal Deposit Insurance Corporation. At times, the Company may have deposits in excess of federally insured limits.

Substantially all the Company's accounts receivable are with companies in the healthcare industry, individuals, and the U.S. government. However, concentration of credit risk is mitigated due to the Company's number of customers. In addition, for receivables due from U.S government agencies, the Company does not believe the receivables represent a credit risk as these are related to healthcare programs funded by the U.S. government and payment is primarily dependent upon submitting the appropriate documentation.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, liquid investments.

Inventory

Inventory consists of laboratory materials and supplies used in laboratory analysis. We capitalize inventory when purchased. Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis. We periodically perform obsolescence assessments and write off any inventory that is no longer usable.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Cost includes expenditures for furniture, office equipment, laboratory equipment, and other assets. Maintenance and repairs are charged to expense as incurred. When assets are sold, retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations. The costs of fixed assets are depreciated using the straight-line method over the estimated useful lives or lease life of the related assets.

Useful lives assigned to fixed assets are as follows:

Computers	Three years to five years
Lab Equipment	Seven to ten years
Office Furniture	Five to ten years
Other fixed assets	Five to ten years
Leasehold Improvements	Shorter of estimated useful life or remaining lease term

Intangible Assets

Intangible assets are stated at cost less accumulated amortization. For intangible assets that have finite lives, the assets are amortized using the straight-line method over the estimated useful lives of the related assets. For intangible assets with indefinite lives, the assets are tested periodically for impairment.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company generally does not require collateral to support customer receivables. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. As of December 31, 2022 and 2021, there was an allowance for doubtful accounts of $18,634 and zero, respectively.

Offering Costs

Offering costs incurred in connection with equity are recorded as a reduction of equity and offering costs incurred in connection with debt are recorded as a reduction of debt as a debt discount.

Revenue Recognition

In accordance with ASC 606 (Revenue From Contracts with Customers), revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services. To achieve this core principle, the Company applies the following five steps:

1) *Identify the contract with a customer*

2) *Identify the performance obligations in the contract*

3) *Determine the transaction price*

4) *Allocate the transaction price to performance obligations in the contract*

5) *Recognize revenue when or as the Company satisfies a performance obligation*

Revenues reported from services relating to the AditxtScore™ are recognized when the AditxtScore™ report is delivered to the customer. The services performed include the analysis of specimens received in the Company's CLIA laboratory and the generation of results which are then delivered upon completion.

The Company recognizes revenue in the following manner for the following types of customers:

Client Payers:

Client payers include physicians or other entities for which services are billed based on negotiated fee schedules. The Company principally estimates the allowance for credit losses for client payers based on historical collection experience and the period of time the receivable has been outstanding.

Cash Pay:

Customers are billed based on established patient fee schedules or fees negotiated with physicians on behalf of their patients. Collection of billings is subject to credit risk and the ability of the patients to pay.

Insurance:

Reimbursements from healthcare insurers are based on fee for service schedules. Net revenues recognized consist of amounts billed net of contractual allowances for differences between amounts billed and the estimated consideration the Company expects to receive from such payers, collection experience, and the terms of the Company's contractual arrangements.

Leases

Under Topic 842 (Leases), operating lease expense is generally recognized evenly over the term of the lease. The Company has operating leases consisting of office space, laboratory space, and lab equipment.

Leases with an initial term of twelve months or less are not recorded on the balance sheet. We combine the lease and non-lease components in determining the lease liabilities and right of use ("ROU") assets.

Stock-Based Compensation

The Company accounts for stock-based compensation costs under the provisions of ASC 718, Compensation—Stock Compensation, which requires the measurement and recognition of compensation expense related to the fair value of stock-based compensation awards that are ultimately expected to vest. Stock-based compensation expense recognized includes the compensation cost for all stock-based payments granted to employees, officers, and directors based on the grant date fair value estimated in accordance with the provisions of ASC 718. ASC 718 is also applied to awards modified, repurchased, or cancelled during the periods reported. Stock-based compensation is recognized as expense over the employee's requisite vesting period and over the nonemployee's period of providing goods or services.

Patents

The Company incurs fees from patent licenses, which is reflected in research and development expenses, and are expensed as incurred. During the years ended December 31, 2022 and 2021, the Company incurred patent licensing fees for the patents of $263,273 and $76,455, respectively.

Research and Development

We incur research and development costs during the process of researching and developing our technologies and future offerings. We expense these costs as incurred unless such costs qualify for capitalization under applicable guidance. During the years ended December 31, 2022 and 2021, the Company incurred research and development costs of $7,268,084 and $5,042,617, respectively.

Basic and Diluted Net Loss per Common Share

Basic loss per common share is computed by dividing the net loss by the weighted average number of shares of common stock outstanding for each period. Diluted loss per share is computed by dividing the net loss attributable of common stockholders by the weighted average number of shares of common stock outstanding plus the dilutive effect of shares issuable through the common stock equivalents. The weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. As of December 31, 2022, 44,710 stock options, 7,197 unvested restricted stock units, and 5,090,024 warrants were excluded from dilutive earnings per share as their effects were anti-dilutive. As of December 31, 2021, 44,710 stock options, 15,565 unvested restricted stock units and 601,399 warrants were excluded from dilutive earnings per share as their effects were anti-dilutive.

During the years ended December 31, 2022 and 2021, the Company recognized an implied dividend from the modification of warrants of $37,667 and $102,267, respectively. Theses implied dividends resulted in an increase in the net loss attributable to common stockholders.

Recent Accounting Pronouncements

The FASB issues ASUs to amend the authoritative literature in ASC. There have been several ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

NOTE 4 – NOTE RECEIVABLE

Cellvera Global Note Receivable

On August 25, 2021, the Company entered into a letter of intent ("the LOI") to acquire AiPharma Global Holdings LLC, a Delaware limited liability company, which subsequently changed its name to Cellvera Global Holdings LLC ("Cellvera Global") which is commercializing COVID-19 antiviral oral therapy. Key terms of the proposed transaction as stated in the Letter of Intent included: the completion of a proposed $6.5 million secured loan from the Company to Cellvera Global by August 31, 2021, as well as the issuance of such number of shares of the Company's common stock that yields 50% of the number of the Company's outstanding shares post-closing of the transaction. The acquisition is subject to the satisfaction of numerous conditions, including satisfactory due diligence, the negotiation and execution of definitive agreements and other closing conditions, including board and shareholder approval and approval by Nasdaq of the listing of shares proposed to be issued in the transaction. The Company and Cellvera Global agreed to an exclusivity period until September 30, 2021 (the "Exclusivity Period"), with a view to settling the definitive agreement. On September 30, 2021, the parties entered into a letter agreement pursuant to which they agreed to extend the Exclusivity Period until October 4, 2021.

On December 28, 2021, we entered into a Share Exchange Agreement with Cellvera Global f/k/a AiPharma Global, pursuant to which we (i) will acquire 9.5% of the issued and outstanding equity interests in Cellvera Global in exchange for the issuance of 96,324 shares of our common stock of Aditxt and a cash payment of $250,000, at an initial closing upon the satisfaction or waiver of certain conditions to closing; and (ii) acquire the remaining 90.5% of the issued and outstanding equity interests in Cellvera Global in exchange for the issuance of 798,560 shares of our common stock and a cash payment of $250,000 at a secondary closing upon the satisfaction or waiver of certain conditions to closing. Additionally, we may elect to raise additional capital due to market conditions or strategic considerations.

In connection with the contemplated acquisition with Cellvera Global, the Company entered into a secured credit agreement dated August 27, 2021 (the "Credit Agreement") with Cellvera Global and certain affiliated entities (collectively, the "Borrower"), pursuant to which the Company made a secured loan to Cellvera Global in the principal amount of $6.5 million (the "Loan"). The Loan was funded on August 31, 2021, following the closing of the Company's August 2021 Offering. The Loan bears interest at a rate of 8% per annum and matured on November 30, 2021. The Loan is secured by certain accounts receivable and other assets of Cellvera Global and certain of its affiliates. The Credit Agreement also contains certain covenants that prohibit Cellvera Global from incurring additional indebtedness, incurring liens or making any dispositions of its property.

On October 18, 2021, the Company entered into the first amendment to the Credit Agreement with Cellvera Global and certain affiliated entities (the "Credit Agreement Amendment"), pursuant to which the Company agreed to increase the amount which Cellvera Global was permitted to borrow under the Credit Agreement by $8.5 million to an aggregate of $15.0 million, of which $6.5 million was outstanding prior to entering the Credit Agreement Amendment. The Company agreed to fund such additional borrowings, as requested by Cellvera Global, by advancing 70% of any amounts received by the Company from the exercise of existing warrants or any other capital raises, including the October Offering. As of December 31, 2021, an additional $8.0 million was advanced under the Credit Agreement for a total of $14.5 million.

The Credit Agreement was amended on multiple occasions, for which the final amendment was signed on December 31, 2021, extending the Loan's maturity date to January 31, 2022.

The Company determined that Cellvera Global may not have the ability to repay the note receivable. Accordingly, the Company recognized a full impairment of $14.5 million as of December 31, 2021.

Forbearance Agreement:

On January 31, 2022, the Company's $14.5 million loan to Cellvera Global became fully due and payable under the Credit Agreement. On February 14, 2022, the Company entered into a Forbearance Agreement and Seventh Amendment to Credit Agreement (the "Forbearance Agreement") with Cellvera Global.

Pursuant to the Forbearance Agreement, the Company agreed to forbear from exercising its rights and remedies against Cellvera Global and certain affiliated guarantor parties until the earlier of (i) June 30, 2022 or (ii) the date of occurrence of any event of default under the Forbearance Agreement (the "Forbearance Period"). Given that the parties continue to conduct due diligence in connection with the Share Exchange Agreement, the Company and Cellvera Global also agreed that should the initial closing occur under the Share Exchange Agreement, the existing event of default will be waived. Under the Forbearance Agreement, the Company and Cellvera Global also agreed to certain amendments to the Credit Agreement, including, but not limited to: (i) the delivery by the Borrower of certain financial statements and forecasts, and (ii) certain regularly scheduled payments to be made by Cellvera Global to the Company during the Forbearance Period. As of the date of filing of this Quarterly Report, the regularly scheduled payments under the Forbearance Agreement have not been made, and the note receivable remains fully impaired.

On April 4, 2022, the Company and Cellvera Global entered into a Forbearance Agreement and Eighth Amendment to the Credit Agreement (the "April Forbearance Agreement") pursuant to which among other things (i) the Company agreed to extend the forbearance period until the earlier of March 31, 2023 or the date of occurrence of any event of default under the April Forbearance Agreement, (ii) Cellvera Global shall be permitted to factor certain receivables, and (iii) certain conforming changes were made relating to the Revenue Sharing Agreement (as defined below). In connection with the Forbearance Agreement, the Company entered into a series of security agreements with Cellvera Global (the "Security Agreements") and certain affiliated entities pursuant to which Cellvera Global enhanced the Company's security interest in connection with the Credit Agreement. In addition, and as a condition to entering into the April Forbearance Agreement, the Company required that Cellvera Global enter into a Revenue Sharing Agreement (the "Revenue Sharing Agreement"), pursuant to which, among other things, Cellvera Global agreed to pay the Company a certain portion of its revenues up to the aggregate amount of $30 million. As of the date of filing of this Annual Report, the Company has not received any payments from Cellvera Global pursuant to the Revenue Sharing Agreement. Upon termination of the April Forbearance agreement, the amounts under the Secured Credit agreement (as amended) shall become immediately due and payable.

Concurrently with the execution of the April Forbearance Agreement and the Revenue Sharing Agreement, the Company and AiPharma Group, Ltd. entered into an Amendment to the Share Exchange Agreement (the "Share Exchange Amendment") which amended the Share Exchange Agreement to, among other things: (i) modify the financial statements required to be delivered by AiPharma Group, Ltd. at the initial closing to include the unaudited financial statements for the three months ended March 31, 2022 and 2021, (ii) permit the Company to amend its Certificate of Incorporation without the consent of AiPharma Group, Ltd. in order to effect a reverse stock split of the Company's common stock, if necessary, in order to maintain its listing on the Nasdaq Capital Market, and (iii) make certain other conforming changes related to the March Forbearance Agreement and Revenue Sharing Agreement.

Target Company Note Receivable

On December 10, 2021, the Company entered into a secured credit agreement dated December 10, 2021 (the "Target Company Credit Agreement") and signed on December 10, 2021 with the Target Company, pursuant to which the Company made a secured loan to the Target Company in the principal amount of $500,000 (the "Target Company Loan") and agreed to make additional secured loans, as requested by the Target Company and approved by the Company, in an amount not to exceed $4.5 million. The Target Company Loan bears interest at a rate of 8% per annum and mature on December 8, 2022, provided, that the Letter of Intent currently contemplates that the Target Company Loan will be forgivable upon the closing of the acquisition contemplated by the letter of intent. The Target Company Credit Agreement also contains certain covenants that prohibit the Target Company from incurring additional indebtedness, entering into any fundamental transactions, issuing any equity interests subject to certain limited exceptions, or making any dispositions of its property. In connection with the Target Company Credit Agreement, the Company entered into a Security Agreement with the Target Company, pursuant to which the Target Company granted the Company a security interest in all of the Target Company's assets as security for the Target Company Loan.

The Company determined that the Target Company may not have the ability to repay the note receivable. Accordingly, the Company recognized a full impairment of the principal and accrued interest of $0.5 million as of December 31, 2022.

NOTE 5 – FIXED ASSETS

The Company's fixed assets include the following on December 31, 2022:

	Cost Basis	Accumulated Depreciation	Net
Computers	$ 376,429	$ (197,907)	$ 178,522
Lab Equipment	2,572,720	(579,015)	1,993,705
Office Furniture	56,656	(8,200)	48,456
Other Fixed Assets	8,605	(1,224)	7,381
Leasehold Improvements	120,440	(29,641)	90,799
Total Fixed Assets	$ 3,134,850	$ (815,987)	$ 2,318,863

The Company's fixed assets include the following on December 31, 2021:

	Cost Basis	Accumulated Depreciation	Net
Computers	$ 312,489	$ (75,053)	$ 237,436
Lab Equipment	2,240,252	(306,688)	1,933,564
Office Furniture	90,757	(4,857)	85,900
Other Fixed Assets	10,809	(412)	10,397
Total Fixed Assets	$ 2,654,307	$ (387,010)	$ 2,267,297

Depreciation expense was $428,977 and $369,236, for the years ended December 31, 2022 and 2021, respectively. None of the Company's fixed assets serve as collateral against any loans as of December 31, 2022 and December 31, 2021, other than those subject to the financed asset liability. As of December 31, 2022 and 2021, the fixed assets that serve as collateral subject to the financed asset liability have a carrying value of $1,359,091 and $1,690,420, respectively.

Financed Assets:

In October 2020, the Company purchased two pieces of lab equipment and financed them for a period of twenty-four months with a monthly payment of $19,487, with an interest rate of 8%.

In January of 2021, the Company purchased one piece of lab equipment and financed it for a period of twenty-four months with a monthly payment of $9,733, with an interest rate of 8%.

In March of 2021, the Company purchased five pieces of lab equipment and financed them for a period of twenty-four months with a monthly payment of $37,171, with an interest rate of 8%.

Maturities as follows:

2023	$ 111,512
2024	-
2025	-
2026	-
2027	-
Thereafter	-
Total Payments	$ 111,512

NOTE 6 – INTANGIBLE ASSETS

The Company's intangible assets include the following on December 31, 2022:

	Cost Basis	Accumulated Amortization	Net
Proprietary Technology	$ 321,000	$ (214,000)	$ 107,000
Total Intangible Assets	$ 321,000	$ (214,000)	$ 107,000

The Company's intangible assets include the following on December 31, 2021:

	Cost Basis	Accumulated Amortization	Net
Proprietary Technology	$ 321,000	$ (107,000)	$ 214,000
Total Intangible Assets	$ 321,000	$ (107,000)	$ 214,000

Amortization expense was $107,000 and $107,000 for the years ended December 31, 2022 and 2021, respectively. None of the Company's intangible assets serve as collateral against any loans as of December 31, 2022 and 2021. The Company's proprietary technology is being amortized over its estimated useful life of three years.

NOTE 7 – RELATED PARTY TRANSACTIONS

On January 28, 2022, the Company granted 9,600 restricted stock units to an officer of the Company pursuant to the Company's 2021 Equity Incentive Plan. The Company recognized $146,613 in stock-based compensation for the issuance of these vested and unvested restricted stock units during the year ended December 31, 2022. (Note 11)

On July 19, 2022, the Company entered into a Subscription and Investment Representation Agreement with its Chief Executive Officer (the "Purchaser"), pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series B Preferred Stock (the "Preferred Stock"), par value $0.001 per share, to the Purchaser for $20,000 in cash.

On July 19, 2022, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Preferred Stock. The Certificate of Designation provides that the share of Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock. The Preferred Stock will be voted,

without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split. Upon such redemption, the holder of the Preferred Stock will receive consideration of $20,000 in cash. On September 13, 2022, the share was redeemed.

On July 21, 2022, the Chief Executive Officer loaned $80,000 to the Company. The loan was evidenced by an unsecured promissory note (the "Promissory Note"). Pursuant to the terms of the Promissory Note, it will accrue interest at a rate of four and three-quarters percent (4.75%) per annum, the Prime rate on the date of signing, and is due on the earlier of January 22, 2023, or an event of default. On October 7, 2022, the Company fully repaid the $80,000 Promissory Note and $812 of accrued interest to its Chief Executive Officer. The Chief Executive Officer and the Company entered the Promissory Note on July 21, 2022.

NOTE 8 – NOTES PAYABLE

On May 27, 2022, the Company entered into an agreement for the purchase and sale of future receipts (the "Future Receipts Agreement") with a commercial funding source pursuant to which the Company agreed to sell to the funder certain future trade receipts in the aggregate amount of $792,000 (the "Future Receipts Purchased Amount" for gross proceeds to the Company of $550,000, less origination fees of $16,500 and professional service fees of $13,500. Pursuant to the Future Receipts Agreement, the Company granted the funder a security interest in all of the Company's present and future accounts receivable in an amount not to exceed the Future Receipts Purchased Amount. The Purchased Amount shall be repaid by the Company in 28 weekly installments of approximately $28,000 with the final payment due on December 7, 2022.

On September 30, 2022, the principal balance and accrued interest was paid off in full.

On August 31, 2022, the Company entered into an Agreement for the Purchase and Sale of Future Receipts (the "Agreement") with a commercial funding source pursuant to which the Company agreed to sell to the funder certain future trade receipts in the aggregate amount $288,000 (the "Purchased Amount") for gross proceeds to the Company of $200,000, less origination fees of $20,000. Pursuant to the Agreement, the Company granted the funder a security interest in all of the Company's present and future accounts receivable in an amount not to exceed the Purchased Amount. The Purchased Amount shall be repaid by the Company in 20 weekly installments of approximately $14,400 with the final payment due on January 18, 2023. In connection with the Agreement, the Company also issued a warrant to purchase 26,667 shares of the Company's common stock with an exercise price of $7.50 and an expiration of five years from the issuance date.

On September 30, 2022, the principal balance and accrued interest was paid off in full.

Convertible Note Financing:

On August 4, 2022, the Company entered into a Securities Purchase Agreement (the "SPA") with certain accredited investors to purchase $1,277,778 in principal amount 10% Senior Secured Promissory Notes (the "August 2022 Notes"), resulting in gross proceeds to the Company of $1,150,000, exclusive of placement agent commission and fees and other offering expenses. In connection therewith, the Company issued, 25,556 shares of common stock as commitment fees and warrants (the "August 2022 Warrants") to purchase up to 108,517 shares of the Company's common stock.

On August 11, 2022, the Company entered into a SPA with certain accredited investors to purchase $555,556 in principal amount of August 2022 Notes, resulting in gross proceeds to the Company of $500,000. In connection therewith, the Company issued 11,112 shares of common stock as commitment fees and August 2022 Warrants to purchase up to 47,182 shares of the Company's common stock.

The August 2022 Notes have a maturity date of twelve (12) months from the date of issuance and are convertible at the option of the Investor at any time prior to maturity in shares of Common Stock (the "Conversion Shares") at an initial conversion price of $11.78 per share, subject to adjustments.

The August 2022 Warrants are exercisable for a period of five (5) years from the period commencing on the commencement date (as defined in the August 2022 Warrant) and ending on 5:00 p.m. eastern standard time on the date that is five (5) years after the date of issuance, at an initial exercise price of $11.78, subject to adjustment provided therein (including cashless exercise). These warrants were valued using a Black-Scholes Model and the resulting relative fair value was recorded as a debt discount.

On August 25, 2022, the Company entered into a First Amendment and Waiver with the holders of the August 2022 Warrants, pursuant to which the exercise price of the August 2022 Warrants was reduced to $7.50 per share and the August 2022 Warrants were modified such that they are not exercisable unless and until the Company obtains stockholder approval of the issuance of any shares of common stock upon exercise of the August 2022 Warrants. On September 16, 2022, the exercise price of the August 2022 Warrants was further adjusted to $6.00 per share. These warrants were valued using a Black-Scholes Model and the resulting valuation was recorded as an implied dividend.

Convertible Note Financing Follow On:

On September 12, 2022, the Company entered into a SPA with a certain accredited investor to purchase $555,555 in principal amount of August 2022 Notes, resulting in gross proceeds to the Company of $500,000. In connection therewith, the Company issued 11,112 shares of common stock as commitment fees and warrants (the "August 2022 Follow On Warrants") to purchase up to 74,074 shares of the Company's common stock.

The August 2022 Follow On Warrants are exercisable for a period of five (5) years from the period commencing on the commencement date (as defined in the August 2022 Follow On Warrant) and ending on 5:00 p.m. eastern standard time on the date that is five (5) years after the date of issuance, at an initial exercise price of $7.50, subject to adjustments. These warrants were valued using a Black-Scholes Model and the resulting relative fair value was recorded as a debt discount.

On September 16, 2022, the exercise price of the August 2022 Follow On Warrants was adjusted to $6.00 per share. These warrants were valued using a Black-Scholes Model and the resulting valuation was recorded as an implied dividend.

As of December 31, 2022, the principal balance of $2,388,888, a prepayment penalty of $238,889 and all accrued interest of $119,444 relating to the August 2022 Notes was paid off in full.

NOTE 9 – LEASES

Our lease agreements generally do not provide an implicit borrowing rate; therefore, an internal incremental borrowing rate is determined based on information available at lease commencement date for purposes of determining the present value of lease payments. We used the incremental borrowing rate on December 31, 2022 and December 31, 2021 for all leases that commenced prior to that date. In determining this rate, which is used to determine the present value of future lease payments, we estimate the rate of interest we would pay on a collateralized basis, with similar payment terms as the lease and in a similar economic environment.

Our corporate headquarters is located in Richmond, Virginia, where we lease approximately 25,000 square feet. The lease expires in August 2026, subject to extension.

We also lease approximately 5,810 square feet of laboratory and office space in Mountain View, California. The lease expires in August 2024, subject to extension.

Additionally, we lease approximately 3,150 square feet of office space in Melville, New York. The lease expires in December 2024, subject to extension.

Subsequent to December 31, 2022 the Company is in arrears on certain lease payments.

Lease Costs

	Year Ended December 31, 2022	Year Ended December 31, 2021
Components of total lease costs:		
Operating lease expense	$ 1,396,875	$ 819,587
Total lease costs	$ 1,396,875	$ 819,587

Lease Positions as of December 31, 2022 and December 31, 2021

ROU lease assets and lease liabilities for our operating leases are recorded on the balance sheet as follows:

	December 31, 2022	December 31, 2021
Assets		
Right of use asset – long term	$ 3,160,457	$ 4,097,117
Total right of use asset	$ 3,160,457	$ 4,097,117
Liabilities		
Operating lease liabilities – short term	$ 1,086,658	$ 1,145,126
Operating lease liabilities – long term	1,885,218	2,765,933
Total lease liability	$ 2,971,876	$ 3,911,059

Lease Terms and Discount Rate as of December 31, 2022

Weighted average remaining lease term (in years) – operating leases	2.70
Weighted average discount rate – operating leases	8.00%

Maturities of leases are as follows:

Year Ended December 31, 2022

2023	$ 1,129,853
2024	1,004,982
2025	710,546
2026	423,930
2027	-
Thereafter	-
Total lease payments	$ 3,269,311
Less imputed interest	(297,436)
Less current portion	(1,086,657)
Total maturities, due beyond one year	$ 1,885,218

NOTE 10 – COMMITMENTS & CONTIGENCIES

License Agreement with Loma Linda University

On March 15, 2018, as amended on July 1, 2020, we entered into a LLU License Agreement directly with Loma Linda University.

Pursuant to the LLU License Agreement, we obtained the exclusive royalty-bearing worldwide license in and to all intellectual property, including patents, technical information, trade secrets, proprietary rights, technology, know-how, data, formulas, drawings, and specifications, owned or controlled by LLU and/or any of its affiliates (the "LLU Patent and Technology Rights") and related to therapy for immune-mediated inflammatory diseases (the ADI™ technology). In consideration for the LLU License Agreement, we issued 500 shares of common stock to LLU.

Pursuant to the LLU License Agreement, we are required to pay an annual license fee to LLU. Also, we paid LLU $455,000 in July 2020 for outstanding milestone payments and license fees. We are also required to pay to LLU milestone payments in connection with certain development milestones. Specifically, we are required to make the following milestone payments to LLU: $175,000 on March 31, 2022; $100,000 on March 31, 2024; $500,000 on March 31, 2026; and $500,000 on March 31, 2027. In lieu of the $175,000 milestone payment due on March 31, 2022, the Company paid LLU an extension fee of $100,000. Upon payment of this extension fee, an additional year will be added for the March 31, 2022 milestone. Additionally, as consideration for prior expenses incurred by LLU to prosecute, maintain and defend the LLU Patent and Technology Rights, we made the following payments to LLU: $70,000 at the end of December 2018, and a final payment of $60,000 at the end of March 2019. We are required to defend the LLU Patent and Technology Rights during the term of the LLU License Agreement. Additionally, we will owe royalty payments of (i) 1.5% of Net Product Sales (as such terms are defined under the LLU License Agreement) and Net Service Sales on any Licensed Products (defined as any finished pharmaceutical products which utilizes the LLU Patent and Technology Rights in its development, manufacture or supply), and (ii) 0.75% of Net Product Sales and Net Service Sales for Licensed Products and Licensed Services (as such terms are defined under the LLU License Agreement) not covered by a valid patent claim for technology rights and know-how for a three (3) year period beyond the expiration of all valid patent claims. We also are required to produce a written progress report to LLU, discussing our development and commercialization efforts, within 45 days following the end of each year. All intellectual property rights in and to LLU Patent and Technology Rights shall remain with LLU (other than improvements developed by or on our behalf).

The LLU License Agreement shall terminate on the last day that a patent granted to us by LLU is valid and enforceable or the day that the last patent application licensed to us is abandoned. The LLU License Agreement may be terminated by mutual agreement or by us upon 90 days written notice to LLU. LLU may terminate the LLU License Agreement in the event of (i) non-payments or late payments of royalty, milestone and license maintenance fees not cured within 90 days after delivery of written notice by LLU, (ii) a breach of any non-payment provision (including the provision that requires us to meet certain deadlines for milestone events (each, a "Milestone Deadline")) not cured within 90 days after delivery of written notice by LLU and (iii) LLU delivers notice to us of three or more actual breaches of the LLU License Agreement by us in any 12-month period. Additional Milestone Deadlines include: (i) the requirement to have regulatory approval of an IND application to initiate first-in-human clinical trials on or before March 31, 2022, which has been extended to March 31, 2023 due to payment of a $100,000 extension fee paid in March 2022, (ii) the completion of first-in-human (phase I/II) clinical trials by March 31, 2024, (iii) the completion of Phase III clinical trials by March 31, 2026 and (iv) biologic licensing approval by the FDA by March 31, 2027.

License Agreement with Leland Stanford Junior University

On February 3, 2020, we entered into an exclusive license agreement (the "February 2020 License Agreement") with Stanford regarding a patent concerning a method for detection and measurement of specific cellular responses. Pursuant to the February 2020 License Agreement, we received an exclusive worldwide license to Stanford's patent regarding use, import, offer, and sale of Licensed Products (as defined in the agreement). The license to the patented technology is exclusive, including the right to sublicense, beginning on the effective date of the agreement, and ending when the patent expires. Under the exclusivity agreement, we acknowledged that Stanford had already granted a non-exclusive license in the Nonexclusive Field of Use, under the Licensed Patents in the Licensed Field of Use in the Licensed Territory (as those terms are defined in the February 2020 License Agreement"). However, Stanford agreed to not grant further licenses under the Licensed Patents in the Licensed Field of Use in the Licensed Territory. On December 29, 2021, we entered into an amendment to the February 2020 License Agreement which extended our exclusive right to license the technology deployed in AditxtScore™ and securing worldwide exclusivity in all fields of use of the licensed technology.

We were obligated to pay and paid a fee of $25,000 to Stanford within 60 days of February 3, 2020. We also issued 375 shares of the Company's common stock to Stanford. An annual licensing maintenance fee is payable by us on the first anniversary of the February 2020 License Agreement in the amount of $40,000 for 2021 through 2024 and $60,000 starting in 2025 until the license expires upon the expiration of the patent. The Company is required to pay and has paid $25,000 for the issuances of certain patents. The Company will pay milestone fees of $50,000 on the first commercial sales of a licensed product and $25,000 at the beginning of any clinical study for regulatory clearance of an in vitro diagnostic product developed and a potential licensed product. The Company paid a milestone fee for a clinical study for regulatory clearance of an in vitro diagnostic product developed and a potential licensed product of $25,000 in March of 2022. We are also required to: (i) provide a listing of the management team or a schedule for the recruitment of key management positions by March 31, 2020 (which has been completed), (ii) provide a business plan covering projected product development, markets and sales forecasts, manufacturing and operations, and financial forecasts until at least $10,000,000 in revenue by June 30, 2020 (which has been completed), (iii) conduct validation studies by September 30, 2020 (which has been completed), (iv) hold a pre-submission meeting with the FDA by September 30, 2020 (which has been completed), (iv) submit a 510(k) application to the FDA, Emergency Use Authorization ("EUA"), or a Laboratory Developed Test ("LDT") by March 31, 2021 (which has been completed), (vi) develop a prototype assay for human profiling by December 31, 2021 (which has been completed), (vii) execute at least one partnership for use of the technology for transplant, autoimmunity, or infectious disease purposes by March 31, 2022 (which has been completed) and (viii) provided further development and commercialization milestones for specific fields of use in writing prior to December 31, 2022.

In addition to the annual license maintenance fees outlined above, we will pay Stanford royalties on Net Sales (as such term is defined in the February 2020 License Agreement) during the of the term of the agreement as follows: 4% when Net Sales are below or equal to $5 million annually or 6% when Net Sales are above $5 million annually. The February 2020 License Agreement may be terminated upon our election on at least 30 days advance notice to Stanford, or by Stanford if we: (i) are delinquent on any report or payment; (ii) are not diligently developing and commercializing Licensed Product; (iii) miss certain performance milestones; (iv) are in breach of any provision of the February 2020 License Agreement; or (v) provide any false report to Stanford. Should any events in the preceding sentence occur, we have a thirty (30) day cure period to remedy such violation.

NOTE 11 – STOCKHOLDERS' EQUITY

Common Stock

On May 24, 2021, the Company increased the number of authorized shares of the Company's common stock, par value $0.001 per share, from 27,000,000 to 100,000,000 (the "Authorized Shares Increase") by filing a Certificate of Amendment (the "Certificate of Amendment") to its Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware. In accordance with the General Corporation Law of the State of Delaware, the Authorized Shares Increase and the Certificate of Amendment were approved by the stockholders of the Company at the Company's Annual Meeting of Stockholders on May 19, 2021. On September 13, 2022, the Company effectuated a 1 for 50 reverse stock split (the "Reverse Split"). The Company's stock began trading at the Reverse Split price effective on the Nasdaq Stock Market on September 14, 2022. There was no change to the number of authorized shares of the Company's common stock.

During the year ended December 31, 2022, the Company issued 148,227 shares of common stock and recognized expense of $507,558 in stock-based compensation for consulting services, consisting of capital markets and investor relations. The stock-based compensation for consulting services is calculated by the number shares multiplied by the closing price on the effective date of the contract. The Company also granted 11,644 Restricted Stock Units and, 18,469 Restricted Stock Units vested which resulted in the issuance of shares. As a result, the Company recognized expense of $1,209,906 in stock-based compensation. The stock-based compensation for shares issued or RSU's granted during the period were valued based on the fair market value on the date of grant. The Company issued 58,256 shares in relation to the issuance of notes (See Note 8). The Company issued 1,224,333 shares of common stock as part of the September 2022 Offering (See Note 1). The Company also issued 1,766,917 shares of common stock as a result of the exercise of prefunded warrants from the September 2022 Offering (See Note 1). The Company issued 179,419 shares of common stock from the exercise of warrant, modification of warrant, and the issuance of warrant. The Company issued 9,237 shares of common stock for the settlement of accounts payable.

During the year ended December 31, 2021, the Company issued 2,031 shares of common stock and recognized expense of $254,242 in stock-based compensation for consulting services. The Company also issued 1,602 shares of common stock to Stanford University and two employees and recognized expense of $64,875 relating to the agreement with Stanford University. The Company also issued 189,843 shares of common stock upon the exercise of warrants and received $3,727,285 in cash proceeds. The Company granted 9,300 Restricted Stock Awards, as a result the Company recognized expense of $1,443,700 in stock-based compensation. The Company granted 500 Restricted Stock Awards of which 500 vested, as a result, the Company recognized expense of $17,000 in stock-based compensation for consulting services. The Company also granted 36,456 Restricted Stock Units, of which 16,519 vested and resulted in the issuance of shares, as a result, the Company recognized expense of $1,843,902 in stock-based compensation. (See Note 7) The Company issued 96,050 shares of common stock for the conversion of a convertible note. (See Note 9) The Company issued 91,667 shares of common stock as part of the August 2021 Offering. The Company issued 56,667 shares of common stock as part of the October 2021 Offering. The Company issued 164,929 shares of common stock as part of the December 2021 Offering. The stock-based compensation for shares issued or RSU's granted during the period, were valued based on the fair market value on the date of grant.

Preferred Stock

The Company is authorized to issue 3,000,000 shares of preferred stock, par value $0.001 per share. There were no shares of preferred stock outstanding as of December 31, 2022 and December 31, 2021, respectively.

Issuance of Series B Preferred Stock:

On July 19, 2022, the Company entered into a Subscription and Investment Representation Agreement with its Chief Executive Officer (the "Purchaser"), pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series B Preferred Stock (the "Preferred Stock"), par value $0.001 per share, to the Purchaser for $20,000 in cash.

On July 19, 2022, the Company filed a certificate of designation (the "Certificate of Designation") with the Secretary of State of Delaware, effective as of the time of filing, designating the rights, preferences, privileges and restrictions of the share of Preferred Stock. The Certificate of Designation provides that the share of Preferred Stock will have 250,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock. The Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion as shares of common stock are voted. The Preferred Stock otherwise has no voting rights except as otherwise required by the General Corporation Law of the State of Delaware.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split. Upon such redemption, the holder of the Preferred Stock will receive consideration of $20,000 in cash. On September 13, 2022, the share was redeemed.

Redemption of Series B Preferred Stock

On October 7, 2022, the Company paid $20,000 in consideration for the one share of Preferred Stock which was redeemed on September 13, 2022.

Stock-Based Compensation

In October 2017, our Board of Directors adopted the Aditx Therapeutics, Inc. 2017 Equity Incentive Plan (the "2017 Plan"). The 2017 Plan provides for the grant of equity awards to directors, employees, and consultants. The Company is authorized to issue up to 2,500,000 shares of our common stock pursuant to awards granted under the 2017 Plan. The 2017 Plan is administered by our Board of Directors, and expires ten years after adoption, unless terminated earlier by the Board of Directors. All shares of our common stock pursuant to awards under the 2017 Plan have been awarded.

On February 24, 2021, our Board of Directors adopted the Aditx Therapeutics, Inc. 2021 Omnibus Equity Incentive Plan (the "2021 Plan"). The 2021 Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock and restricted stock units, and other stock-based awards (collectively, the "Awards"). Eligible recipients of Awards include employees, directors or independent contractors of the Company or any affiliate of the Company. The Compensation Committee of the Board of Directors (the "Committee") will administer the 2021 Plan. A total of 60,000 shares of common stock, par value $0.001 per share, of the Company may be issued pursuant to Awards granted under the 2021 Plan. The exercise price per share for the shares to be issued pursuant to an exercise of a stock option will be no less than one hundred percent (100%) of the Fair Market Value (as defined in the 2021 Plan) of a share of Common Stock on the date of grant. The 2021 Plan was submitted and approved by the Company's stockholders at the 2021 annual meeting of stockholders, held on May 19, 2021.

During the year ended December 31, 2022, the Company granted no new options.

During the year ended December 31, 2021, the Company granted 1,850 stock option grants, with a weighted average grant date fair value $8.39. The fair value of each option granted was estimated using the assumption and/or factors in the Black-Scholes Model.

The following is an analysis of the stock option grant activity under the Plan:

Vested and Nonvested Stock Options	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding December 31, 2021	44,710	$ 170.00	6.74
Granted	-	-	-
Exercised	-	-	-
Expired or forfeited	-	-	-
Outstanding December 31, 2022	44,710	$ 170.00	5.74

Nonvested Stock Options	Number	Weighted-Average Exercise Price
Nonvested on December 31, 2021	9,063	$ 108.50
Granted	-	-
Vested	(7,038)	112.41
Forfeited	-	-
Nonvested on December 31, 2022	2,025	$ 96.00

As of December 31, 2022 there were 42,685 exercisable options, these options had a weighted average exercise price $173.50.

The Company recognized stock-based compensation expense related to options granted and vesting expense of $791,187 during the year ended December 31, 2022, of which $555,772 is included in general and administrative expenses and $235,415 is included in research and development expenses in the accompanying statements of operations. The remaining value to be expensed is $179,892 with a weighted average vesting term of 0.75 years as of December 31, 2022. The Company recognized stock-based compensation expense related to options issued and vesting of $826,795 during the year ended December 31, 2021, of which $587,209 is included in general and administrative expenses and $239,586 is included in research and development expenses in the accompanying statements of operations.

The Company recognizes warrant forfeitures as they occur as there is insufficient historical data to accurately determine future forfeitures rates.

Warrants

During the year ended December 31, 2022, the Company issued 6,497,530 warrants. During the year ended December 31, 2021, the Company issued 678,242 warrants.

For the year ended December 31, 2022, the fair value of each warrant granted was estimated using the assumption and/or factors in the Black-Scholes Model as follows:

Exercise price	$7.50-20.00
Expected dividend yield	0%
Risk free interest rate	2.55%-3.47%
Expected life in years	5.00-5.50
Expected volatility	147%-165%

For the year ended December 31, 2021, the fair value of each warrant issued was estimated using the assumption ranges and/or factors in the Black-Scholes Model as follows:

Exercise price	$ 200.00
Expected dividend yield	0%
Risk free interest rate	0.17%-0.42%
Expected life in years	3.00-5.00
Expected volatility	154%-159%

The risk-free interest rate assumption for warrants granted is based upon observed interest rates on the United States Government Bond Equivalent Yield appropriate for the expected term of warrants.

The Company determined the expected volatility assumption for warrants granted using the historical volatility of comparable public companies' common stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future warrant grants, until such time that the Company's common stock has enough market history to use historical volatility.

The dividend yield assumption for warrants granted is based on the Company's history and expectation of dividend payouts. The Company has never declared nor paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

The Company recognizes warrant forfeitures as they occur as there is insufficient historical data to accurately determine future forfeitures rates.

A summary of warrant issuances are as follows:

Vested and Nonvested Warrants	**Number**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life**
Outstanding December 31, 2021	601,400	$ 83.50	4.38
Granted	6,497,530	4.71	4.66
Exercised	(1,946,419)	0.69	-
Expired or forfeited	(62,512)	45.62	-
Rounding for Reverse Split	25	-	-
Outstanding December 31, 2022	5,090,024	$ 12.83	4.54

Nonvested Warrants	Number	Weighted-Average Exercise Price
Nonvested on December 31, 2021	92,567	$ 75.50
Granted	6,497,530	4.71
Vested	(6,435,097)	5.55
Forfeited	(55,000)	20.00
Nonvested on December 31, 2022	100,000	$ 7.50

The Company recognized stock-based compensation expense related to warrants granted and vesting expense of $609,748 during the year ended December 31, 2022, of which $105,049 is included in general and administrative and $504,699 is included in sales and marketing in the accompanying Statements of Operations. The Company recognized stock-based compensation expense related to warrants granted and vesting expense of $189,899 during the year ended December 31, 2021, which is included in general and administrative in the accompanying Statements of Operations. The remaining value to be expensed is zero as of December 31, 2022. The weighted average vesting term is 0.22 years as of December 31, 2022.

On June 15, 2022, the Company entered an agreement with a holder of certain of the Series C Warrants (the "Holder"). Pursuant to the agreement, the Holder has agreed to exercise in cash 179,419 of its Series C Warrants at a reduced exercise price of $7.50 per Share (reduced from $57.50 per share), for gross proceeds to the Company of approximately $1.35 million. As an inducement to such exercise, the Company has agreed to reduce the exercise price of the Holder's remaining Series C Warrants to purchase up to 49,153 Shares from $57.50 to $12.395 per share, which will be non-exercisable for a period of six months following the closing date. The modification of this exercise price resulted in an increase of $344,158 to the fair value of the Series C Warrants. This modification was an inducement on the transaction and as such was recorded to equity resulting in no net change to additional paid in capital. In addition, the Company issued to the Holder a new warrant to purchase up to 407,991 shares of the Company's common stock at an exercise price of $12.395 per share, which will be non-exercisable for a period of six months following issuance date and have a term of five and one-half years. This inducement resulted in a total increase of $3,759,044 to the fair value of the warrants.

On December 20, 2022, the Company and the Warrant Agent entered into Amendment No. 2 to the Series C Warrant Agent Agreement, pursuant to which the exercise price of the Series C Warrants was reduced from $57.50 per share to $12.395 per share. In addition, on December 21, 2022, the Company issued an Amended and Restated Unit Purchase Option to the agent in the Offering reflecting a reduced exercise price of $12.395 per Unit. This modification of these warrants resulted in a $29,058 increase to the fair value of the warrants (See Note 1).

Restricted Stock Units

A summary of Restricted Stock Units ("RSUs") issuances are as follows:

Nonvested RSUs	Number	Weighted Average Price
Nonvested December 31, 2021	15,565	$ 96.00
Granted	11,644	22.74
Vested	(18,506)	70.65
Forfeited	(1,506)	77.50
Nonvested December 31, 2022	7,197	$ 46.72

The Company recognized stock-based compensation expense related to RSUs granted and vesting expense of $1,222,875 and $1,843,902 during the years ended December 31, 2022 and December 31, 2021, respectively, of which, $848,597 is included in general and administrative, $356,105 is included in research and development, and $18,346 is included in sales and marketing in the accompanying Statements of Operations. The remaining value to be expensed is $321,603 with a weighted average vesting term of 0.40 years as of December 31, 2022.

During the year ended December 31, 2022, the Company granted a total of 11,644 RSUs. As of December 31, 2022, 18,506 RSUs vested and the Company issued 18,469 shares of common stock for the 18,469 vested RSUs.

NOTE 12 – INCOME TAXES

For the years ended December 31, 2022 and 2021, the Company did not record a current or deferred income tax expense or benefit due to current and historical losses incurred by the Company. The Company's losses before income taxes consist solely of losses from domestic operations.

A reconciliation of income tax expense (benefit) computed at the statutory federal income tax rate to income taxes as reflected in the financial statements is as follows:

	2022	2021
Income taxes at U.S. statutory rate	21%	21%
State income taxes	1.6	6.9
Tax Credits	1.0	0.1
Permanent Differences/Others	(10.5)	(5.0)
Change in valuation allowance	(13.1)	(23.0)
Total provision for income taxes	0%	0%

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The significant components of the Company's deferred tax assets and liabilities as of December 31, 2022 and 2021 are comprised of the following:

	Years Ended December 31,	
	2022	2021
Deferred tax assets		
Net operating loss carryforwards	$ 13,499,811	$ 10,896,410
Tax credits carryforwards	430,468	161,943
Stock-based compensation	1,511,849	1,541,936
Lease liability	722,126	1,169,887
Section 174 Capitalization	1,547,343	-
Loss on impairment of debt	3,288,363	4,140,318
Other	114,973	23,933
Total deferred tax assets	21,114,933	17,934,427
Valuation allowance	(20,217,401)	(16,670,590)
Net deferred tax assets	897,533	1,263,837
Deferred tax liabilities		
Right of use assets	(722,127)	(1,169,887)
Fixed assets	(175,406)	(93,950)
Total deferred tax liabilities	(897,533)	(1,263,837)
Net deferred taxes	$ —	$ —

The Company has evaluated the positive and negative evidence bearing upon its ability to realize its deferred tax assets, which are comprised primarily of net operating loss carryforwards and tax credits. Management has considered the Company's history of cumulative net losses in the United States, estimated future taxable income and prudent and feasible tax planning strategies and has concluded that it is more likely than not that the Company will not realize the benefits of its U.S. federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against these net deferred tax assets as of December 31, 2022 and 2021, respectively. The Company reevaluates the positive and negative evidence at each reporting period. The Company's valuation allowance increased during 2022 by approximately $3.5 million primarily due to the generation of net operating loss and tax credit carryforwards and the capitalization of research and experimental expenditures.

As of December 31, 2022 and 2021, the Company had U.S. federal net operating loss carryforwards of $56.6 million and $38.0 million, respectively, which may be available to offset future income tax liabilities. The 2017 Tax Cuts and Jobs Act (" TCJA") will generally allow losses incurred after 2017 to be carried over indefinitely, but will generally limit the net operating loss deduction to the lesser of the net operating loss carryover or 80% of a corporation's taxable income (subject to Section 382 of the Internal Revenue Code of 1986, as amended). Also, there will be no carryback for losses incurred after 2017. Losses incurred prior to 2018 will generally be deductible to the extent of the lesser of a corporation's net operating loss carryover or 100% of a corporation's taxable income and be available for twenty years from the period the loss was generated. The Company has federal net operating losses generated following 2017 of $56.5 million, which do not expire. The federal net operating losses generated prior to 2018 of $0.1 million will expire at various dates through 2037. The CARES Act temporarily allows the Company to carryback net operating losses arising in 2018, 2019 and 2020 to the five prior tax years. In addition, net operating losses generated in these years could fully offset prior year taxable income without the 80% of the taxable income limitation under the TCJA which was enacted on December 22, 2017. The Company has been generating losses since its inception, as such the net operating loss carryback provision under the CARES Act is not applicable to the Company.

As of December 31, 2022 and 2021, the Company also had U.S. state net operating loss carryforwards (post-apportioned) of $26.2 million and $44.8 million, respectively, which may be available to offset future income tax liabilities and expire at various dates through 2042.

As of December 31, 2022, the Company had $0.1 million federal tax credit carryforwards available to reduce future tax liabilities which expire at various dates through 2042. As of December 31, 2021, the Company had no federal tax credit carryforwards. As of December 31, 2022 and 2021, the Company had state research and development tax credit carryforwards of approximately $0.4 million and $0.2 million, respectively, which may be available to reduce future tax liabilities and can be carried over indefinitely.

Utilization of the U.S. federal and state net operating loss and research and development credit carryforwards may be subject to a substantial annual limitation under Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, due to ownership changes that have occurred previously or that could occur in the future. These ownership changes may limit the amount of net operating loss and research and development credit carryforwards that can be utilized annually to offset future taxable income and tax liabilities, respectively. The Company has not completed a study to assess whether a change of ownership has occurred, or whether there have been multiple ownership changes since its formation. Any limitation may result in expiration of a portion of the net operating loss carryforwards or research and development tax credit carryforwards before utilization.

The Company has not, as of yet, conducted a study of research and development tax credit carryforwards. Such a study, once undertaken by the Company, may result in an adjustment to the research and development tax credit carryforwards; however, a full valuation allowance has been provided against the Company's research and development tax credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the valuation allowance. Thus, there would be no impact to the balance sheet or statement of operations if an adjustment is required.

The Company files tax returns in the United States, California, Virginia, and New York. The Company is subject to U.S. federal and state tax examinations by tax authorities for the tax years ended December 31, 2019 through present. As of December 31, 2022 and 2021, the Company has recorded no liability for unrecognized tax benefits, interest, or penalties related to federal and state income tax matters and there currently no pending tax examinations. The Company will recognize interest and penalties related to uncertain tax positions in income tax expense.

NOTE 13 – SUBSEQUENT EVENTS

On December 20, 2022, the Company entered into an At The Market Offering Agreement (the "ATM") with H.C. Wainwright & Co., LLC as agent (the "Agent"), pursuant to which the Company may offer and sell, from time to time through the Agent, shares of the Company's common stock having an aggregate offering price of up to $50,000,000 (the "Shares").

The offer and sale of the Shares was made pursuant to a shelf registration statement on Form S-3 and the related prospectus (File No. 333-257645) filed by the Company with the SEC on July 2, 2021, amended on July 6, 2021 and declared effective by the SEC on July 13, 2021, under the Securities Act of 1933, as amended.

No sales of Shares were made during the year ended December 31, 2022 under the ATM.

For the period beginning January 1, 2023 through the date of this report, the Company sold 338,513 Shares at an average price of $1.55 per share under the ATM. The sale of Shares generated net proceeds of approximately $507,000 after paying commissions and related fees.

On January 1, 2023, the Company formed Adimune, Inc. a Delaware, wholly owned subsidiary.

On January 1, 2023, the Company formed Pearsanta, Inc. a Delaware, wholly owned subsidiary.

On February 21, 2023, the Company entered into an agreement for the purchase and sale of future receipts (the "Future Receipts Agreement") with a commercial funding source pursuant to which the Company agreed to sell to the funder certain future trade receipts in the aggregate amount of $2,160,000 (the "Future Receipts Purchased Amount" for gross proceeds to the Company of $1,500,000, less origination fees of $75,000. Pursuant to the Future Receipts Agreement, the Company granted the funder a security interest in all of the Company's present and future accounts receivable in an amount not to exceed the Future Receipts Purchased Amount. The Purchased Amount shall be repaid by the Company in 28 weekly installments of approximately $77,000 with the final payment due on September 5, 2023.

On March 17, 2023, the Company entered into a consulting agreement (the "Independent Consulting Agreement") with an independent consultant for a term of thirty days. Pursuant to the Independent Consulting Agreement, the independent consultant agreed to provide the Company with business advisory services, guidance on growth strategies and networking with its clients on a non-exclusive basis for general business purposes (the "Independent Consulting Services"). In consideration for the Independent Consulting Services, the Company issued to the independent consultant 187,000 shares of the Company's common stock (the "Independent Consulting Shares"). The issuance of the Independent Consulting Shares will not be registered under the Securities Act.

On April 4, 2023, the Company entered into a Business Loan and Security Agreement (the "April Loan Agreement") with a commercial funding source (the "April Lender"), pursuant to which the Company obtained a loan from the April Lender in the principal amount of $1,060,000, which includes origination fees of $60,000 (the "April Loan"). Pursuant to the April Loan Agreement, the Company granted the April Lender a continuing secondary security interest in certain collateral (as defined in the April Loan Agreement). The total amount of interest and fees payable by the Company to the April Lender under the April Loan (the "April Repayment Amount") will be (i) $1,000,000 if paid prior to April 6, 2023, (ii) $1,219,000 if paid prior to April 10, 2023, or (iii) $1,590,000 if paid after April 10, 2023 and will be repaid in 20 weekly installments of $79,500 commencing on April 10, 2023 and ending on August 21, 2023.

On April 13, 2023, the Company formed Adivir, Inc. a Delaware, wholly owned subsidiary.

Exhibit II

Aditxt Management's Discussion & Analysis

(See attached.)

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

The following discussion and analysis of our financial condition and results of operations should be read together with the unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and related notes for the year ended December 31, 2023 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this Quarterly Report on Form 10-Q, including those factors set forth in the section entitled "Cautionary Note Regarding Forward-Looking Statements and Industry Data" and in the section entitled "Risk Factors" in Part II, Item 1A.

Overview and Mission

We believe the world needs—and deserves—a new approach to innovating that harnesses the power of large groups of stakeholders who work together to ensure that the most promising innovations make it into the hands of people who need them most.

We were incorporated in the State of Delaware on September 28, 2017, and our headquarters are in Mountain View, California. The company was founded with a mission of bringing stakeholders together, to transform promising innovations into products and services that could address some of the most challenging needs. The socialization of innovation through engaging stakeholders in every aspect of it, is key to transforming more innovations, more rapidly, and more efficiently.

At inception, the first innovation we took on was an immune modulation technology titled ADI/Adimune with a focus on prolonging life and enhancing life quality of patients that have undergone organ transplants. Since then, we expanded our portfolio of innovations, and we continue to evaluate a variety of promising health innovations.

ADIMUNE, INC.

Formed in January 2023, Adimune™, Inc. ("Adimune") is focused on leading our immune modulation therapeutic programs. Adimune's proprietary immune modulation product candidate, ADI-100™, based on the Apoptotic DNA Immunotherapy™ platform technology, utilizes a novel approach that mimics the way our bodies naturally induce tolerance to our own tissues. It includes two DNA molecules designed to deliver signals to induce tolerance. ADI-100 has been successfully tested in several preclinical models (e.g., skin grafting, psoriasis, type 1 diabetes, multiple sclerosis).

In May 2023, Adimune entered into a clinical trial agreement with Mayo Clinic to advance clinical studies targeting autoimmune diseases of the central nervous system ("CNS") with the initial focus on the rare, but debilitating, autoimmune disease Stiff Person Syndrome ("SPS"). According to the National Organization of Rare Diseases, the exact incidence and prevalence of SPS is unknown; however, one estimate places the incidence at approximately one in one million individuals in the general population.

Pending approval by the International Review Board, a human trial for SPS is expected get underway in the first half of 2024 with enrollment of up to 20 patients, some of whom may also have type 1 diabetes. ADI-100 will initially be tested for safety and efficacy. ADI-100 is designed to tolerize against an antigen known as glutamic acid decarboxylase ("GAD"), which is implicated in type-1 diabetes, psoriasis, stiff person syndrome, and in many autoimmune diseases of the CNS.

Background

The discovery of immunosuppressive (anti-rejection and monoclonal) drugs over 40 years ago has made possible life-saving organ transplantation procedures and blocking of unwanted immune responses in autoimmune diseases. However, immune suppression leads to significant undesirable side effects, such as increased susceptibility to life-threatening infections and cancers, because it indiscriminately and broadly suppresses immune function throughout the body. While the use of these drugs has been justifiable because they prevent or delay organ rejection, their use for treatment of autoimmune diseases and allergies may not be acceptable because of the aforementioned side effects. Furthermore, often transplanted organs ultimately fail despite the use of immune suppression, and about 40% of transplanted organs survive no more than five years.

Through Aditxt, Adimune has the right of use to the exclusive worldwide license for commercializing ADI nucleic acid-based technology (which is currently at the pre-clinical stage) from Loma Linda University. ADI uses a novel approach that mimics the way the body naturally induces tolerance to our own tissues ("therapeutically induced immune tolerance"). While immune suppression requires continuous administration to prevent rejection of a transplanted organ, induction of tolerance has the potential to retrain the immune system to accept the organ for longer periods of time. ADI may allow patients to live with transplanted organs with significantly reduced immune suppression. ADI is a technology platform which we believe can be engineered to address a wide variety of indications.

Advantages

ADI™ is a nucleic acid-based technology (*e.g.*, DNA-based), which we believe selectively suppresses only those immune cells involved in attacking or rejecting self and transplanted tissues and organs. It does so by tapping into the body's natural process of cell turnover (i.e., apoptosis) to retrain the immune system to stop unwanted attacks on self or transplanted tissues. Apoptosis is a natural process used by the body to clear dying cells and to allow recognition and tolerance to self-tissues. ADI triggers this process by enabling the cells of the immune system to recognize the targeted tissues as "self." Conceptually, it is designed to retrain the immune system to accept the tissues, similar to how natural apoptosis reminds our immune system to be tolerant to our own "self" tissues.

While various groups have promoted tolerance through cell therapies and *ex vivo* manipulation of patient cells (i.e., takes place outside the body), to our knowledge, we will be unique in our approach of using in-body induction of apoptosis to promote tolerance to specific tissues. In addition, ADI treatment itself will not require additional hospitalization but only an injection of minute amounts of the therapeutic drug into the skin.

Moreover, preclinical studies have demonstrated that ADI treatment significantly and substantially prolongs graft survival, in addition to successfully "reversing" other established immune-mediated inflammatory processes.

License Agreement with Loma Linda University ("LLU")

On March 15, 2018, we entered into a License Agreement with LLU, which was subsequently amended on July 1, 2020. Pursuant to the LLU License Agreement, we obtained the exclusive royalty-bearing worldwide license to all intellectual property, including patents, technical information, trade secrets, proprietary rights, technology, know-how, data, formulas, drawings, and specifications, owned or controlled by LLU and/or any of its affiliates (the "LLU Patent and Technology Rights") and related to therapy for immune-mediated inflammatory diseases (the ADI™ technology). In consideration for the LLU License Agreement, we issued 25,000 shares of common stock to LLU.

PEARSANTA, INC.

Formed in January 2023, our subsidiary Pearsanta™, Inc. ("Pearsanta") seeks to take personalized medicine to a whole new level by delivering "Health by the Numbers." Since its founding, Pearsanta has been building the platform for enabling our vision of lab quality testing, anytime, anywhere. Our plan for Pearsanta's platform is for it to be the transactional backbone for sample collection, sample processing (on- and off-site), and reporting. This will require the development and convergence of multiple components developed by Pearsanta, or through transactions with third parties, including collection devices, "lab-on-a-chip" technologies, Lab Developed Test (LDT) assays, a data-driven analysis engine, and telemedicine. According to a comprehensive research report by Market Research Future, the clinical and consumer diagnostic market is estimated to hit $429.3 billion by 2030.

We believe that timely and personalized testing enables far more informed treatment decisions. Pearsanta's platform is being developed as a seamless digital healthcare solution. This platform will integrate at-location sample collection, Point-of-Care ("POC") and LDT assays, and an analytical reporting engine, with telemedicine-enabled visits with licensed physicians to review test results and, if necessary, order a prescription. Pearsanta's goal of extending its platform to enable consumers to monitor their health more proactively as the goal is to provide a more complete picture about someone's dynamic health status, factoring in genetic makeup and their response to medication. The POC component of Pearsanta would enable diagnostic testing at-home, at work, in pharmacies, and more to generate results quickly so that an individual can access necessary treatment faster. With certain infections, prescribing the most effective treatment according to one's numbers can prevent hospital emergency room admissions and potentially life-threatening consequences.

Examples of indication-focused tests for the Test2Treat platform will include the evaluation for advanced urinary tract infections ("UTIs"), COVID-19/flu/respiratory syncytial virus, sexually transmitted infections, gut health, pharmacogenomics (i.e., how your genes affect the way your body responds to certain therapeutics), and sepsis. We believe that these offerings are novel and needed as the current standard of care using broad spectrum antibiotic treatment can be ineffective and potentially life-threatening. For example, improperly prescribed antibiotics may approach 50% of outpatient cases. Further, according to an article published in Physician's Weekly, only 1% of board-certified critical care medicine physicians are trained in infectious disease.

Central to Pearsanta's innovation is Mitomic® Technology Platform, which we acquired from MDNA in January 2024.

We acquired the assets comprising our mitomic technology platform from MDNA. This platform seeks to harness the unique properties of mitochondrial DNA ("mtDNA") to detect disease through non-invasive, blood-based liquid biopsies. The Mitomic® Technology Platform is designed to identify specific mutations in mtDNA indicative of various diseases. Due to its high mutation rate and cell persistence, mitochondrial DNA is an excellent biomarker for early disease detection. This platform allows for the rapid and accurate identification of disease-associated biomarkers, which can significantly enhance early diagnosis and treatment. Key Products Under Development at Time of Acquisition:

Key Products Under Development at Time of Acquisition:

Mitomic® Endometriosis Test (MET™):

- Purpose: To provide an accurate and non-invasive diagnosis of endometriosis, a condition that affects approximately 1 in 10 women of reproductive age worldwide.
- Clinical Validation: MET™ has demonstrated high accuracy in predicting surgical outcomes in women suspected of having endometriosis. The test has shown significant promise in reducing the diagnostic delay, which averages around ten years.
- Impact: Early and precise diagnosis through MET™ can lead to timely and effective treatment, significantly improving patient outcomes and quality of life

Mitomic® Prostate Test (MPT™):

- Purpose: To enhance the detection of clinically significant prostate cancer, reducing reliance on PSA testing, which often results in false positives and over-diagnosis.
- Clinical Validation: MPT™ has shown the ability to predict prostate cancer accurately, distinguishing between aggressive and nonaggressive forms. This specificity is crucial in guiding treatment decisions and reducing unnecessary interventions.
- Impact: MPT™ aims to improve patient outcomes by ensuring that only those with clinically significant prostate cancer receive treatment, thereby avoiding the side effects of unnecessary procedures. To date, our primary focus with respect to the Mitomic Technology Platform has been the integration of such assets into our business. Our initial plans for the Mitomic Technology Platform are to complete product development, manufacturing and clinical validation of the MET™ and the MPT™.:

Licensed Technologies – AditxtScore™

We intend to sublicense to Pearsanta an exclusive worldwide sub-license for commercializing the AditxtScore™ technology which provides a personalized comprehensive profile of the immune system. AditxtScore is intended to detect individual immune responses to viruses, bacteria, peptides, drugs, supplements, bone marrow and solid organ transplants, and cancer. It has broad applicability to many other agents of clinical interest impacting the immune system, including those not yet identified such as emerging infectious agents.

AditxtScore is being designed to enable individuals and their healthcare providers to understand, manage and monitor their immune profiles and to stay informed about attacks on or by their immune system. We believe AditxtScore can also assist the medical community and individuals by being able to anticipate the immune system's potential response to viruses, bacteria, allergens, and foreign tissues such as transplanted organs. This technology may be able to serve as a warning signal, thereby allowing for more time to respond appropriately. Its advantages include the ability to provide simple, rapid, accurate, high throughput assays that can be multiplexed to determine the immune status with respect to several factors simultaneously, in approximately 3-16 hours. In addition, it can determine and differentiate between distinct types of cellular and humoral immune responses (e.g., T and B cells and other cell types). It also provides for simultaneous monitoring of cell activation and levels of cytokine release (i.e., cytokine storms).

We are actively involved in the regulatory approval process for AditxtScore assays for clinical use and securing manufacturing, marketing, and distribution partnerships for application in the various markets. To obtain regulatory approval to use AditxtScore as a clinical assay, we have conducted validation studies to evaluate its performance in detection of antibodies and plan to continue conducting additional validation studies for new applications in autoimmune diseases.

Advantages

The sophistication of the AditxtScore technology includes the following:

- greater sensitivity/specificity.
- 20-fold higher dynamic range, greatly reducing signal to noise compared to conventional assays.
- ability to customize assays and multiplex a large number of analytes with speed and efficiency.
- ability to test for cellular immune responses (i.e., T and B cells and cytokines).
- proprietary reporting algorithm.

License Agreement with Leland Stanford Junior University ("Stanford")

On February 3, 2020, we entered into an exclusive license agreement (the "February 2020 License Agreement") with Stanford with regard to a patent concerning a method for detection and measurement of specific cellular responses. Pursuant to the February 2020 License Agreement, we received an exclusive worldwide license to Stanford's patent with regard to use, import, offer, and sale of Licensed Products (as defined in the agreement). The license to the patented technology is exclusive, including the right to sublicense, beginning on the effective date of the agreement, and ending when the patent expires. Under the exclusivity agreement, we acknowledged that Stanford had already granted a non-exclusive license in the Nonexclusive Field of Use, under the Licensed Patents in the Licensed Field of Use in the Licensed Territory (as those terms are defined in the "February 2020 License Agreement"). However, Stanford agreed not to grant further licenses under the Licensed Patents in the Licensed Field of Use in the Licensed Territory. On December 29, 2021, we entered into an amendment to the February 2020 License Agreement which extended our exclusive right to license the technology deployed in AditxtScore™ and securing worldwide exclusivity in all fields of use of the licensed technology.

ADIVIR, INC.

Formed in April of 2023, Adivir™, Inc., is Aditxt's most recently formed wholly owned subsidiary, dedicated to the clinical and commercial development efforts of innovative antiviral products, which have the potential to address a wide range of infectious diseases, including those that currently lack viable treatment options. Central to Adivir's innovation is the ongoing contemplated transaction with Appili. Appili is an infectious disease biopharmaceutical company that is purposefully built, portfolio-driven, and people-focused to fulfill its mission of solving life-threatening infections. By systematically identifying urgent infections with unmet needs, Appili aims to strategically develop a pipeline of novel therapies to prevent deaths and improve lives. The Company is currently advancing a diverse range of anti-infectives, including a vaccine candidate to eliminate a severe biological weapon threat, a topical antiparasitic for the treatment of a disfiguring disease, and a novel easy to use, liquid oral formulation targeting parasitic and anaerobic infections. Appili is at the epicenter of the global fight against infection, led by a proven management team.

Our Team

Aditxt has assembled an entrepreneurial team of experts from a variety of different business, engineering, and scientific fields, and commercial backgrounds, with collective experience that ranges from founding startup innovation companies, to developing and marketing biopharmaceutical and diagnostic products, to designing clinical trials, and management of private and public companies. We have deep experience in identifying and accessing promising health innovations and developing them into products and services with the ability to scale. We understand the capital markets, both public and private, as well as M&A and facilitating complex IPOs.

Going Concern

We were incorporated on September 28, 2017 and have not generated significant revenues to date. During the six months ended June 30, 2024 we had a net loss of $22,492,573 and cash of $91,223 as of June 30, 2024.

We are currently over 90 days past due on a significant number of vendor obligations. The Company will require significant additional capital to operate in the normal course of business and fund clinical studies in the long-term. We believe our remaining funds on hand will not be sufficient to fund our operations for the next 12 months and such creates substantial doubt about our ability to continue as a going concern beyond one year.

Financial Results

We have a limited operating history. Therefore, there is limited historical financial information upon which to base an evaluation of our performance. Our prospects must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies in their early stages of operations. Our condensed consolidated financial statements as of June 30, 2024, show a net loss of $22,492,573. We expect to incur additional net expenses over the next several years as we continue to maintain and expand our existing operations. The amount of future losses and when, if ever, we will achieve profitability are uncertain.

Results of Operations

Results of operations for the three months ended June 30, 2024 and 2023

We generated revenue of $44,276 and $220,978 for the three months ended June 30, 2024 and 2023, respectively. Cost of goods sold for the three months ended June 30, 2024 and 2023 was $23,134 and $185,738, respectively.

During the three months ended June 30, 2024, we incurred a loss from operations of $5,975,981. This is due to general and administrative expenses of $4,419,545, which includes approximately $1,484,996 in payroll expenses, $1,183,992 in professional fees, and $4,097 in stock-based compensation. Research and development expenses were $1,553,360, which includes $978,012 in consulting expenses. Sales and marketing expenses were $24,218.

During the three months ended June 30, 2023, we incurred a loss from operations of $4,234,437. This is due to general and administrative expenses of $3,671,083, This includes approximately $1,600,000 in payroll expenses, $800,000 in professional fees, and $107,156 in stock-based compensation. Research and development expenses of $484,835, which includes $53,540 in stock-based compensation, and sales and marketing expenses of $113,759, which includes $2,532 in stock-based compensation. The $484,835 in research and development is mainly comprised of $467,664 in consulting expenses.

The increase in expenses during the three months ended June 30, 2024 compared to the three months ended June 30, 2023 was due to an increased research and development spend and $1,000,000 fee paid to Evofem as part of an amendment to a merger agreement which was recorded to general and administrative expenses.

Results of operations for the six months ended June 30, 2024 and 2023

We generated revenue of $123,956 and $439,393 for the six months ended June 30, 2024 and 2023, respectively. Cost of goods sold for the six months ended June 30, 2024 and 2023 was $88,933 and $364,047, respectively.

During the six months ended June 30, 2024, we incurred a loss from operations of $17,511,627. This is due to general and administrative expenses of $7,783,293, which includes approximately $2,958,585 in payroll expenses, $2,329,671 in professional fees, and $28,670 in stock-based compensation. Research and development expenses were $9,698,626 which includes $1,179,591 in consulting expenses and $6,712,663 in stock-based compensation. Sales and marketing expenses were $64,731.

During the six months ended June 30, 2023, we incurred a loss from operations of $10,016,332. This is due to general and administrative expenses of $8,039,926. This includes approximately $3,500,000 in payroll expenses, $1,997,000 in professional fees, and $381,471 in stock-based compensation. Research and development expenses of $1,872,376, which includes $116,173 in stock-based compensation, and sales and marketing expenses of $179,376, which includes $5,035 in stock-based compensation. The $1,872,376 in research and development is mainly comprised of $824,303 in consulting expenses.

The increase in expenses during the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was due to an increased research and development spend and $1,000,000 fee paid to Evofem as part of an amendment to a merger agreement which was recorded to general and administrative expenses.

Liquidity and Capital Resources

We have incurred substantial operating losses since inception and expect to continue to incur significant operating losses for the foreseeable future and may never become profitable. As of June 30, 2024, we had an accumulated deficit of $150,024,555. We had working capital of $(19,058,995) as of June 30, 2024. During the six months ended June 30, 2024, we purchased zero in fixed assets.

Our condensed consolidated financial statements have been prepared assuming that we will continue as a going concern.

On April 20, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor, pursuant to which the Company agreed to sell to such investor pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 39,634 shares of common stock of the Company (the "Common Stock") at a purchase price of $48.76 per Pre-Funded Warrant. Concurrently with the sale of the Pre-Funded Warrants, pursuant to the Purchase Agreement in a concurrent private placement, for each Pre-Funded Warrant purchased by the investor, such investor received from the Company an unregistered warrant (the "Warrant") to purchase two shares of Common Stock. The warrants have an exercise price of $34.40 per share and are exercisable for a three-year period. In addition, the Company issued a warrant to the placement agent to purchase up to 2,378 shares of common stock at an exercise price of $61.00 per share.

On August 31, 2023, the Company entered into a securities purchase agreement (the "August Purchase Agreement") with an institutional investor for the issuance and sale in a private placement (the "Private Placement") of (i) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 1,000,000 shares of the Company's common stock at an exercise price of $0.001 per share, and (ii) warrants (the "Common Warrants") to purchase up to 1,000,000 shares of the Company's Common Stock at an exercise price of $10.00 per share. The Private Placement closed on September 6, 2023. The net proceeds to the Company from the Private Placement were approximately $9 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company. The Company utilized net proceeds received from the Private Placement for (i) payment of approximately $3.1 million in outstanding obligations, (ii) repayment of approximately $0.4 million of outstanding debt, and (iii) continuing operating expenses and working capital.

On December 29, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor ("the "December Purchaser") for the issuance and sale in a private placement (the "December Private Placement") of (i) pre-funded warrants (the "December Pre-Funded Warrants") to purchase up to 1,237,114 shares of the Company's Common Stock, par value $0.001 at an exercise price of $0.001 per share, and (ii) warrants (the "December Common Warrants") to purchase up to 2,474,228 shares of the Company's Common Stock, at a purchase price of $4.85 per share.

Pursuant to the Purchase Agreement, the Company agreed to reduce the exercise price of certain outstanding warrants to purchase Common Stock of the Company ("Certain Outstanding Warrants") held by the Purchaser to $4.60 per share in consideration for the cash payment by the December Purchaser of $0.125 per share of Common Stock underlying the Certain Outstanding Warrants, effective immediately.

The December Private Placement closed on January 4, 2024. The net proceeds to the Company from the December Private Placement were approximately $5.5 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company.

In addition, the Company agreed to pay H.C. Wainwright & Co., LLC ("Wainwright") certain expenses and issued to Wainwright or its designees warrants (the "December Placement Agent Warrants") to purchase up to an aggregate of 74,227 shares of Common Stock at an exercise price equal to $6.0625 per share. The December Placement Agent Warrants are exercisable immediately upon issuance and have a term of exercise equal to three years from the date of issuance.

On May 2, 2024, the Company entered into a Securities Purchase Agreement (the "May PIPE Purchase Agreement") with certain accredited investors, pursuant to which the Company agreed to issue and sell to such investors in a private placement (the "Private Placement") (i) an aggregate of 4,186 shares of the Company's Series C-1 Convertible Preferred Stock (the "Series C-1 Preferred Stock"), (ii) an aggregate of 4,186 shares of the Company's Series D-1 Preferred Stock (the "Series D-1 Preferred Stock"), and (iii) warrants (the "May PIPE Warrants") to purchase up to an aggregate of 1,613,092 shares of the Company's common stock. The Private Placement closed on May 6, 2024. The gross proceeds from the Private Placement were approximately $4.2 million, prior to deducting the placement agent's fees and other offering expenses payable by the Company. The Company used $1.0 million of the net proceeds to fund certain obligations under its merger agreement with Evofem Biosciences, Inc. and the remainder of the net proceeds from the offering for working capital and other general corporate purposes.

We will need significant additional capital to continue to fund our operations and the clinical trials for our product candidates. We may seek to sell common stock, preferred stock or convertible debt securities, enter into a credit facility or another form of third-party funding or seek other debt financing. In addition, we may seek to raise cash through collaborative agreements or from government grants. The sale of equity and convertible debt securities may result in dilution to our stockholders and certain of those securities may have rights senior to those of our common shares. If we raise additional funds through the issuance of preferred stock, convertible debt securities, or other debt financing, these securities or other debt could contain covenants that would restrict our operations. Any other third-party funding arrangement could require us to relinquish valuable rights.

The source, timing, and availability of any future financing will depend principally upon market conditions, and, more specifically, on the progress of our clinical development program. Funding may not be available when needed, at all, or on terms acceptable to us. Lack of necessary funds may require us to, among other things, delay, scale back or eliminate expenses including some or all our planned development, including our clinical trials. While we may need to raise funds in the future, we believe the current cash reserves should be sufficient to fund our operation for the foreseeable future. Because of these factors, we believe that this creates doubt about our ability to continue as a going concern.

Contractual Obligations

The following table shows our contractual obligations as of June 30, 2024:

	Payment Due by Year			
	Total	**2024**	**2025**	**2026**
Lease	$ 1,513,576	$ 379,100	$ 710,546	$ 423,930

Critical Accounting Polices and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We believe that our critical accounting policies described under the heading "Management's Discussion and Analysis of Financial Condition and Plan of Operations—Critical Accounting Policies" in our Prospectus, dated September 1, 2020, filed with the SEC pursuant to Rule 424(b), are critical to fully understanding and evaluating our financial condition and results of operations. The following involve the most judgment and complexity:

- Research and development
- Stock-based compensation expense

Accordingly, we believe the policies set forth above are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

JOBS Act

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

When favorable, we have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board ("PCAOB") regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our IPO (December 31, 2025); (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Recently Issued and Adopted Accounting Pronouncements

See Note 3 - Summary of Significant Accounting Policies to the accompanying condensed consolidated financial statements for a description of other accounting policies and recently issued accounting pronouncements.

Recent Developments

See Note 12 – Subsequent Event to the accompanying condensed consolidated financial statements for a description of material recent developments.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and other financial information included elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements."

Overview and Mission

We believe the world needs—and deserves—a new approach to innovating that harnesses the power of large groups of stakeholders who work together to ensure that the most promising innovations make it into the hands of people who need them most.

We were incorporated in the State of Delaware on September 28, 2017, and our headquarters are in Richmond, Virginia. The company was founded with a mission of bringing stakeholders together, to transform promising innovations into products and services that could address some of the most challenging needs. The socialization of innovation through engaging stakeholders in every aspect of it, is key to transforming more innovations, more rapidly, and more efficiently.

At inception, the first innovation we took on was an immune modulation technology titled ADI/Adimune with a focus on prolonging life and enhancing life quality of patients that have undergone organ transplants. Since then, we expanded our portfolio of innovations, and we continue to evaluate a variety of promising health innovations.

ADIMUNE, INC.

Formed in January 2023, Adimune™, Inc. ("Adimune") is focused on leading our immune modulation therapeutic programs. Adimune's proprietary immune modulation product candidate, ADI-100™, based on the Apoptotic DNA Immunotherapy™ platform technology, utilizes a novel approach that mimics the way our bodies naturally induce tolerance to our own tissues. It includes two DNA molecules designed to deliver signals to induce tolerance. ADI-100 has been successfully tested in several preclinical models (e.g., skin grafting, psoriasis, type 1 diabetes, multiple sclerosis).

In May 2023, Adimune entered into a clinical trial agreement with Mayo Clinic to advance clinical studies targeting autoimmune diseases of the central nervous system ("CNS") with the initial focus on the rare, but debilitating, autoimmune disease Stiff Person Syndrome ("SPS"). According to the National Organization of Rare Diseases, the exact incidence and prevalence of SPS is unknown; however, one estimate places the incidence at approximately one in one million individuals in the general population.

Pending approval by the International Review Board and U.S. Food and Drug Administration, a human trial for SPS is expected get underway in the first half of 2024 with enrollment of up to 20 patients, some of whom may also have type 1 diabetes. ADI-100 will initially be tested for safety and efficacy. ADI-100 is designed to tolerize against an antigen known as glutamic acid decarboxylase ("GAD"), which is implicated in type-1 diabetes, psoriasis, stiff person syndrome, and in many autoimmune diseases of the CNS. IND-enabling work is also near completion in support of a Clinical Trial Application submission to the Paul Ehrlich Institute, the regulatory agency in Germany, to initiate clinical trials in psoriasis and type 1 diabetes.

Background

The discovery of immunosuppressive (anti-rejection and monoclonal) drugs over 40 years ago has made possible life-saving organ transplantation procedures and blocking of unwanted immune responses in autoimmune diseases. However, immune suppression leads to significant undesirable side effects, such as increased susceptibility to life-threatening infections and cancers, because it indiscriminately and broadly suppresses immune function throughout the body. While the use of these drugs has been justifiable because they prevent or delay organ rejection, their use for treatment of autoimmune diseases and allergies may not be acceptable because of the aforementioned side effects. Furthermore, often transplanted organs ultimately fail despite the use of immune suppression, and about 40% of transplanted organs survive no more than five years.

Through Aditxt, Adimune has the right of use to the exclusive worldwide license for commercializing ADI nucleic acid-based technology (which is currently at the pre-clinical stage) from Loma Linda University. ADI uses a novel approach that mimics the way the body naturally induces tolerance to our own tissues ("therapeutically induced immune tolerance"). While immune suppression requires continuous administration to prevent rejection of a transplanted organ, induction of tolerance has the potential to retrain the immune system to accept the organ for longer periods of time. ADI may allow patients to live with transplanted organs with significantly reduced immune suppression. ADI is a technology platform which we believe can be engineered to address a wide variety of indications.

Advantages

ADI™ is a nucleic acid-based technology (*e.g.*, DNA-based), which we believe selectively suppresses only those immune cells involved in attacking or rejecting self and transplanted tissues and organs. It does so by tapping into the body's natural process of cell turnover (i.e., apoptosis) to retrain the immune system to stop unwanted attacks on self or transplanted tissues. Apoptosis is a natural process used by the body to clear dying cells and to allow recognition and tolerance to self-tissues. ADI triggers this process by enabling the cells of the immune system to recognize the targeted tissues as "self." Conceptually, it is designed to retrain the immune system to accept the tissues, similar to how natural apoptosis reminds our immune system to be tolerant to our own "self" tissues.

While various groups have promoted tolerance through cell therapies and *ex vivo* manipulation of patient cells (i.e., takes place outside the body), to our knowledge, we will be unique in our approach of using in-body induction of apoptosis to promote tolerance to specific tissues. In addition, ADI treatment itself will not require additional hospitalization but only an injection of minute amounts of the therapeutic drug into the skin.

Moreover, preclinical studies have demonstrated that ADI treatment significantly and substantially prolongs graft survival, in addition to successfully "reversing" other established immune-mediated inflammatory processes.

License Agreement with Loma Linda University ("LLU")

On March 15, 2018, we entered into a License Agreement with LLU, which was subsequently amended on July 1, 2020. Pursuant to the LLU License Agreement, we obtained the exclusive royalty-bearing worldwide license to all intellectual property, including patents, technical information, trade secrets, proprietary rights, technology, know-how, data, formulas, drawings, and specifications, owned or controlled by LLU and/or any of its affiliates (the "LLU Patent and Technology Rights") and related to therapy for immune-mediated inflammatory diseases (the ADI™ technology). In consideration for the LLU License Agreement, we issued 13 shares of common stock to LLU.

PEARSANTA, INC.

Formed in January 2023, our subsidiary Pearsanta™, Inc. ("Pearsanta") seeks to take personalized medicine to a whole new level by delivering "Health by the Numbers." Since its founding, Pearsanta has been building the platform for enabling our vision of lab quality testing, anytime, anywhere. Our plan for Pearsanta's platform is for it to be the transactional backbone for sample collection, sample processing (on- and off-site), and reporting. This will require the development and convergence of multiple components developed by Pearsanta, or through transactions with third parties, including collection devices, "lab-on-a-chip" technologies, Lab Developed Test (LDT) assays, a data-driven analysis engine, and telemedicine. According to a comprehensive research report by Market Research Future, the clinical and consumer diagnostic market is estimated to hit $429.3 billion by 2030.

We believe that timely and personalized testing enables far more informed treatment decisions. Pearsanta's platform is being developed as a seamless digital healthcare solution. This platform will integrate at-location sample collection, Point-of-Care ("POC") and LDT assays, and an analytical reporting engine, with telemedicine-enabled visits with licensed physicians to review test results and, if necessary, order a prescription. Pearsanta's goal of extending its platform to enable consumers to monitor their health more proactively as the goal is to provide a more complete picture about someone's dynamic health status, factoring in genetic makeup and their response to medication. The POC component of Pearsanta would enable diagnostic testing at-home, at work, in pharmacies, and more to generate results quickly so that an individual can access necessary treatment faster. With certain infections, prescribing the most effective treatment according to one's numbers can prevent hospital emergency room admissions and potentially life-threatening consequences.

Examples of indication-focused tests for the Test2Treat platform will include the evaluation for advanced urinary tract infections ("UTIs"), COVID-19/flu/respiratory syncytial virus, sexually transmitted infections, gut health, pharmacogenomics (i.e., how your genes affect the way your body responds to certain therapeutics), and sepsis. We believe that these offerings are novel and needed as the current standard of care using broad spectrum antibiotic treatment can be ineffective and potentially life-threatening. For example, improperly prescribed antibiotics may approach 50% of outpatient cases. Further, according to an article published in Physician's Weekly, only 1% of board-certified critical care medicine physicians are trained in infectious disease.

Licensed Technologies – AditxtScore™

We issued Pearsanta an exclusive worldwide sub-license for commercializing the AditxtScore™ technology which provides a personalized comprehensive profile of the immune system. AditxtScore is intended to detect individual immune responses to viruses, bacteria, peptides, drugs, supplements, bone marrow and solid organ transplants, and cancer. It has broad applicability to many other agents of clinical interest impacting the immune system, including those not yet identified such as emerging infectious agents.

AditxtScore is being designed to enable individuals and their healthcare providers to understand, manage and monitor their immune profiles and to stay informed about attacks on or by their immune system. We believe AditxtScore can also assist the medical community and individuals by being able to anticipate the immune system's potential response to viruses, bacteria, allergens, and foreign tissues such as transplanted organs. This technology may be able to serve as a warning signal, thereby allowing for more time to respond appropriately. Its advantages include the ability to provide simple, rapid, accurate, high throughput assays that can be multiplexed to determine the immune status with respect to several factors simultaneously, in approximately 3-16 hours. In addition, it can determine and differentiate between distinct types of cellular and humoral immune responses (e.g., T and B cells and other cell types). It also provides for simultaneous monitoring of cell activation and levels of cytokine release (i.e., cytokine storms).

We are actively involved in the regulatory approval process for AditxtScore assays for clinical use and securing manufacturing, marketing, and distribution partnerships for application in the various markets. To obtain regulatory approval to use AditxtScore as a clinical assay, we have conducted validation studies to evaluate its performance in detection of antibodies and plan to continue conducting additional validation studies for new applications in autoimmune diseases.

Advantages

The sophistication of the AditxtScore technology includes the following:

- greater sensitivity/specificity.
- 20-fold higher dynamic range, greatly reducing signal to noise compared to conventional assays.
- ability to customize assays and multiplex a large number of analytes with speed and efficiency.
- ability to test for cellular immune responses (i.e., T and B cells and cytokines).
- proprietary reporting algorithm.

License Agreement with Leland Stanford Junior University ("Stanford")

On February 3, 2020, we entered into an exclusive license agreement (the "February 2020 License Agreement") with Stanford with regard to a patent concerning a method for detection and measurement of specific cellular responses. Pursuant to the February 2020 License Agreement, we received an exclusive worldwide license to Stanford's patent with regard to use, import, offer, and sale of Licensed Products (as defined in the agreement). The license to the patented technology is exclusive, including the right to sublicense, beginning on the effective date of the agreement, and ending when the patent expires. Under the exclusivity agreement, we acknowledged that Stanford had already granted a non-exclusive license in the Nonexclusive Field of Use, under the Licensed Patents in the Licensed Field of Use in the Licensed Territory (as those terms are defined in the "February 2020 License Agreement"). However, Stanford agreed not to grant further licenses under the Licensed Patents in the Licensed Field of Use in the Licensed Territory. On December 29, 2021, we entered into an amendment to the February 2020 License Agreement which extended our exclusive right to license the technology deployed in AditxtScore™ and securing worldwide exclusivity in all fields of use of the licensed technology.

ADIVIR, INC.

Formed in April of 2023, Adivir™, Inc. is a wholly owned subsidiary, dedicated to the clinical and commercial development efforts of innovative products for population health, including antiviral and other antimicrobial products, which have the potential to address a wide range of infectious diseases, including those that currently lack viable treatment options.

Background

On April 18, 2023, we entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Cellvera Global Holdings LLC ("Cellvera Global"), Cellvera Holdings Ltd. ("BVI Holdco"), Cellvera, Ltd. ("Cellvera Ltd."), Cellvera Development LLC ("Cellvera Development" and together with Cellvera Global, BVI Holdco, Cellvera Ltd. and Cellvera Development (the "Sellers"), AiPharma Group Ltd. ("Seller Owner" and collectively with the Sellers, "Cellvera"), and the legal representative of Cellvera, pursuant to which, the Company will purchase Cellvera's 50% ownership interest in G Response Aid FZE ("GRA"), certain other intellectual property and all goodwill related thereto (the "Acquired Assets"). Unless expressly stated otherwise herein, capitalized terms used but not defined herein have the meanings ascribed to them in the Asset Purchase Agreement. Pursuant to the Asset Purchase Agreement, the consideration for the Acquired Assets consists of (A) $24.5 million, comprised of: (i) the forgiveness of the Company's $14.5 million loan to Cellvera Global, and (ii) approximately $10 million in cash, and (B) future revenue sharing payments for a term of seven years. GRA holds an exclusive, worldwide license for the antiviral medication, Avigan® 200mg, excluding Japan, China and Russia. The other 50% interest in GRA is held by Agility, Inc. ("Agility").

Additionally, upon the closing, the Share Exchange Agreement previously entered into as of December 28, 2021, between Cellvera Global Holdings, LLC f/k/a AiPharma Global Holdings, LLC (together with other affiliates and subsidiaries) and the Company, and all other related agreements will be terminated.

The obligations of the Company to consummate the Closing under the Asset Purchase Agreement are subject to the satisfaction or waiver, at or prior to the Closing of certain conditions, including but not limited to, the following:

(i) Satisfactory completion of due diligence;

(ii) Completion by the Company of financing sufficient to consummate the transactions contemplated by the Asset Purchase Agreement;

(iii) Receipt by the Company of all required Consents from Governmental Bodies for the Acquisition, including but not limited to, any consents required to complete the transfer and assignment of Cellvera's membership interests in GRA;

(iv) Receipt of executed payoff letters reflecting the amount required to be fully pay all of each of Seller's and Seller Owner's Debt to be paid at Closing;

(v) Receipt by the Company of a release from Agility;

(vi) Execution of an agreement acceptable to the Company with respect to the acquisition by the Company of certain intellectual property presently held by a third party;

(vii) Execution of an amendment to an asset purchase agreement previously entered into by Cellvera with a third party that effectively grants the Company the rights to acquire the intellectual property from the third party under such agreement;

(viii) Receipt of a fairness opinion by the Company with respect to the transactions contemplated by the Asset Purchase Agreement; and

(ix) Receipt by the Company from the Seller Owner of written consent, whether through its official liquidator or the Board of Directors of Seller Owner, to the sale and purchase of the Acquired Assets and Assumed Liabilities pursuant to the Assert Purchase Agreement.

There can be no assurance that the conditions to closing will be satisfied or that the proposed acquisition will be completed as proposed or at all.

Our commitment to building our antiviral portfolio is strategic and timely. We believe that there has never has there been a more important time to address the growing global need to uncover new treatments or commercialize existing ones that treat life-threatening global viral infections.

Our Team

We have assembled a team of experts from a variety of scientific fields and commercial backgrounds, with many years of collective experience that ranges from founding startup biotech companies, to developing and marketing biopharmaceutical products, to designing clinical trials, and to management of private and public companies.

Going Concern

We were incorporated on September 28, 2017 and have not generated significant revenues to date. During the year ended and as of December 31, 2023, we had a net loss of $32,390,447 and cash of $97,102. We are currently over 90 days past due on a significant number of vendor obligations. The Company will require significant additional capital to operate in the normal course of business and fund clinical studies in the long-term. We believe our remaining funds on hand will not be sufficient to fund our operations for the next 12 months and such creates substantial doubt about our ability to continue as a going concern beyond one year.

Financial Results

We have a limited operating history. Therefore, there is limited historical financial information upon which to base an evaluation of our performance. Our prospects must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies in their early stages of operations. Our financial statements as of December 31, 2023, show a net loss of $32,275,156. We expect to incur additional net expenses over the next several years as we continue to maintain and expand our existing operations. The amount of future losses and when, if ever, we will achieve profitability are uncertain.

Results of Operations

Results of operations for the years ended December 31, 2023 and 2022

We generated revenue of $645,176 and $933,715 for the years ended December 31, 2023 and 2022, respectively. Cost of sales for the years ended December 31, 2023 and 2022 was $756,836 and $766,779, respectively.

During the year ended December 31, 2023, we incurred a loss from operations of $26,062,425. This is due primarily to general and administrative expenses of $18,607,142. This includes approximately $9,641,000 in payroll expenses, $4,484,000 in professional fees, and $1,133,077 in stock-based compensation. Research and development expenses were $7,074,339 which includes $1,815,068 in consulting expenses and $262,154 in stock-based compensation. Sales and marketing expenses were $269,284, which includes $6,787 in stock-based compensation.

During the year ended December 31, 2022, we incurred a loss from operations of $25,480,098. This is due to general and administrative expenses of $15,985,552, which includes $1,516,805 in stock-based compensation, research and development of $7,268,084, which includes $591,518 in stock-based compensation, sales and marketing expenses of $1,849,460, which includes $1,023,045 in stock-based compensation and impairment on note receivable of $534,938. The $7,268,084 in research and development is mainly comprised of $2,145,382 in consulting expenses, and $3,375,757 in compensation offset by a one-time adjustment to research and development purchases. During the year, the Company transitioned from purchasing certain inventory items to internally manufacturing these items.

The decrease in expenses during the year ended December 31, 2023 compared to the year ended December 31, 2022 was due to decreased research and development spend and the termination of a sales and marketing vendor.

Liquidity and Capital Resources

We have incurred substantial operating losses since inception and expect to continue to incur significant operating losses for the foreseeable future and may never become profitable. As of December 31, 2023, we had an accumulated deficit of $127,635,389. We had working capital of $(18,976,866) as of December 31, 2023. During the year ended December 31, 2023, we purchased $14,407 in fixed assets, for which we made cash payments of $14,407. Of the $14,407, $12,356 of these purchased fixed assets were lab equipment and $2,051 was for computers.

Our consolidated financial statements have been prepared assuming that we will continue as a going concern.

We have funded our operations from proceeds from the sale of equity and debt securities. On July 2, 2020, we completed our IPO and raised approximately $9.5 million in net proceeds. At the time of the IPO, we believed that these funds would be sufficient to fund our operations for the foreseeable future.

On September 10, 2020, we completed a follow-on public offering. In connection therewith, we issued 1,200 units, or Follow-On Units, excluding the underwriters' option to cover overallotments, at an offering price of $8,000.00 per Follow-On Unit, resulting in gross proceeds of approximately $9.6 million.

On January 25, 2021, the Company entered into a securities purchase agreement with an institutional accredited investor (the "Investor") for the sale of a $6,000,000 senior secured convertible note (the "Convertible Note"). The Convertible Note had a term of 24 months, was originally convertible at a price of $8,000.00 per share and was issued at an original issuance discount of $1,000,000. On August 30, 2021, the Company entered into a defeasance and waiver agreement with the Investor, pursuant to which the Noteholder has agreed in exchange for (a) a cash payment by the Company to the Investor of $1.2 million (the Cash Payment"), (b) a waiver, in part of the conversion price adjustment provision such that the January 2021 Note shall be convertible into 2,401 shares of common stock (without giving effect to the conversion notice received by the company form the Noteholder prior to the date hereof totaling (503 shares) (the "Shares"), and (c) a voluntary and permanent reduction by the Company of the exercise price of the warrant to purchase 400 shares of the common stock of the Company (the "January 2021 Warrant") to $5,060 per share. As of December 31, 2022, the outstanding principle of the convertible note had been converted to 2,401 shares of common stock.

On August 30, 2021, the Company completed a registered direct offering and raised approximately $10.1 million in net proceeds.

On October 20, 2021, the Company completed a public offering for net proceeds of $3.8 million. As part of this offering, we issued 1,417 shares of the Company's common stock

On December 6, 2021, the Company completed a public offering for net proceeds of $16.0 million. As part of this offering, we issued 4,123 units consisting of shares of the Company's common stock and warrant to purchase shares of the Company's common stock and 4,164 pre-funded warrants. The warrant issued as part of the units had an exercise price of $2,300.00 and the prefunded warrants had an exercise price of $0.001.

On September 20, 2022, the Company completed a public offering for net proceeds of $18.1 million (the "September 2022 Offering"). As part of the September 2022 Offering, we issued 30,608 of shares of the Company's common stock, pre-funded warrants to purchase 52,725 shares of the Company's common stock and warrants to purchase 83,333 shares of the Company's common stock. The warrants have an exercise price of $240.00 and the pre-funded warrants have an exercise price of $0.004.

On April 20, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor, pursuant to which the Company agreed to sell to such investor pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 39,634 shares of common stock of the Company (the "Common Stock") at a purchase price of $48.76 per Pre-Funded Warrant. Concurrently with the sale of the Pre-Funded Warrants, pursuant to the Purchase Agreement in a concurrent private placement, for each Pre-Funded Warrant purchased by the investor, such investor received from the Company an unregistered warrant (the "Warrant") to purchase two shares of Common Stock. The warrants have an exercise price of $34.40 per share and are exercisable for a three-year period. In addition, the Company issued a warrant to the placement agent to purchase up to 2,378 shares of common stock at an exercise price of $61.00 per share.

On August 31, 2023, the Company entered into a securities purchase agreement (the "August Purchase Agreement") with an institutional investor for the issuance and sale in a private placement (the "Private Placement") of (i) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 1,000,000 shares of the Company's common stock at an exercise price of $0.001 per share, and (ii) warrants (the "Common Warrants") to purchase up to 1,000,000 shares of the Company's Common Stock at an exercise price of $10.00 per share. The Private Placement closed on September 6, 2023. The net proceeds to the Company from the Private Placement were approximately $9 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company. The Company utilized net proceeds received from the Private Placement for (i) payment of approximately $3.1 million in outstanding obligations, (ii) repayment of approximately $0.4 million of outstanding debt, and (iii) continuing operating expenses and working capital.

On December 29, 2023, the Company entered into a securities purchase agreement (the "Purchase Agreement") with an institutional investor ("the "Purchaser") for the issuance and sale in a private placement (the "Private Placement") of (i) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to 1,237,114 shares of the Company's common stock, par value $0.001 (the "Common Stock") at an exercise price of $0.001 per share, and (ii) warrants (the "Common Warrants") to purchase up to 2,474,228 shares of the Company's Common Stock, at a purchase price of $4.85 per share. The Private Placement closed on January 4, 2024. The net proceeds to the Company from the Private Placement are expected to be approximately $5.5 million, after deducting placement agent fees and expenses and estimated offering expenses payable by the Company. The Company intends to use the net proceeds received from the Private Placement for continuing operating expenses and working capital.

We will need significant additional capital to continue to fund our operations and the clinical trials for our product candidates. We may seek to sell common stock, preferred stock or convertible debt securities, enter into a credit facility or another form of third-party funding or seek other debt financing. In addition, we may seek to raise cash through collaborative agreements or from government grants. The sale of equity and convertible debt securities may result in dilution to our stockholders and certain of those securities may have rights senior to those of our common shares. If we raise additional funds through the issuance of preferred stock, convertible debt securities, or other debt financing, these securities or other debt could contain covenants that would restrict our operations. Any other third-party funding arrangement could require us to relinquish valuable rights.

The source, timing, and availability of any future financing will depend principally upon market conditions, and, more specifically, on the progress of our clinical development program. Funding may not be available when needed, at all, or on terms acceptable to us. Lack of necessary funds may require us to, among other things, delay, scale back or eliminate expenses including some or all our planned development, including our clinical trials. While we may need to raise funds in the future, we believe the current cash reserves should be sufficient to fund our operation for the foreseeable future. Because of these factors, we believe that this creates doubt about our ability to continue as a going concern.

Contractual Obligations

The following table shows our contractual obligations as of December 31, 2023:

	Payment Due by Year			
	Total	**2024**	**2025**	**2026**
Lease	$ 2,139,458	$ 1,004,982	$ 710,546	$ 423,930

Critical Accounting Polices and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of our consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We believe that our critical accounting policies described under the heading "Management's Discussion and Analysis of Financial Condition and Plan of Operations—Critical Accounting Policies" in our Prospectus, dated September 1, 2020, filed with the SEC pursuant to Rule 424(b), are critical to fully understanding and evaluating our financial condition and results of operations. The following involve the most judgment and complexity:

- Research and development
- Stock-based compensation expense
- Preferred Stock
- Investments

Accordingly, we believe the policies set forth above are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

JOBS Act

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

When favorable, we have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board ("PCAOB") regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our IPO (December 31, 2025); (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Recently Issued and Adopted Accounting Pronouncements

See Note 3 - Summary of Significant Accounting Policies to the accompanying consolidated financial statements for a description of other accounting policies and recently issued accounting pronouncements.

Recent Developments

See Note 12 – Subsequent Event to the accompanying consolidated financial statements for a description of material recent developments.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and other financial information included elsewhere in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements."

Overview

We are an innovation company with a mission of Making Promising Innovations Possible, Together. We develop, build, and grow innovations with a focus on monitoring and modulating the immune system. We take a socialized approach to innovation by engaging stakeholders into all aspects of the process.

Our innovation portfolio includes the following programs:

- Adimune™ - Immune modulation technologies which are currently at the pre-clinical stage and are designed to retrain the immune system to induce tolerance with an objective of addressing rejection of transplanted organs, autoimmune diseases, and allergies.

- AditxtScore™ - Immune monitoring technologies designed to provide a personalized comprehensive profile of the immune system.

ADI™ (Immune Modulation Program)

Background

The discovery of immunosuppressive (anti-rejection and monoclonal) drugs over 40 years ago has made possible life-saving organ transplantation procedures and blocking of unwanted immune responses in autoimmune diseases. However, immune suppression leads to significant undesirable side effects, such as increased susceptibility to life-threatening infections and cancers, because it indiscriminately and broadly suppresses immune function throughout the body. While the use of these drugs has been justifiable because they prevent or delay organ rejection, their use for treatment of autoimmune diseases and allergies may not be acceptable because of the aforementioned side effects. Furthermore, transplanted organs often ultimately fail despite the use of immune suppression, and about 40% of transplanted organs survive no more than 5 years.

New, focused therapeutic approaches are needed that modulate only the immune cells involved in rejection of the transplanted organ, as this approach can be safer for patients than indiscriminate immune suppression. Such approaches are referred to as immune tolerance, and when therapeutically induced, may be safer for patients and potentially allow longer-term survival of transplanted tissues and organs.

In the late 1990s, academic research on these approaches was conducted at the Transplant Center in Loma Linda University ("LLU") in connection with a project that secured initial grant funding from the U.S. Department of Defense. The focus of that project was induction of tolerance for skin allografting for burn victims. Twenty years of research at LLU and an affiliated incubator led to a series of discoveries that have been translated into a large patent portfolio of therapeutic approaches that may be applied to the modulation of the immune system to induce tolerance to self and transplanted organs.

We have an exclusive worldwide license for commercializing Apoptotic DNA Immunotherapy™ (ADI™), a nucleic acid-based technology (which is currently at the pre-clinical stage), from LLU. ADI™ utilizes a novel approach that mimics the way the body naturally induces tolerance to our own tissues ("therapeutically induced immune tolerance"). While immune suppression requires continuous administration to prevent rejection of a transplanted organ, induction of tolerance has the potential to retrain the immune system to accept the organ for longer periods of time. Thus, ADI™ may allow patients to live with transplanted organs with significantly reduced immune suppression. ADI™ is a technology platform which we believe can be engineered to address a wide variety of indications.

We are developing ADI™ products for organ transplantation including skin allografting, autoimmune diseases, and allergies, with the initial focus on psoriasis, type 1 diabetes and skin allografting, indications for which we have compelling preclinical data. To submit a Biologics License Application ("BLA") for a biopharmaceutical product, clinical safety and efficacy must be demonstrated in clinical studies conducted with human subjects. For products in our class of drugs, the first-in-human trials will be a combination of Phase I (safety/tolerability) and Phase II (efficacy) in affected subjects. To obtain approval to initiate the Phase I/IIa studies, an Investigational New Drug or Clinical Trial Application will be submitted that will include a compilation of non-clinical efficacy data as well as manufacturing and pre-clinical safety/toxicology data. To date, we have conducted non-clinical studies in a stringent model of skin transplantation using genetically mismatched donor and recipient animals demonstrating a 3-fold increase in the survival of the skin allograft in animals that were tolerized with ADI™ compared to animals that receive immune suppression alone. Prolongation of graft life was observed despite discontinuation of immune suppression after the first 5 weeks. In a non-obese diabetic mouse model of type 1 diabetes, we showed reversal of hyperglycemia with 80% of the animals showing durable glycemic control for the 40-week study period. Additionally, in an induced non-clinical model for psoriasis, ADI™ treatment resulted in a 69% reduction in skin thickness and a 38% decrease in skin flaking (two clinical parameters for assessment of psoriasis skin lesions). The Phase I/IIa studies in psoriasis will evaluate the safety/tolerability of ADI™ in patients diagnosed with psoriasis. Since the drug will be administered in subjects diagnosed with psoriasis, effectiveness of the drug to improve psoriatic lesions will also be evaluated. In the type 1 diabetes clinical studies, newly diagnosed subjects will receive ADI™ treatment to evaluate safety and efficacy. In another Phase I/IIa study, patients requiring skin allografts will receive weekly intra-dermal injections of ADI™ in combination with standard immune suppression to assess safety/tolerability and possibility of reducing levels of immunosuppressive drugs as well as prolongation of graft life.

AditxtScore™ (Immune Monitoring Program)

Background

We believe that understanding the status of an individual's immune system is key to understanding health by the numbers and for developing therapeutics that result in better outcomes for more individuals. We have secured an exclusive worldwide license for commercializing a technology platform named AditxtScore™, which provides a personalized comprehensive profile of the immune system. AditxtScore™ is intended to be informative for individual immune responses to viruses, bacteria, peptides, drugs, supplements, bone marrow and solid organ transplants and cancer. It has broad applicability to many other agents of clinical interest impacting the immune system, including those not yet identified such as emerging infectious agents.

AditxtScore™ is being designed to allow individuals to understand, manage and monitor their immune profiles in order to be informed about attacks on or by their immune system. We believe AditxtScore™ can also assist the medical community in anticipating possible immune responses and reactions to viruses, bacteria, allergens and foreign tissues such as transplanted organs. This capability may be possible by having the ability to determine the body's potential response and for developing a plan to deal with an undesirable reaction by the immune system. Its advantages include the ability to provide a simple, rapid, accurate, high throughput assays that can be multiplexed to determine the immune status with respect to several factors simultaneously, in 3-16 hours. In addition, it can determine and differentiate between various types of cellular and humoral immune responses (T and B cells and other cell types). It also provides for simultaneous monitoring of cell activation and levels of cytokine release (i.e., cytokine storms).

We plan to utilize AditxtScore™ in our upcoming pre-clinical and clinical studies to monitor subjects' immune response before, during and after ADI™ drug administration. We are also evaluating plans to obtain regulatory approval for AditxtScore™'s use as a clinical assay and seeking to secure manufacturing, marketing and distribution partnerships for application in the various markets. To obtain regulatory approval to use AditxtScore™ as a clinical assay, we have conducted validation studies to evaluate its performance in detection of antibodies and plan to continue conducting additional validation studies for new applications in autoimmune diseases and transplantation.

License Agreement with Loma Linda University

On March 8, 2018, we entered into an Assignment Agreement (the "Assignment Agreement") with Sekris Biomedical, Inc. ("Sekris"). Sekris was a party to a license agreement with LLU, entered and made effective on May 25, 2011, and amended on June 24, 2011, July 16, 2012 and December 27, 2012 (the "Original Agreement," and together with the Assignment Agreement, the "Sekris Agreements"). Pursuant to the Assignment Agreement, Sekris transferred and assigned all of its rights, obligations and liabilities under the Original Agreement, of whatever kind or nature, to us. In exchange, on March 8, 2018, we issued a warrant to Sekris to purchase up to 10,000 shares of our common stock (the "Sekris Warrant"). The warrant was immediately exercisable and has an exercise price of $200.00 per share. The expiration date of the warrant is March 8, 2023. On March 15, 2018, as amended on July 1, 2020, we entered into a LLU License Agreement directly with Loma Linda University, which amends and restates the Sekris Agreements.

Pursuant to the LLU License Agreement, we obtained the exclusive royalty-bearing worldwide license in and to all intellectual property, including patents, technical information, trade secrets, proprietary rights, technology, know-how, data, formulas, drawings, and specifications, owned or controlled by LLU and/or any of its affiliates (the "LLU Patent and Technology Rights") and related to therapy for immune-mediated inflammatory diseases (the ADI™ technology). In consideration for the LLU License Agreement, we issued 500 shares of common stock to LLU.

Pursuant to the LLU License Agreement, we are required to pay an annual license fee to LLU. Also, we paid LLU $455,000 in July 2020 for outstanding milestone payments and license fees. We are also required to pay to LLU milestone payments in connection with certain development milestones. Specifically, we are required to make the following milestone payments to LLU: $175,000 on March 31, 2022; $100,000 on March 31, 2024; $500,000 on March 31, 2026; and $500,000 on March 31, 2027. In lieu of the $175,000 milestone payment due on March 31, 2022, the Company paid LLU an extension fee of $100,000. Upon payment of this extension fee, an additional year will be added for the March 31, 2022 milestone. Additionally, as consideration for prior expenses incurred by LLU to prosecute, maintain and defend the LLU Patent and Technology Rights, we made the following payments to LLU: $70,000 at the end of December 2018, and a final payment of $60,000 at the end of March 2019. We are required to defend the LLU Patent and Technology Rights during the term of the LLU License Agreement. Additionally, we will owe royalty payments of (i) 1.5% of Net Product Sales (as such terms are defined under the LLU License Agreement) and Net Service Sales on any Licensed Products (defined as any finished pharmaceutical products which utilizes the LLU Patent and Technology Rights in its development, manufacture or supply), and (ii) 0.75% of Net Product Sales and Net Service Sales for Licensed Products and Licensed Services (as such terms are defined under the LLU License Agreement) not covered by a valid patent claim for technology rights and know-how for a three (3) year period beyond the expiration of all valid patent claims. We also are required to produce a written progress report to LLU, discussing our development and commercialization efforts, within 45 days following the end of each year. All intellectual property rights in and to LLU Patent and Technology Rights shall remain with LLU (other than improvements developed by or on our behalf).

The LLU License Agreement shall terminate on the last day that a patent granted to us by LLU is valid and enforceable or the day that the last patent application licensed to us is abandoned. The LLU License Agreement may be terminated by mutual agreement or by us upon 90 days written notice to LLU. LLU may terminate the LLU License Agreement in the event of (i) non-payments or late payments of royalty, milestone and license maintenance fees not cured within 90 days after delivery of written notice by LLU, (ii) a breach of any non-payment provision (including the provision that requires us to meet certain deadlines for milestone events (each, a "Milestone Deadline")) not cured within 90 days after delivery of written notice by LLU and (iii) LLU delivers notice to us of three or more actual breaches of the LLU License Agreement by us in any 12-month period. Additional Milestone Deadlines include: (i) the requirement to have regulatory approval of an IND application to initiate first-in-human clinical trials on or before March 31, 2022, which has been extended to March 31, 2023 due to payment of a $100,000 extension fee paid in March 2022, (ii) the completion of first-in-human (phase I/II) clinical trials by March 31, 2024, (iii) the completion of Phase III clinical trials by March 31, 2026 and (iv) biologic licensing approval by the FDA by March 31, 2027.

License Agreement with Leland Stanford Junior University ("Stanford")

On February 3, 2020, we entered into an exclusive license agreement (the "February 2020 License Agreement") with Stanford regarding a patent concerning a method for detection and measurement of specific cellular responses. Pursuant to the February 2020 License Agreement, we received an exclusive worldwide license to Stanford's patent regarding use, import, offer, and sale of Licensed Products (as defined in the agreement). The license to the patented technology is exclusive, including the right to sublicense, beginning on the effective date of the agreement, and ending when the patent expires. Under the exclusivity agreement, we acknowledged that Stanford had already granted a non-exclusive license in the Nonexclusive Field of Use, under the Licensed Patents in the Licensed Field of Use in the Licensed Territory (as those terms are defined in the February 2020 License Agreement"). However, Stanford agreed to not grant further licenses under the Licensed Patents in the Licensed Field of Use in the Licensed Territory. On December 29, 2021, we entered into an amendment to the February 2020 License Agreement which extended our exclusive right to license the technology deployed in AditxtScore™ and securing worldwide exclusivity in all fields of use of the licensed technology.

We were obligated to pay and paid a fee of $25,000 to Stanford within 60 days of February 3, 2020. We also issued 375 shares of the Company's common stock to Stanford. An annual licensing maintenance fee is payable by us on the first anniversary of the February 2020 License Agreement in the amount of $40,000 for 2021 through 2024 and $60,000 starting in 2025 until the license expires upon the expiration of the patent. The Company is required to pay and has paid $25,000 for the issuances of certain patents. The Company will pay milestone fees of $50,000 on the first commercial sales of a licensed product and $25,000 at the beginning of any clinical study for regulatory clearance of an in vitro diagnostic product developed and a potential licensed product. The Company paid a milestone fee for a clinical study for regulatory clearance of an in vitro diagnostic product developed and a potential licensed product of $25,000 in March of 2022. We are also required to: (i) provide a listing of the management team or a schedule for the recruitment of key management positions by March 31, 2020 (which has been completed), (ii) provide a business plan covering projected product development, markets and sales forecasts, manufacturing and operations, and financial forecasts until at least $10,000,000 in revenue by June 30, 2020 (which has been completed), (iii) conduct validation studies by September 30, 2020 (which has been completed), (iv) hold a pre-submission meeting with the FDA by September 30, 2020 (which has been completed), (iv) submit a 510(k) application to the FDA, Emergency Use Authorization ("EUA"), or a Laboratory Developed Test ("LDT") by March 31, 2021 (which has been completed), (vi) develop a prototype assay for human profiling by December 31, 2021 (which has been completed), (vii) execute at least one partnership for use of the technology for transplant, autoimmunity, or infectious disease purposes by March 31, 2022 (which has been completed) and (viii) provided further development and commercialization milestones for specific fields of use in writing prior to December 31, 2022.

In addition to the annual license maintenance fees outlined above, we will pay Stanford royalties on Net Sales (as such term is defined in the February 2020 License Agreement) during the of the term of the agreement as follows: 4% when Net Sales are below or equal to $5 million annually or 6% when Net Sales are above $5 million annually. The February 2020 License Agreement may be terminated upon our election on at least 30 days advance notice to Stanford, or by Stanford if we: (i) are delinquent on any report or payment; (ii) are not diligently developing and commercializing Licensed Product; (iii) miss certain performance milestones; (iv) are in breach of any provision of the February 2020 License Agreement; or (v) provide any false report to Stanford. Should any events in the preceding sentence occur, we have a thirty (30) day cure period to remedy such violation.

Our Team

We have assembled a team of experts from a variety of scientific fields and commercial backgrounds, with many years of collective experience that ranges from founding startup biotech companies, to developing and marketing biopharmaceutical products, to designing clinical trials, and to management of private and public companies.

Going Concern

We were incorporated on September 28, 2017 and have not generated significant revenues to date. During the year ended December 31, 2022, we had a net loss of $27,649,876 and cash of $2,768,640 as of December 31, 2022. The Company will require significant additional capital to operate in the normal course of business and fund clinical studies in the long-term. As a result of the May 2022 purchase and sale of future receipts (a "Future Receipts Agreement"), the August 2022 Senior Secured Convertible Note, the August 2022 Future Receipts Agreement and the September 2022 public offering we received net proceeds of approximately $21,000,000 during the last twelve months. We believe that the remaining funds on hand will not be sufficient to fund our operations for the next 12 months and such creates substantial doubt about our ability to continue as a going concern beyond one year.

Financial Results

We have a limited operating history. Therefore, there is limited historical financial information upon which to base an evaluation of our performance. Our prospects must be considered in light of the uncertainties, risks, expenses, and difficulties frequently encountered by companies in their early stages of operations. Our financial statements as of December 31, 2022, show a net loss of $27,649,876. We expect to incur additional net expenses over the next several years as we continue to maintain and expand our existing operations. The amount of future losses and when, if ever, we will achieve profitability are uncertain.

Results of Operations

Results of operations for the years ended December 31, 2022 and 2021

We generated revenue of $933,715 and $105,034 for the years ended December 31, 2022 and 2021, respectively. Cost of sales for the years ended December 31, 2022 and 2021 was $766,779 and $77,979, respectively.

During the years ended December 31, 2022, we incurred a loss from operations of $25,480,098. This is due to general and administrative expenses of $15,985,552, which includes $1,516,805 in stock-based compensation, research and development of $7,268,084, which includes $591,518 in stock-based compensation, sales and marketing expenses of $1,849,460, which includes $1,023,045 in stock-based compensation and impairment on note receivable of $534,938. The $7,268,084 in research and development is mainly comprised of $2,145,382 in consulting expenses, and $3,375,757 in compensation offset by a one-time adjustment to research and development purchases. During the year, the Company transitioned from purchasing certain inventory items to internally manufacturing these items.

During the year ended December 31, 2021, we incurred a loss from operations of $41,934,928. This is due to general and administrative expenses of $22,084,389, which includes $3,927,551 in stock-based compensation, research and development of $5,042,617, which includes $713,130 in stock-based compensation, sales and marketing expenses of $334,977, and impairment on note receivable of $14,500,000. The $5,042,617 in research and development is comprised of $76,455 in licensing fees, $1,960,196 in product development, $2,039,533 in compensation, and $966,433 in other research and development expense.

The decrease in expenses during the year ended December 31, 2022 compared to the year ended December 31, 2021 was due to the impairment on note receivable during the year ended December 31, 2021.

Liquidity and Capital Resources

We have incurred substantial operating losses since inception and expect to continue to incur significant operating losses for the foreseeable future and may never become profitable. As of December 31, 2022, we had an accumulated deficit of $95,040,362 We had working capital of $1,099,839 as of December 31, 2022. During year ended December 31, 2022, we purchased $367,079 in fixed assets. These fixed assets were purchased to continue the buildout of our operations. Approximately $300,000 of purchased fixed assets were lab equipment, $62,000 were computers, and $5,000 were office furniture.

Our financial statements have been prepared assuming that we will continue as a going concern.

We have funded our operations from proceeds from the sale of equity and debt securities. On July 2, 2020, we completed our IPO and raised approximately $9.5 million in net proceeds. At the time of the IPO, we believed that these funds would be sufficient to fund our operations for the foreseeable future.

On September 10, 2020, we completed a follow-on public offering. In connection therewith, we issued 48,000 units, or Follow-On Units, excluding the underwriters' option to cover overallotments, at an offering price of $200.00 per Follow-On Unit, resulting in gross proceeds of approximately $9.6 million.

On January 25, 2021, we entered into a securities purchase agreement with an institutional accredited investor (the "Investor") for the sale of a $6,000,000 senior secured convertible note (the "Convertible Note"). The Convertible Note had a term of 24 months, was originally convertible at a price of $200.00 per share and was issued at an original issuance discount of $1,000,000. On August 30, 2021, the Company entered into a defeasance and waiver agreement with the Investor, pursuant to which the Investor has agreed in exchange for (a) a cash payment by the Company to the Investor of $1.2 million (the Cash Payment"), (b) a waiver, in part of the conversion price adjustment provision such that the January 2021 Note shall be convertible into 96,050 shares of common stock (without giving effect to the conversion notice received by the Company from the Investor prior to the date hereof totaling (20,115 shares), and (c) a voluntary and permanent reduction by the Company of the exercise price of the warrant to purchase 16,000 shares of the common stock of the Company (the "January 2021 Warrant") to $126.50 per share. As of December 31, 2022, the outstanding principle of the convertible note had been converted to 96,050 shares of common stock.

On August 30, 2021, we completed a registered direct; offering and raised approximately $10.1 million in net proceeds.

On October 20, 2021, we completed an offering for net proceeds of $3.8 million. As part of this offering, we issued 56,667 shares of the Company's common stock.

On December 6, 2021, we completed an offering for net proceeds of $16.0 million. As part of this offering, we issued 164,929 units consisting of shares of the Company's common stock and warrant to purchase shares of the Company's common stock and 166,572 prefunded warrants. The warrant issued as part of the units had an exercise price of $57.50 and the prefunded warrants had an exercise price of $0.001.

On September 20, 2022, we completed a public offering for net proceeds of $17.2 million (the "September 2022 Offering"). As part of the September 2022 Offering, we issued 1,224,333 of shares of the Company's common stock, pre-funded warrants to purchase 2,109,000 shares of the Company's common stock and warrants to purchase 3,333,333 shares of the Company's common stock. The warrants had an exercise price of $6.00 and the pre-funded warrants had an exercise price of $0.001.

We may need to raise significant additional capital to continue to fund our operations and the clinical trials for our product candidates. We may seek to sell common stock, preferred stock or convertible debt securities, enter into a credit facility or another form of third-party funding or seek other debt financing. In addition, we may seek to raise cash through collaborative agreements or from government grants. The sale of equity and convertible debt securities may result in dilution to our stockholders and certain of those securities may have rights senior to those of our common shares. If we raise additional funds through the issuance of preferred stock, convertible debt securities, or other debt financing, these securities or other debt could contain covenants that would restrict our operations. Any other third-party funding arrangement could require us to relinquish valuable rights.

The source, timing, and availability of any future financing will depend principally upon market conditions, and, more specifically, on the progress of our clinical development program. Funding may not be available when needed, at all, or on terms acceptable to us. Lack of necessary funds may require us to, among other things, delay, scale back or eliminate expenses including some or all our planned development, including our clinical trials. While we may need to raise funds in the future, we believe the current cash reserves should be sufficient to fund our operation for the foreseeable future. Because of these factors, we believe that this creates doubt about our ability to continue as a going concern.

Contractual Obligations

The following table shows our contractual obligations as of December 31, 2022:

	Payment Due by Year				
	Total	**2023**	**2024**	**2025**	**2026**
Lease	$ 3,269,311	$ 1,129,853	$ 1,004,982	$ 710,546	$ 423,930
Financed asset	409,983	409,983	-	-	-
Total contractual obligations	$ 3,679,294	$ 1,539,836	$ 1,004,982	$ 710,546	$ 423,930

Critical Accounting Polices and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. We believe that our critical accounting policies described under the heading "Management's Discussion and Analysis of Financial Condition and Plan of Operations—Critical Accounting Policies" in our Prospectus, dated September 1, 2020, filed with the SEC pursuant to Rule 424(b), are critical to fully understanding and evaluating our financial condition and results of operations. The following involve the most judgment and complexity:

- Research and development
- Stock-based compensation expense

Accordingly, we believe the policies set forth above are critical to fully understanding and evaluating our financial condition and results of operations. If actual results or events differ materially from the estimates, judgments and assumptions used by us in applying these policies, our reported financial condition and results of operations could be materially affected.

Off-Balance Sheet Arrangements

From time to time the Company enters short term research and development contracts. These contracts have payment provisions which require payment once regulatory and completion milestones are met. As of December 31, 2022, the Company has approximately $1.6 million outstanding, subject to these milestones.

JOBS Act

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

When favorable, we have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act.

We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board ("PCAOB") regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our IPO (December 31, 2025); (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

Recently Issued and Adopted Accounting Pronouncements

See Note 3 - Summary of Significant Accounting Policies to the accompanying financial statements for a description of other accounting policies and recently issued accounting pronouncements.

Recent Developments

See Note 12 – Subsequent Event to the accompanying financial statements for a description of material recent developments.

Exhibit III

Evofem Consolidated Financial Statements

(See attached.)

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)
(In thousands, except par value and share data)

	As of	
	June 30, 2024	**December 31, 2023**
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ -
Restricted cash	692	580
Trade accounts receivable, net	4,617	5,738
Inventories	1,060	1,697
Prepaid and other current assets	845	1,195
Total current assets	7,214	9,210
Property and equipment, net	1,187	1,203
Operating lease right-of-use assets	114	106
Other noncurrent assets	36	35
Total assets	$ 8,551	$ 10,554
Liabilities, convertible and redeemable preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 16,033	$ 17,020
Notes - carried at fair value (Note 4)	13,239	14,731
Convertible notes - Adjuvant (Note 4)	29,646	28,537
Short-term debt (Note 4)	397	-
Accrued expenses	4,752	4,227
Accrued compensation	3,280	2,609
Operating lease liabilities-current	113	97
Derivative liabilities	942	1,926
Other current liabilities	3,776	3,316
Other current liabilities – related party	1,000	-
Total current liabilities	73,178	72,463
Operating lease liabilities- noncurrent	1	8
Total liabilities	73,179	72,471
Commitments and contingencies (Note 7)	-	-
Convertible and redeemable preferred stock, $0.0001 par value, Senior to common stock Series E-1 and F-1 convertible preferred stock, 2,300 and 95,000 shares authorized; 1,968 and 1,874 shares of E-1 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively; 22,280 shares of F-1 issued and outstanding at each of June 30, 2024 and December 31, 2023	4,687	4,593
Stockholders' deficit:		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding as of June 30, 2024 and December 31, 2023	-	-
Common Stock, $0.0001 par value; 3,000,000,000 shares authorized; 82,828,686 and 20,007,799 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	8	2
Additional paid-in capital	823,709	823,036
Accumulated other comprehensive loss	(781)	(849)
Accumulated deficit	(892,251)	(888,699)
Total stockholders' deficit	(69,315)	(66,510)
Total liabilities, convertible and redeemable preferred stock and stockholders' deficit	$ 8,551	$ 10,554

See accompanying notes to the condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Product sales, net	$ 4,160	$ 2,458	$ 7,763	$ 8,267
Operating Expenses:				
Cost of goods sold	769	2,293	1,453	3,669
Research and development	270	402	864	942
Selling and marketing	2,243	2,197	4,588	6,051
General and administrative	2,267	4,902	5,091	8,520
Total operating expenses	5,549	9,794	11,996	19,182
Loss from operations	(1,389)	(7,336)	(4,233)	(10,915)
Other income (expense):				
Interest income	6	8	10	26
Other expense, net	(558)	(1,127)	(1,174)	(1,445)
Loss on issuance of financial instruments	(25)	(27)	(3,300)	(111)
Gain on debt extinguishment	-	-	1,120	-
Change in fair value of financial instruments	3,325	(73)	4,127	1,539
Total other income (expense), net	2,748	(1,219)	783	9
Income (loss) before income tax	1,359	(8,555)	(3,450)	(10,906)
Income tax expense	(8)	(3)	(8)	(6)
Net income (loss)	1,351	(8,558)	(3,458)	(10,912)
Convertible preferred stock deemed dividends	(47)	-	(94)	-
Net income (loss) attributable to common stockholders	$ 1,304	$ (8,558)	$ (3,552)	$ (10,912)
Net income (loss) per share attributable to common stockholders:				
Basic (Note 2)	$ 0.02	$ (5.43)	$ (0.07)	$ (6.60)
Diluted (Note 2)	$ (0.00)	$ (5.43)	$ (0.07)	$ (6.60)
Weighted-average shares used to compute net income (loss) per share attributable to common shareholders:				
Basic	66,773,313	1,576,158	48,983,853	1,654,026
Diluted	1,613,722,212	1,576,158	48,983,853	1,654,026

See accompanying notes to condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	$ 1,351	$ (8,558)	$ (3,458)	$ (10,912)
Other comprehensive income:				
Change in fair value of financial instruments attributed to credit risk change (Note 4)	(256)	8,368	68	23,828
Comprehensive income (loss)	$ 1,095	$ (190)	$ (3,390)	$ 12,916

See accompanying notes to condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE AND REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(Unaudited)
(In thousands, except share data)

	Series E-1 Convertible and Redeemable Preferred Stock		Series F-1 Convertible and Redeemable Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of January 1, 2024	1,874	$ 1,874	22,280	$ 2,719	20,007,799	$ 2	$ 823,036	$ (849)	$ (888,699)	$ (66,510)
Issuance of common stock upon exercise of warrants	-	-	-	-	246,153	-	15	-	-	15
Issuance of common stock upon noncash exercise of purchase rights	-	-	-	-	17,725,000	2	87	-	-	89
Issuance of common stock upon conversion of notes	-	-	-	-	10,731,443	1	34	-	-	35
Stock-based compensation	-	-	-	-	-	-	237	-	-	237
Change in fair value of financial instruments attributed to credit risk change (Note 4)	-	-	-	-	-	-	-	324	-	324
Series E-1 shares dividends	47	47	-	-	-	-	-	-	(47)	(47)
Net loss	-	-	-	-	-	-	-	-	(4,809)	(4,809)
Balance as of March 31, 2024	**1,921**	**$ 1,921**	**22,280**	**$ 2,719**	**48,710,395**	**$ 5**	**$ 823,409**	**$ (525)**	**$ (893,555)**	**$ (70,666)**
Issuance of common stock upon noncash exercise of purchase rights	-	-	-	-	24,350,000	2	66	-	-	68
Issuance of common stock upon conversion of notes	-	-	-	-	9,768,291	1	15	-	-	16
Stock-based compensation	-	-	-	-	-	-	219	-	-	219
Change in fair value of financial instruments attributed to credit risk change (see Note 4)	-	-	-	-	-	-	-	(256)	-	(256)
Series E-1 Shares dividends	47	47	-	-	-	-	-	-	(47)	(47)
Net income	-	-	-	-	-	-	-	-	1,351	1,351

Balance as of June 30, 2024	**1,968**	**$ 1,968**	**22,280**	**$ 2,719**	**82,828,686**	**$ 8**	**$ 823,709**	**$ (781)**	**$ (892,251)**	**$ (69,315)**

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance as of January 1, 2023	984,786	$ -	$ 817,367	$ 49,527	$ (938,694)	$ (71,800)
Issuance of common stock upon cash exercise of warrants	24,200	-	67	-	-	67
Issuance of common stock upon noncash exercise of Purchase Rights (Note 4)	718,704	-	180	-	-	180
Issuance of SSNs (Note 4)	-	-	1,629	-	-	1,629
Change in fair value of financial instruments attributed to credit risk change (Note 4)	-	-	-	15,460	-	15,460
Stock-based compensation	-	-	417	-	-	417
Net loss	-	-	-	-	(2,354)	(2,354)
Balance as of March 31, 2023	**1,727,690**	**$ -**	**$ 819,660**	**$ 64,987**	**$ (941,048)**	**$ (56,401)**
Issuance of common stock upon cash exercise of warrants	122,729	-	101	-	-	101
Issuance of common stock upon noncash exercise of Purchase Rights (Note 4)	673,820	-	6	-	-	6
Noncash reclassification of liability-classified derivatives to equity	-	-	53	-	-	53
Issuance of SSNs (Note 4)	-	-	499	-	-	499
Stock-based compensation	-	-	268	-	-	268
Change in fair value of financial instruments attributed to credit risk change (Note 4)	-	-	-	8,368	-	8,368
Net loss	-	-	-	-	(8,558)	(8,558)
Balance as of June 30, 2023	**2,524,239**	**$ -**	**$ 820,587**	**$ 73,355**	**$ (949,606)**	**$ (55,664)**

See accompanying notes to condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	Six months ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (3,458)	$ (10,912)
Adjustments to reconcile net loss to net cash, cash equivalents and restricted cash used in operating activities:		
Loss on issuance of financial instruments	3,300	111
Change in fair value of financial instruments	(4,127)	(1,539)
Gain on debt extinguishment	(1,120)	-
Stock-based compensation	456	685
Depreciation	19	418
Noncash interest expense	1,109	1,134
Noncash right-of-use asset amortization	82	1,208
Net gain on lease termination	-	(459)
Net loss on disposal of property and equipment	11	1,858
Changes in operating assets and liabilities:		
Trade accounts receivable	1,121	(4,072)
Inventories	637	1,705
Prepaid and other assets	349	2,435
Accounts payable	(987)	2,167
Accrued expenses and other liabilities	1,000	840
Accrued compensation	671	(625)
Operating lease liabilities	(81)	(1,388)
Net cash and restricted cash used in operating activities	(1,018)	(6,434)
Cash flows from investing activities:		
Purchases of property and equipment	(14)	(4)
Net cash and restricted cash used in investing activities	(14)	(4)
Cash flows from financing activities:		
Proceeds from issuance of common stock - exercise of warrants	-	160
Borrowings under term notes	-	2,138
Proceeds from reinstatement of Merger Agreement – Related Party	1,000	-
Borrowings under short-term debt	397	-
Payments under notes carried at fair value	(253)	-
Net cash and restricted cash provided by financing activities	1,144	2,298
Net change in cash, cash equivalents and restricted cash	112	(4,140)
Cash, cash equivalents and restricted cash, beginning of period	580	4,776
Cash, cash equivalents and restricted cash, end of period	$ 692	$ 636
Supplemental disclosure of noncash investing and financing activities:		
Issuance of common stock upon exercise of purchase rights	157	186
Series E-1 shares deemed dividends	94	-
Issuance of common stock upon conversion of notes	51	-
Issuance of common stock upon exercise of warrants	15	-
Purchases of property and equipment included in accounts payable and accrued expenses	78	-

See accompanying notes to condensed consolidated financial statements (unaudited).

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Basis of Presentation

Description of Business

Evofem is a San Diego-based biopharmaceutical company focused on commercializing innovative products to address unmet needs in women's sexual and reproductive health.

The Company's first commercial product, Phexxi® (lactic acid, citric acid, and potassium bitartrate) vaginal gel (Phexxi), was approved by the U.S. Food and Drug Administration (FDA) on May 22, 2020, and is the first and only FDA-approved, hormone-free, woman-controlled, on-demand prescription contraceptive gel. The Company commercially launched Phexxi in September 2020 and has grown net sales in each successive year. Phexxi net product sales were $16.8 million in 2022 and increased to $18.2 million in 2023.

On December 11, 2023, the Company entered into an Agreement and Plan of Merger, as amended, (the Merger Agreement) with Aditxt, Inc., a Delaware corporation (Aditxt) and Adifem, Inc. (f/k/a Adicure, Inc.), a Delaware corporation and a wholly-owned Subsidiary of Aditxt (Merger Sub), respectively, (collectively, the Parties), pursuant to which, and on the terms and subject to the conditions thereof, the Merger Sub is expected to merge with and into the Company, with the Company surviving as a wholly owned subsidiary of Aditxt (the Merger). As discussed in Note 10 – Subsequent Events, the Parties entered into an amended and restated the Merger Agreement (the A&R Merger Agreement) in July 2024 and are working toward closing in late 2024.

Basis of Presentation and Principles of Consolidation

The Company prepared the unaudited interim condensed consolidated financial statements included in this Quarterly Report in accordance with accounting principles generally accepted (GAAP) in the United States for interim financial information and the rules and regulations of the Securities and Exchange Commission (SEC) related to quarterly reports on Form 10-Q.

The Company's financial statements are presented on a consolidated basis, which include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The unaudited interim condensed consolidated financial statements do not include all information and disclosures required by GAAP for annual audited financial statements and should be read in conjunction with the Company's condensed consolidated financial statements and notes thereto for the year ended December 31, 2023 included in its Annual Report on Form 10-K as filed with the SEC on March 27, 2024 (the 2023 Audited Financial Statements).

The unaudited interim condensed consolidated financial statements included in this report have been prepared on the same basis as the Company's audited consolidated financial statements and include all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations, cash flows, and statements of convertible and redeemable preferred stock and stockholders' deficit for the periods presented. The results for the three and six months ended June 30, 2024 are not necessarily indicative of the results expected for the full year. The condensed consolidated balance sheet as of December 31, 2023 was derived from the 2023 Audited Financial Statements.

Risks, Uncertainties and Going Concern

Any disruptions in the commercialization of Phexxi and/or its supply chain could have a material adverse effect on the Company's business, results of operations and financial condition.

The condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities, in the normal course of business, and does not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

The Company's principal operations are related to the commercialization of Phexxi and, following its acquisition in July 2024, SOLOSEC. Additional activities have included raising capital, identifying alternative manufacturing to lower Phexxi cost of goods sold (COGS), seeking ex-U.S. licensing partners and product in-licensing/acquisition opportunities to add non-dilutive capital to the balance sheet, and establishing and maintaining a corporate infrastructure to support a commercial product. The Company has incurred operating losses and negative cash flows from operating activities since inception. As of June 30, 2024, the Company had a working capital deficit of $66.0 million and an accumulated deficit of $892.3 million.

Since October 3, 2022, the Company's common stock has traded on the OTC Venture Market (the OTCQB) of the OTC Markets Group, Inc., a centralized electronic quotation service for over-the-counter securities, under the symbol "EVFM." The OTCQB imposes, among other requirements, a minimum $0.01 per share bid price requirement (the Bid Price Requirement) for continued inclusion on the OTCQB. The closing bid price for the Company's common stock must remain at or above $0.01 per share to comply with the Bid Price Requirement for continued listing. As of August 8, 2024, the closing price was $0.01.

Management's plans to meet its cash flow needs in the next 12 months include generating recurring product revenue from Phexxi and SOLOSEC, restructuring its current payables, and obtaining additional funding through means such as the issuance of its capital stock, non-dilutive financings, or through collaborations or partnerships with other companies, including license agreements for Phexxi in the U.S. or foreign markets, SOLOSEC in foreign markets, or other potential business combinations.

The Company anticipates it will continue to incur net losses for the foreseeable future. According to management estimates, liquidity resources as of June 30, 2024 were not sufficient to maintain the Company's cash flow needs for the twelve months from the date of issuance of these condensed consolidated financial statements.

If the Company is not able to obtain the required funding through a significant increase in revenue, equity or debt financings, license agreements for Phexxi and/or SOLOSEC, or other means, or is unable to obtain funding on terms favorable to the Company, or if there is another event of default affecting the notes payable, there will be a material adverse effect on commercialization operations and the Company's ability to execute its strategic development plan for future growth. If the Company cannot successfully raise additional funding and implement its strategic development plan, the Company may be forced to make further reductions in spending, including spending in connection with its commercialization activities, extend payment terms with suppliers, liquidate assets where possible at a potentially lower amount than as recorded in the condensed consolidated financial statements, suspend or curtail planned operations, or cease operations entirely. Any of these could materially and adversely affect the Company's liquidity, financial condition and business prospects, and the Company would not be able to continue as a going concern. The Company has concluded that these circumstances and the uncertainties associated with the Company's ability to obtain additional equity or debt financing on terms that are favorable to the Company, or at all, and otherwise succeed in its future operations raise substantial doubt about the Company's ability to continue as a going concern.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and the notes thereto.

Significant estimates affecting amounts reported or disclosed in the condensed consolidated financial statements include, but are not limited to: the assumptions used in measuring the revenue gross-to-net variable consideration items; the trade accounts receivable credit loss reserve estimate; the assumptions used in estimating the fair value of convertible notes, preferred stock, warrants and purchase rights issued; the assumptions used in the valuation of inventory; the useful lives of property and equipment; the recoverability of long-lived assets; and the valuation of deferred tax assets. These assumptions are more fully described in Note 3 – Revenue, Note 4 – Debt, Note 6 - Fair Value of Financial Instruments, Note 7 - Commitments and Contingencies, and Note 9 - Stock-based Compensation. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances and adjusts when facts and circumstances dictate. The estimates are the basis for making judgments about the carrying values of assets, liabilities and recorded expenses that are not readily apparent from other sources. As future events and their effects cannot be determined with precision, actual results may materially differ from those estimates or assumptions.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker, the Chief Executive Officer of the Company, in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business in one operating segment.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents and restricted cash. Deposits in the Company's checking, time deposit and investment accounts are maintained in federally insured financial institutions and are subject to federally insured limits or limits set by Securities Investor Protection Corporation. The Company invests in funds through a major U.S. bank and is exposed to credit risk in the event of default to the extent of amounts recorded on the condensed consolidated balance sheets.

The Company has not experienced any losses in such accounts and believes it is not exposed to significant concentrations of credit risk on its cash, cash equivalents and restricted cash balances on amounts in excess of federally insured limits due to the financial position of the depository institutions in which these deposits are held.

The Company is also subject to credit risk related to its trade accounts receivable from product sales. Its customers are located in the U.S. and consist of wholesale distributors, retail pharmacies, and mail-order specialty pharmacies. The Company extends credit to its customers in the normal course of business after evaluating their overall financial condition and evaluates the collectability of its accounts receivable by periodically reviewing the age of the receivables, the financial condition of its customers, and its past collection experience. Historically, the Company has not experienced any credit losses. As of June 30, 2024, based on the evaluation of these factors the Company did not record a reserve for expected credit loss.

Products are distributed primarily through three major distributors and mail-order pharmacies, who receive service fees calculated as a percentage of the gross sales, and a fee-per-unit shipped, respectively. These entities are not obligated to purchase any set number of units. They distribute products on demand as orders are received.

For the three and six months ended June 30, 2024, the Company's three largest customers combined made up approximately 75% and 79% of its gross product sales, respectively. For the three and six months ended June 30, 2023, the Company's three largest customers combined made up approximately 81% and 84% of its gross product sales, respectively. As of June 30, 2024 and December 31, 2023, the Company's three largest customers combined made up 82% and 87%, respectively, of its trade accounts receivable balance.

Significant Accounting Policies

There have been no changes to the significant accounting policies that were described in Note 2 – Summary of Significant Accounting Policies of the 2023 Audited Financial Statements in the Company's Annual Report.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of readily available cash in checking accounts and money market funds. Restricted cash consists of cash held in monthly time deposit accounts and letters of credit as described in Note 7- Commitments and Contingencies. During the six months ended June 30, 2023, the letters of credit of $0.3 million for the Company's fleet leases were released. Upon receipt of a notice of default from its landlord on March 20, 2023, for failing to pay March 2023 rent timely resulting in a breach under the office lease agreement, the Company's letter of credit in the amount of $0.8 million in restricted cash was recovered by the landlord.

Additionally, the remaining funds of the $25.0 million received from the issuance of Adjuvant Notes (as defined below) in the fourth quarter of 2020 are classified as restricted cash since the Company is contractually obligated to use these funds for specific purposes.

For the six months ended June 30, 2023 and 2024, the Company's cash, cash equivalents, and restricted cash reported within the condensed consolidated statements of cash flows include restricted cash only.

Net Income (Loss) Per Share

Basic net income (loss) per share attributable to common stockholders is calculated by dividing the net income (loss) by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. The net income (loss) available to common stockholders is adjusted for amounts in accumulated deficit related to the deemed dividends triggered for certain financial instruments. Such adjustment was immaterial and zero in the three and six months ended June 30, 2024 and 2023, respectively. Diluted net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of common shares and potentially dilutive securities outstanding for the period determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share calculation, potentially dilutive securities are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive; therefore, basic and diluted net loss per share were the same for the six months ended June 30, 2024 as well as for the three and six months ended June 30, 2023. Potentially dilutive securities excluded from the calculation of diluted net loss per share are summarized in the table below. Common shares were calculated for the convertible preferred stock and the convertible debt using the if-converted method.

	Six months ended June 30,	
	2024	**2023**
Options to purchase common stock	3,713	4,268
Warrants to purchase common stock	20,807,539	3,642,343
Purchase rights to purchase common stock	1,546,948,899	28,783,233
Convertible debt	2,528,800,006	158,575,812
Series E-1 and F-1 preferred stock	1,574,554,784	-
Total	5,671,114,941	191,005,656

(1) The potentially dilutive securities in the table above include all potentially dilutive securities that are not included in the diluted EPS as per U.S. GAAP, whereas the total common stock reserved for future issuance in Note 8 – Convertible and Redeemable Preferred Stock and Stockholders' Deficit includes the shares that must legally be reserved based on the applicable instruments' agreements.

The following table sets forth the computation of net income attributable to common shareholders, weighted average common shares outstanding for diluted net income per share, and diluted net income per share attributable to common shareholders for the three months ended June 30, 2024 (in thousands, except share and per share amounts).

	Three Months Ended June 30,
	2024
Numerator:	
Net income attributable to common stockholders	$ 1,304
Adjustments:	
Change in fair value of purchase rights	(3,300)
Net loss attributable to common stockholders	$ (1,996)
Denominator:	
Weighted average shares used to compute net income attributable to common stockholder, basic	66,773,313
Add:	
Pro forma adjustments to reflect assumed exercise of outstanding purchase rights	1,546,948,899
Weighted average shares used to compute net loss attributable to common stockholder, diluted	1,613,722,212

Net income per share attributable to common stockholders, diluted	$ (0.00)

Recently Adopted Accounting Pronouncements open to update

No significant new standards were adopted during the six months ended June 30, 2024.

Recently Issued Accounting Pronouncements — Not Yet Adopted

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standards setting bodies that are adopted as of the specified effective date.

In October 2023, the FASB issued ASU No. 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, designed to clarify or improve disclosure and presentation requirements on a variety of topics and align the requirements in the FASB Accounting Standards Codification (ASC) with the SEC regulations. This guidance is effective for the Company no later than June 30, 2027. The Company will adopt ASU No. 2023-06 by complying with the various disclosure requirements but does not expect the requirements to have a material impact on the consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, *Improvements to Reportable Segment Disclosures*, designed to improve financial reporting by requiring disclosure of incremental segment information to enable investors to develop more decision-useful financial analyses. ASU No. 2023-07 will be effective for the Company beginning with the annual filing for the period ended December 31, 2024 and will require retroactive application to comparison periods presented. For Companies that have only one reportable segment (such as the Company), all the requirements of ASU No. 2023-07 will be required to be disclosed regarding the one reportable segment. The Company is still evaluating the impact of ASU No. 2023-07 on the consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes: Improvements to Income Tax Disclosures* addressing income tax disclosures, requiring entities to annually disclose specific categories in the rate reconciliation and provide additional information for certain reconciling items and categories. ASU No. 2023-09 will be effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. The Company will adopt ASU No. 2023-09 by adding the required disclosures for the December 31, 2024 Annual Report.

The Company does not believe the impact of any other recently issued standards and any issued but not yet effective standards will have a material impact on its condensed consolidated financial statements upon adoption.

3. Revenue

The Company recognizes revenue from the sale of Phexxi and will recognize future revenue from SOLOSEC in accordance with ASC 606, *Revenue from Contracts with Customers* (ASC 606). The provisions of ASC 606 require the following steps to determine revenue recognition: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

In accordance with ASC 606, the Company recognizes revenue when its performance obligation is satisfied by transferring control of the product to a customer. In accordance with the Company's contracts with customers, control of the product is transferred upon the conveyance of title, which occurs when the product is sold to and received by a customer. The Company's customers are located in the U.S. and consist of wholesale distributors, retail pharmacies, and mail-order specialty pharmacies. Payment terms typically range from 31 to 66 days, include prompt pay discounts, and vary by customer. Trade accounts receivable due to the Company from contracts with its customers are stated separately in the condensed consolidated balance sheets, net of various allowances as described in the Trade Accounts Receivable policy in Note 2 – Summary of Significant Accounting Policies to the 2023 Audited Financial Statements.

The amount of revenue recognized by the Company is equal to the amount of consideration that is expected to be received from the sale of product to its customers. Revenue is only recognized when the performance obligation is satisfied. To determine whether a significant reversal will occur in future periods, the Company assesses both the likelihood and magnitude of any such potential reversal of revenue.

Products are sold to customers at the wholesale acquisition cost (WAC) or, in some cases, at a discount to WAC. However, the Company records product revenue net of reserves for applicable variable consideration. These types of variable consideration reduce revenue and include the following:

- Distribution services fees
- Prompt pay and other discounts
- Product returns
- Chargebacks
- Rebates
- Patient support programs, including our co-pay programs

An estimate for variable consideration is made with each sale and is recorded in conjunction with the revenue being recognized. To calculate the variable consideration, the Company uses the expected value method and the estimated amounts are recorded as a reduction to accounts receivable or as a current liability based on the nature of the allowance and the terms of the related arrangements. An estimated amount of variable consideration may differ from the actual amount. At each balance sheet date, these provisions are analyzed and adjustments are made if necessary. Any adjustments made to these provisions would also affect net product revenue and earnings.

In accordance with ASC 606, the Company must make significant judgments to determine the estimate for certain variable consideration. For example, the Company must estimate the percentage of end-users that will obtain the product through public insurance, such as Medicaid, versus private commercial insurance. To determine these estimates, the Company relies on historical sales data showing the amount of various end-user consumer types, inventory reports from the wholesale distributors and mail-order specialty pharmacies, and other relevant data reports.

The specific considerations that the Company uses in estimating these amounts related to variable consideration are as follows:

Distribution services fees – The Company pays distribution service fees to its wholesale distributors and mail-order specialty pharmacies. These fees are a contractually fixed percentage of WAC and are calculated at the time of sale based on the purchase amount. The Company considers these fees to be separate from the customer's purchase of the product and, therefore, they are recorded in other current liabilities on the condensed consolidated balance sheets.

Prompt pay and other discounts – The Company incentivizes its customers to pay their invoices on time through prompt pay discounts. These discounts are an industry standard practice, and the Company offers a prompt pay discount to each wholesale distributor and retail pharmacy customer. The specific prompt pay terms vary by customer and are contractually fixed. Prompt pay discounts are typically taken by the Company's customers, so an estimate of the discount is recorded at the time of sale based on the purchase amount. Prompt pay discount estimates are recorded as contra trade accounts receivable on the condensed consolidated balance sheets.

The Company may also give other discounts to its customers to incentivize purchases and promote customer loyalty. The terms of such discounts may vary by customer. These discounts reduce gross product revenue at the time the revenue is recognized.

Chargebacks – Certain government entities and covered entities (e.g., Veterans Administration, 340B covered entities, group purchasing organizations) are able to purchase products at a price discounted below WAC. The difference between the government or covered entity purchase price and the wholesale distributor purchase price of WAC will be charged back to the Company. The Company estimates the amount of each chargeback channel based on the expected number of claims in each channel and related chargeback that is associated with the revenue being recognized for product that remains in the distribution channel at the end of each reporting period. Estimated chargebacks are recorded as contra trade accounts receivable on the condensed consolidated balance sheets.

Rebates – The Company is subject to mandatory discount obligations under the Medicaid and Tricare programs. The rebate amounts for these programs are determined by statutory requirements or contractual arrangements. Rebates are owed after the product has been dispensed to an end user and the Company has been invoiced. Rebates for Medicaid and Tricare are typically invoiced in arrears. The Company estimates the amount of rebates based on the expected number of claims and related cost that is associated with the revenue being recognized for product that remains in the distribution channel at the end of each reporting period. Rebate estimates are recorded as other current liabilities on the condensed consolidated balance sheets.

Patient support programs – The Company voluntarily offers a co-pay program to provide financial assistance to patients meeting certain eligibility requirements. The Company estimates the amount of financial assistance for these programs based on the expected number of claims and related cost associated with the revenue being recognized for product that remains in the distribution channel at the end of each reporting period. Patient support programs estimates are recorded as other current liabilities on the condensed consolidated balance sheets.

Product returns – Customers have the right to return product that is within six months or less of the labeled expiration date or that is past the expiration date by no more than twelve months. Phexxi was commercially launched in September 2020 with a 30-month shelf life. The shelf life increased to 48 months in June 2022. The Company uses historical sales and return data to estimate future product returns. Product return estimates are recorded as other current liabilities on the condensed consolidated balance sheets.

The variable considerations discussed above were recorded in the condensed consolidated balance sheets and consisted of $0.1 million and $0.3 million in contra trade accounts receivable as of June 30, 2024 and December 31, 2023, respectively and $3.6 million and $3.2 million in other current liabilities as of June 30, 2024 and December 31, 2023, respectively.

4. Debt

Convertible Notes

Baker Bros. Notes (temporarily owned by Aditxt from December 11, 2023 through February 26, 2024)

On April 23, 2020, the Company entered into a Securities Purchase and Security Agreement (the Baker Bros. Purchase Agreement) with certain affiliates of Baker Bros. Advisors LP, as purchasers (the Baker Purchasers), and Baker Bros. Advisors LP, as designated agent, pursuant to which the Company agreed to issue and sell to the Baker Purchasers (i) convertible senior secured promissory notes (the Baker Notes) in an aggregate principal amount of up to $25.0 million and (ii) warrants to purchase shares of common stock (the Baker Warrants) in a private placement, which closed in two closings (April 24, 2020, the Baker Initial Closing, and June 9, 2020, the Baker Second Closing) As a result of the two closings, the Company issued and sold Baker Notes with an aggregate principal amount of $25.0 million and Baker Warrants exercisable for 2,731 shares of common stock. Upon the completion of the underwritten public offering in June 2020, the exercise price of the Baker Warrants was $4,575 per share. The Baker Warrants have a five-year term with a cashless exercise provision and are immediately exercisable at any time from their respective issuance date.

The Baker Notes have a five-year term, with no pre-payment ability during the first three years. Interest on the unpaid principal balance of the Baker Notes (the Baker Outstanding Balance) accrues at 10.0% per annum, with interest accrued during the first year from the two respective closing dates recognized as payment-in-kind. The effective interest rate for the period was 10.0%. Accrued interest beyond the first year of the respective closing dates is to be paid in arrears on a quarterly basis in cash or recognized as payment-in-kind, at the direction of the Baker Purchasers. As discussed below, with the amendment to the Baker Bros. Purchase Agreement, interest payments were paid in-kind. Interest pertaining to the Baker Notes for the three and six months ended June 30, 2024 was approximately $2.6 million and $5.1 million, respectively, which was added to the outstanding principal balance. Interest pertaining to the Baker Notes for the three and six months ended June 30, 2023 was approximately $2.4 million and $3.8 million, respectively, which was added to the outstanding principal balance. The Company accounts for the Baker Notes under the fair value method as described below and, therefore, the interest associated with the Baker Notes is included in the fair value determination.

The Baker Notes were callable by the Company on 10 days' written notice beginning on the third anniversary of the initial closing date of April 24, 2020 at a call price equal to 100% of the Baker Outstanding Balance plus accrued and unpaid interest if the Company's common stock as measured using a 30-day volume weighted average price (VWAP) was greater than the benchmark price of $9,356.25 as stated in the Baker Bros. Purchase Agreement, or 110% of the Baker Outstanding Balance plus accrued and unpaid interest if the VWAP was less than such benchmark price. The Baker Purchasers also had the option to require the Company to repurchase all or any portion of the Baker Notes in cash upon the occurrence of certain events. In a repurchase event, as defined in the Baker Bros. Purchase Agreement, the repurchase price will equal 110% of the Baker Outstanding Balance plus accrued and unpaid interest. In the event of default or the Company's change of control, the repurchase price would equal to the sum of (x) three times of the Baker Outstanding Balance plus (y) the aggregate value of future interest that would have accrued. The Baker Notes were convertible at any time at the option of the Baker Purchasers at the conversion price of $4,575 per share prior to the First and Second Baker Amendments (as defined below).

On November 20, 2021, the Company entered into the first amendment to the Baker Bros. Purchase Agreement (the First Baker Amendment), in which each Baker Purchaser had the right to convert all or any portion of the Baker Notes into common stock at a conversion price equal to the lesser of (a) $4,575 and (b) 115% of the lowest price per share of common stock (or, as applicable with respect to any equity securities convertible into common stock, 115% of the applicable conversion price) sold in one or more equity financings until the Company has met a qualified financing threshold defined as one or more equity financings resulting in aggregate gross proceeds to the Company of at least $50 million (the Financing Threshold).

The First Baker Amendment also extended, effective upon the Company's achievement of the Financing Threshold, the affirmative covenant to achieve $100.0 million in cumulative net sales of Phexxi by June 30, 2022 to June 30, 2023. Additionally per the First Baker Amendment, if the Company were to issue warrants to purchase capital stock of the Company (or other similar consideration) in any equity financing that closed on or prior to the date on which the Company met the Financing Threshold, the Company was required to issue to the Baker Purchasers an equivalent coverage of warrants (or other similar consideration) on the same terms as if the Baker Purchasers had participated in the financing in an amount equal to the then outstanding principal of Baker Notes held by the Baker Purchasers. In satisfaction of this requirement and in connection with the closing of the May 2022 Public Offering, the Company issued warrants to purchase 582,886 shares of the Company's common stock at an exercise price of $93.75 per share to the Baker Purchasers (the June 2022 Baker Warrants). As required by the terms of the First Baker Amendment, the June 2022 Baker Warrants have substantially the same terms as the warrants issued in the May 2022 Public Offering. Refer to Note 8 – Convertible and Redeemable Preferred Stock and Stockholders' Deficit for further information. The exercise price of the initial Baker Warrants and the June 2022 Baker Warrants was reset multiple times as a result of various Notes issuances in accordance with the agreement. The exercise price was $0.0154 per share as of June 30, 2024.

On March 21, 2022, the Company entered into the second amendment to the Baker Bros. Purchase Agreement (the Second Baker Amendment), which granted each Baker Purchaser the right to convert all or any portion of the Baker Notes into common stock at a conversion price equal to the lesser of (a) $725.81 or (b) 100% of the lowest price per share of common stock (or as applicable with respect to any equity securities convertible into common stock, 100% of the applicable conversion price) sold in any equity financing until the Company (i) met the qualified financing threshold by June 30, 2022, defined as a single underwritten financing resulting in aggregate gross proceeds to the Company of at least $20 million (Qualified Financing Threshold) and (ii) disclosed top-line results from the *EVOGUARD* clinical trial (the Clinical Trial Milestone) on or before October 31, 2022. The Second Baker Amendment also provided that the exercise price of the Baker Warrants will equal the conversion price of the Baker Notes. The Company met the Qualified Financing Threshold upon the closing of the May 2022 Public Offering, and as of September 30, 2022, the conversion price and exercise price of the Baker Warrants was reset to $93.75. The Company achieved the Clinical Trial Milestone in October 2022. Also, with the achievement of the Qualified Financing Threshold and the Clinical Trial Milestone, the affirmative covenant to achieve $100.0 million in cumulative net sales of Phexxi was extended to June 30, 2023, which was subsequently waived via the Baker Fourth Amendment as discussed below.

On September 15, 2022, the Company entered into the third amendment to the Baker Bros. Purchase Agreement (the Third Baker Amendment), pursuant to which the conversion price was amended to $26.25, subject to adjustment for certain dilutive Company equity issuance adjustments for a two-year period; an interest make-whole payment due in certain circumstances was removed; and certain change of control and liquidation payment amounts were reduced from three times the outstanding amounts of the Baker Notes to two times the outstanding amounts. In addition, the Third Baker Amendment provided that the Company may make future interest payments to the Baker Purchasers in kind or in cash, at the Company's option. On the same day, the Company also entered into a Secured Creditor Forbearance Agreement with the Baker Purchasers (Baker Forbearance Agreement), according to which the Baker Purchasers agreed to forebear the defaults that existed at that time.

On December 19, 2022, the Company entered into the First Amendment to the Forbearance Agreement (the Amendment) effective as of December 15, 2022 to amend certain provisions of the Forbearance Agreement dated September 15, 2022. The Amendment revised the Forbearance Agreement to (i) amend the Fifth Recital Clause to clarify that the Purchasers consent to any additional indebtedness *pari passu*, but not senior to that of the Purchasers, in an amount not to exceed $5.0 million, and (ii) strike and entirely replace Section 4 to clarify the terms of the Purchasers' consent to Interim Financing (as defined therein). No other revisions were made to the Forbearance Agreement.

On March 7, 2023, Baker Bros. Advisors, LP (the Designated Agent) provided a Notice of Event of Default and Reservation of Rights (the Notice of Default) relating to the Baker Bros. Purchase Agreement. The Notice of Default claimed that the Company failed to maintain the "Required Reserve Amount" as required by the Third Baker Amendment. The Designated Agent, at the direction of the Baker Purchasers, accelerated repayment of the outstanding balance payable. As a result, approximately $92.7 million, representing two times the sum of the outstanding balance and all accrued and unpaid interest thereon and all other amounts due under the Baker Bros. Purchase Agreement and other documents, was due and payable within three business days of receipt of the Notice of Default. In addition, the Company did not meet the $100.0 million cumulative net sales threshold by June 30, 2023 and as such was in default as of that date. As discussed below, all existing defaults were cured upon the signing of the Fourth Baker Amendment.

On September 8, 2023, the Company entered into the Fourth Amendment to the Baker Bros. Purchase Agreement (the Fourth Baker Amendment) with the Baker Purchasers. The Fourth Amendment amends certain provisions within the Baker Bros. Purchase Agreement including:

(i) the rescission of the Notice of Default delivered to the Company on March 7, 2023 and waiver of the Events of Default named therein;

(ii) the waiver of any and all other Events of Default existing as of the Fourth Amendment date;

(iii) the removal of the conversion feature into shares of Company common stock, including the removal of any requirement to reserve shares of common stock for conversion of the Baker Notes as well as any registration rights related thereto;

(iv) the clarification that for the sole purpose of enabling ex-U.S. license agreements for such assets, any Patents, Trademarks or Copyrights acquired after the Effective Date shall be excluded from the definition of Collateral; and,

(v) the removal of the requirement for the Company to achieve $100 million in cumulative net Phexxi sales in the specified timeframe.

The outstanding balance of the Baker Notes will continue to accrue interest at 10% per annum and, in the event of a default in the agreement or a failure to pay the Repurchase Price (as defined below) on or before September 8, 2028 (the Maturity Date), the Baker Purchasers may collect on the full principal amount then outstanding.

The Company paid the required $1.0 million upfront payment in September 2023, and is required to make quarterly cash payments based upon a percentage of the Company's global net product revenue. The cash payments will be determined based upon the quarterly global net revenue of Phexxi according to the table below.

Quarterly global net revenue	**Quarterly cash payment**
≤ $5.0 million	3% of such global net revenues
>$5.0 million and ≤ $7.0 million	3% on net revenue ≤ $5.0 million; 4% on the net revenue over $5.0 million
Greater than $7.0 million	3% on the net revenue ≤ $5.0 million; 4% on the net revenue over $5.0 million and up to $7.0 million; 5% on net revenue over $7.0 million

The cash payments were payable beginning in the fourth quarter of 2023 and have been timely paid.

Regardless of the percentage paid, the quarterly cash payment amounts, along with the $1.0 million upfront payment, will be deducted from the Repurchase Price as Applicable Reductions.

The Fourth Amendment also granted the Company the ability to repurchase the principal amount and accrued and unpaid interest of the Baker Notes for up to a five-year period for the one-time Repurchase Price designated below:

Date of Notes' Repurchase	**Repurchase Price**
On or prior to September 8, 2024	$14,000,000 (less Applicable Reductions)
September 9, 2024-September 8, 2025	$16,750,000 (less Applicable Reductions)
September 9, 2025-September 8, 2026	$19,500,000 (less Applicable Reductions)
September 9, 2026-September 8, 2027	$22,250,000 (less Applicable Reductions)
September 9, 2027-September 8, 2028	$25,000,000 (less Applicable Reductions)

The Company evaluated whether any of the Embedded Features required bifurcation as a separate component. The Company elected the fair value option (FVO) under ASC 825, *Financial Instruments* (ASC 825), as the Baker Notes are qualified financial instruments and are, in whole, classified as liabilities. Under the FVO, the Company recognized the debt instrument at fair value, inclusive of the Embedded Features, with changes in fair value related to changes in the Company's credit risk being recognized as a component of accumulated other comprehensive loss in the condensed consolidated balance sheets. All other changes in fair value were recognized in the condensed consolidated statements of operations.

Due to the execution of the Fourth Baker Amendment, the Company reviewed the Baker Notes in accordance with ASC 470, *Debt* (ASC 470). Because the Baker Notes were recorded under the FVO, the Fourth Amendment was outside the scope of ASC 470-60 and as such did not qualify as a troubled debt restructuring (TDR). The Baker Notes were evaluated in accordance with ASC 470 and were determined to have failed certain qualitative factors to qualify as a modification and, therefore, were accounted for as an extinguishment. The Company removed the fair value of the old Baker Notes of $15.6 million and the related accumulated other comprehensive income of $73.2 million as of the date of extinguishment and recorded the fair value of the new Baker Notes, as measured on the date of the Baker Fourth Amendment as $12.5 million, and recognized a gain of approximately $75.3 million within the condensed consolidated statements of operations, in the gain (loss) on issuance of financial instruments line item, upon extinguishment in the year ended December 31, 2023. The gain included recognizing $73.2 million that had previously been a component of other comprehensive income as part of the prior quarterly revaluations using the valuation methods discussed in Note 6 – Fair Value of Financial Instruments.

As part of the consideration for the Merger, on December 11, 2023, the Baker Purchasers signed an agreement to assign the Baker Notes to Aditxt (the December Assignment Agreement). Upon this December Assignment Agreement, Aditxt assumed all terms under the Baker Notes, with Aditxt becoming the new senior secured debtholder of the Company, governed by the requirements under the Fourth Baker Amendment. The Baker Notes were re-assigned back to the Baker Purchasers on February 26, 2024 (the February Assignment Agreement).

Due to the execution of the February Assignment Agreement, the Company reviewed the Baker Notes in accordance with ASC 470. The Baker Notes, having been effectively terminated, were extinguished on February 26, 2024, resulting in removing the fair value of the old Baker Notes of $13.5 million. The newly re-assigned Baker Notes were subsequently recorded at fair value using the valuation methods discussed in Note 6 – Fair Value of Financial Instruments.

As of June 30, 2024, the Baker Notes are recorded at fair value in the condensed consolidated balance sheet as short-term Notes – carried at fair value with a total fair value of $12.3 million, and the total outstanding balance including principal and accrued interest is $104.3 million. During the three and six months ended June 30, 2024, the Company paid a total of $0.3 million in required cash payments as described above.

On July 23, 2024, the Baker Purchasers assigned the Baker Notes to Future Pak, LLC, as discussed in Note 10 – Subsequent Events.

Adjuvant Notes

On October 14, 2020, the Company entered into a Securities Purchase Agreement (the Adjuvant Purchase Agreement) with Adjuvant Global Health Technology Fund, L.P., and Adjuvant Global Health Technology Fund DE, L.P. (together, the Adjuvant Purchasers), pursuant to which the Company sold unsecured convertible promissory notes (the Adjuvant Notes) in aggregate principal amount of $25.0 million.

The Adjuvant Notes have a five-year term, and in connection with certain Company change of control transactions, the Adjuvant Notes may be prepaid at the option of the Company or will become payable on the date of the consummation of a change of control transaction at the option of the Adjuvant Purchasers. The Adjuvant Notes accrue interest at 7.5% per annum on a quarterly basis in arrears to the outstanding balance of the Adjuvant Notes and are recognized as payment-in-kind. The effective interest rate for the six months ended June 30, 2024 was 8.8%.

Interest expense for the Adjuvant Notes consist of the following, and is included in other income (expense), net on the condensed consolidated statements of operations for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Coupon interest	$ 546	$ 507	$ 1,081	$ 1,004
Amortization of issuance costs	-	60	28	128
Total	$ 546	$ 567	$ 1,109	$ 1,132

The Adjuvant Notes are convertible, subject to customary 4.99% and 19.99% beneficial ownership limitations, into shares of the Company's common stock, par value $0.0001 per share, at any time at the option of the Adjuvant Purchasers at a conversion price of $6,843.75 per share. In connection with certain Company change of control transactions, the Adjuvant Notes may be prepaid at the option of the Company or will become payable at the option of the Adjuvant Purchasers. To the extent not previously prepaid or converted, the Adjuvant Notes were originally automatically convertible into shares of the Company's common stock at a conversion price of $6,843.75 per share immediately following the earliest of the time at which the (i) 30-day value-weighted average price of the Company's common stock was $18,750 per share, or (ii) the Company achieved cumulative net sales of $100.0 million, provided such net sales were achieved prior to July 1, 2022.

On April 4, 2022, the Company entered into the first amendment to the Adjuvant Purchase Agreement (the Adjuvant Amendment). The Adjuvant Amendment extended the affirmative covenant to achieve $100.0 million in cumulative net sales of Phexxi by June 30, 2022 to June 30, 2023. The Adjuvant Amendment also provided for an adjustment to the conversion price of the Adjuvant Notes such that the conversion price (the Conversion Price) for these Notes, effective as of the May 2023 reverse stock split, will now be the lesser of (i) $678.49 and (ii) 100% of the lowest price per share of common stock (or with respect to securities convertible into common stock, 100% of the applicable conversion price) sold in any equity financing until the Company has met the Qualified Financing Threshold. Effective as of the Company's achievement of the Qualified Financing Threshold, the automatic conversion provisions in the Agreement were further amended to provide that the Adjuvant Notes will automatically convert into shares of the Company's common stock at the Conversion Price immediately following the earliest of the time at which the (i) 30-day value-weighted average price of the Company's common stock is $18,750 per share, or (ii) the Company achieves cumulative net sales of Phexxi of $100.0 million, provided such net sales were achieved prior to July 1, 2023.

The Adjuvant Notes contain various customary affirmative and negative covenants agreed to by the Company. On September 12, 2022, the Company was in default of the Adjuvant Notes due to the default with the Baker Notes under the cross-default provision. On September 15, 2022, the Company entered into a Forbearance Agreement (the Adjuvant Forbearance Agreement) with the Adjuvant Purchasers, pursuant to which the Adjuvant Purchasers agreed to forbear from exercising any of their rights and remedies during the Forbearance Period as defined in therein, but solely with respect to the specified events of default provided under the Adjuvant Forbearance Agreement.

On September 15, 2022, the Company also entered into the second amendment to the Adjuvant Purchase Agreement (the Second Adjuvant Amendment), pursuant to which the conversion price per share was reduced to $26.25, subject to adjustment for certain dilutive Company equity issuance adjustments for a two-year period. In addition, the Company entered into an exchange agreement, pursuant to which the Adjuvant Purchasers agreed to exchange 10% of the outstanding amount of the Adjuvant Notes as of September 15, 2022 (or $2.9 million) for rights to receive 109,842 shares of common stock (the Adjuvant Purchase Rights). The number of shares for each Adjuvant Purchase Right was initially fixed, but is subject to certain customary adjustments, and, until the second anniversary of issuance (i.e., October 14, 2022), adjustments for certain dilutive Company equity issuances. Refer to Note 8 – Convertible and Redeemable Preferred Stock and Stockholders' Deficit for discussion regarding additional issuances of purchase rights under this provision. The Adjuvant Purchase Rights expire on June 28, 2027 and do not have an exercise price per share and, therefore, will not result in cash proceeds to the Company. As of June 30, 2024, all Adjuvant Purchase Rights remain outstanding. The conversion price of the Adjuvant Notes was reset during the quarter and was $0.0154 as of June 30, 2024. Assuming this conversion price per share, the Adjuvant Notes could be converted into 1,925,093,273 shares of common stock.

The Adjuvant Notes are accounted for in accordance with authoritative guidance for convertible debt instruments and are classified as current liabilities in the condensed consolidated balance sheets. The aggregate proceeds of $25.0 million were initially classified as restricted cash for financial reporting purposes due to contractual stipulations that specify the types of expenses the money can be spent on and how it must be allocated. The conversion feature was required to be bifurcated as an embedded derivative because the Company did not have a sufficient number of shares reserved upon conversion as of March 31, 2023; however, the fair value of such feature was immaterial as of such date. As of June 30, 2023, the Company had a sufficient number of shares reserved and the conversion feature was reclassified to stockholders' deficit in accordance with ASC 815, *Derivatives and Hedging* (ASC 815) at that time. See Note 6 - Fair Value of Financial Instruments for a description of the accounting treatment for the Adjuvant Purchase Rights.

The Company was in default of the Adjuvant Notes as of September 30, 2023, due to the failure to meet the cumulative net sales requirement. However, Adjuvant forbore such default in October 2023 and therefore the Company is no longer in default.

As of June 30, 2024, the Adjuvant Notes are recorded in the condensed consolidated balance sheet as short-term convertible notes payable with a total balance of $29.6 million. The balance is comprised of $22.5 million in principal, net of unamortized debt issuance costs, and $7.1 million in accrued interest. As of December 31, 2023, the Adjuvant Notes were recorded in the condensed consolidated balance sheet as short-term convertible notes payable with a total balance of $28.5 million. The balance was comprised of $22.5 million in principal, net of unamortized debt issuance costs, and $6.1 million in accrued interest.

Term Notes

December 2022 and February, March, April, July, August, and September 2023 Notes (SSNs)

The Company entered into eight Securities Purchase Agreements (SPAs) between December 2022 and September 2023 with certain investors. Each of the agreements was materially similar. The variable details of each SPA, such as the principal amount of each note offering, net proceeds, and maturity date, are outlined in the table below. Pursuant to each SPA, the Company agreed to sell in a registered direct offering (i) unsecured 8.0% senior subordinated notes with the maturity dates and aggregate issue prices (ii) warrants to purchase the listed number of shares of the Company's common stock, $0.0001 par value per share (including prefunded common stock Warrants as a part of the September 2023 SPA) and (iii) Series D Preferred Stock (the Preferred Shares; December 2022 SPA only) (collectively, the Senior Subordinated Notes, or SSNs). The SSNs had net proceeds to the Company from, and are convertible at, the amounts listed below.

The SSNs' interest rates are subject to increase to 12% upon an event of default and the SSNs have no Company right to prepayment prior to maturity; however, the Company has the option to redeem the respective SSNs at a redemption premium of 32.5%. The Purchasers can also require the Company to redeem their respective SSNs a) at the respective premium rate tied to the occurrence of certain subsequent transactions, and b) in the event of subsequent placements (as defined). Also, pursuant to the terms of the SPAs, Purchasers have certain rights to participate in subsequent issuances of the Company's securities, subject to certain exceptions. Additionally, the conversion rate and warrant strike price are subject to adjustment upon the issuance of other securities (as defined) below the stated conversion rate and strike price at issuance. The strike prices adjusted as discussed in the table below.

The Company evaluated the SSNs in accordance with ASC 480 and determined that the Notes were all liability instruments at issuance. The applicable SSNs were then evaluated in accordance with the requirements of ASC 825 and the Company concluded that they were not precluded from electing the fair value option for the applicable SSNs.

The Company also evaluated the Warrants in accordance with ASC 480 and determined that the Warrants issued before the Reverse Stock Split in May 2023 were required to be recorded as liabilities at fair value in the Company's condensed consolidated balance sheets. The applicable SSNs were marked-to-market at each reporting date with changes in fair value recognized in the condensed consolidated statement of operations, unless the change is concluded to be related to changes in the Company's credit rating, in which case the change was recognized as a component of accumulated other comprehensive loss in the condensed consolidated balance sheets. As a result of the Reverse Stock Split, the Company had sufficient shares available for issuance to cover the potential exercises; therefore, the Warrants that were previously classified as liabilities were marked-to-market and reclassified to equity in May 2023. For the Warrants issued after the Reverse Stock Split, the Company determined they were required to be recorded in equity.

On December 21, 2023, warrants to purchase up to 9,972,074 shares of the Company's common stock were exchanged for 613 shares of the Company's series F-1 convertible and redeemable preferred stock (Series F-1 Shares, as defined below). The Series F-1 Shares, some of which were also issued based on the partial value of certain purchase rights, as described above, were immediately exchanged to Aditxt series A-1 preferred stock and 22,280 Series F-1 Shares were outstanding as of December 31, 2023 and June 30, 2024 and held by Aditxt. The Series F-1 Shares are to be cancelled upon the consummation of the Merger.

Summary of SSNs and Warrants at Issuance (December 2022 to September 2023):

						Conversion Price					
Notes	**Principal At Issuance (in Thousands)**	**Net Proceeds Before Issuance Costs (in Thousands)**	**Common Warrants**	**Preferred Shares**	**Maturity Date**	**At Issuance**	**At 6/30/2023**	**At 9/30/2023**	**At 12/31/2023**	**At 3/31/2024**	**At 6/30/2024**
December 2022 Notes	$ 2,308	$ 1,500	369,230	70 - Series D	12/21/2025	$ 6.25	$ 0.8125	$ 0.0845	$ 0.0615	$ 0.0158	$ 0.0154
February 2023 Notes[(1)]	1,385	900	653,538	-	2/17/2026	$ 2.50	$ 0.8125	$ 0.0845	$ 0.0615	$ 0.0158	$ 0.0154
March 2023 Notes	600	390	240,000	-	3/17/2026	$ 2.50	$ 0.8125	$ 0.0845	$ 0.0615	$ 0.0158	$ 0.0154
March 2023 Notes[(2)]	538	350	258,584	-	3/20/2026	$ 2.50	$ 0.8125	$ 0.0845	$ 0.0615	$ 0.0158	$ 0.0154
April 2023 Notes	769	500	615,384	-	3/6/2026	$ 1.25	$ 0.8125	$ 0.0845	$ 0.0615	$ 0.0158	$ 0.0154
July 2023 Notes	1,500	975	1,200,000	-	3/6/2026	$ 1.25	N/A	$ 0.0845	$ 0.0615	$ 0.0158	$ 0.0154
August 2023 Notes	1,000	650	799,999	-	8/4/2026	$ 1.25	N/A	$ 0.0845	$ 0.0615	$ 0.0158	$ 0.0154
September 2023 Notes[(3)]	2,885	1,875	26,997,041	-	9/26/2026	$ 0.13	N/A	$ 0.13	$ 0.0615	$ 0.0158	$ 0.0154
Total Offerings	$ 10,985	$ 7,140	31,133,776								

(1) Warrants include 99,692 issued to the placement agent.
(2) Warrants include 43,200 issued to the placement agent.
(3) Warrants include 22,189,349 common warrants at $0.13 per share and 4,807,692 pre-funded warrants exercisable at $0.001 per share.

Short-term Debt

Insurance Premium Finance Agreement

In June 2024, the Company entered into an insurance premium finance agreement with First Insurance Funding (FIF) to finance a portion of its current policy year's Directors and Officers (D&O) and general insurance policies. The total amount financed was $0.4 million at an annual interest rate of 8.57%. The Company will make nine equal payments, commencing in July 2024. The Company recorded the total financed amount as a Short-term debt on the Condensed Consolidated Balance Sheet. The interest expense, included in Other income (expense), net, in the Condensed Consolidated Statement of Operations, was immaterial for the three and six months ended June 30, 2024.

5. Balance Sheet Details

Inventories

Inventories consist of the following (in thousands) for the period indicated:

	June 30, 2024	December 31, 2023
Raw materials [1]	$ 430	$ 520
Work in process	354	386
Finished goods [1]	276	791
Total	$ 1,060	$ 1,697

[1] The raw materials and finished goods balances include a combined estimated reserve on obsolescence and excess inventory which might not be sold prior to expiration of $0.3 million as of both June 30, 2024 and December 31, 2023. These estimates are based upon assumptions about future manufacturing needs and gross sales of Phexxi. Inventory associated with the additional write-down of $1.3 million recorded during the year ended December 31, 2023, was disposed and no longer in the inventory balance as of December 31, 2023.

Prepaid and Other Current Assets

Prepaid and other current assets consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Insurance	$ 488	$ 777
Research & development	13	13
Other	344	405
Total	$ 845	$ 1,195

Property and Equipment, Net

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

	Useful Life	June 30, 2024	December 31, 2023
Research equipment	5 years	$ 585	$ 586
Computer equipment and software	3 years	145	647
Construction in-process	-	1,146	1,156
		1,876	2,389
Less: accumulated depreciation		(689)	(1,186)
Total, net		$ 1,187	$ 1,203

Depreciation expense for property and equipment was immaterial in both the three and six months ended June 30, 2024. Depreciation expense for property and equipment was $0.2 million and $0.4 million in the three and six months ended June 30, 2023, respectively.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Clinical trial related costs	$ 2,498	$ 2,498
Accrued royalty	1,522	1,146
Other	732	583
Total	$ 4,752	$ 4,227

6. Fair Value of Financial Instruments

Fair Value of Financial Liabilities

The following tables summarize the Company's convertible debt instruments as of June 30, 2024 and December 31, 2023, respectively (in thousands):

					Fair Value	
As of June 30, 2024	**Principal Amount**	**Unamortized Issuance Costs**	**Accrued Interest**	**Net Carrying Amount**	**Amount**	**Leveling**
Baker Notes[1][2]	$ 104,315	$ -	$ -	$ 104,315	$ 12,280	Level 3
Adjuvant Notes[3]	22,500	-	7,146	29,646	N/A	N/A
December 2022 Notes[1]	935	-	-	935	96	Level 3
February 2023 Notes [1]	942	-	-	942	97	Level 3
March 2023 Notes [1]	1,161	-	-	1,161	120	Level 3
April 2023 Notes [1]	849	-	-	849	88	Level 3
July 2023 Notes [1]	1,271	-	-	1,271	131	Level 3
August 2023 Notes [1]	1,075	-	-	1,075	111	Level 3
September 2023 Notes [1]	3,064	-	-	3,064	316	Level 3
Totals	$ 136,112	$ -	$ 7,146	$ 143,258	$ 13,239	N/A

					Fair Value	
As of December 31, 2023	**Principal Amount**	**Unamortized Issuance Costs**	**Accrued Interest**	**Net Carrying Amount**	**Amount**	**Leveling**
Baker Notes[1][2]	$ 99,460	$ -	$ -	$ 99,460	$ 13,510	Level 3
Adjuvant Notes[3]	22,500	(27)	6,064	28,537	N/A	N/A
December 2022 Notes[1]	940	-	-	940	118	Level 3
February 2023 Notes [1]	905	-	-	905	118	Level 3
March 2023 Notes [1]	1,204	-	-	1,204	157	Level 3
April 2023 Notes [1]	816	-	-	816	106	Level 3
July 2023 Notes [1]	1,534	-	-	1,534	202	Level 3
August 2023 Notes [1]	1,033	-	-	1,033	136	Level 3
September 2023 Notes [1]	2,945	-	-	2,945	384	Level 3
Totals	$ 131,337	$ (27)	$ 6,064	$ 137,374	$ 14,731	N/A

(1)These liabilities are/were carried at fair value in the condensed consolidated balance sheets. As such, the principal and accrued interest was included in the determination of fair value. The related debt issuance costs were expensed.

(2)The Baker Notes principal amount includes $19.5 million and $13.7 million of interest paid in-kind as of June 30, 2024, and December 31, 2023, respectively.

(3)The Adjuvant Notes are recorded in the condensed consolidated balance sheets at their net carrying amount which includes principal and accrued interest, net of unamortized issuance costs.

The following tables summarize the Company's derivative liabilities as of June 30, 2024 and December 31, 2023 as discussed in Note 8 – Convertible and Redeemable Preferred Stock and Stockholders' Deficit (in thousands):

	Fair Value		
	June 30, 2024	December 31, 2023	Leveling
Purchase rights	$ 942	$ 1,926	Level 3
Total derivative liabilities	$ 942	$ 1,926	

Change in Fair Value of Level 3 Financial Liabilities

The following table summarizes the changes in Level 3 financial liabilities related to Baker Notes and SSNs measured at fair value on a recurring basis for the three and six months ended June 30, 2024 (in thousands):

	Baker Notes (Assigned to Aditxt; reassigned back to Baker; Note 4)	Total SSNs (Note 4)	Total
Balance at March 31, 2024	$ 12,260	$ 992	$ 13,252
Extinguishment/Conversion	-	(16)	(16)
Payments	(253)	-	(253)
Change in fair value presented in the Condensed Consolidated Statements of Comprehensive Income (Loss)	273	(17)	256
Balance at June 30, 2024	$ 12,280	$ 959	$ 13,239

	Baker Notes	Total SSNs (Note 4)	Total
Balance at December 31, 2023	$ 13,510	$ 1,221	$ 14,731
Balance at issuance	12,390	-	12,390
Extinguishment/Conversion	(13,510)	(51)	(13,561)
Payments	(253)	-	(253)
Change in fair value presented in the Condensed Consolidated Statements of Comprehensive Income (Loss)	143	(211)	(68)
Balance at June 30, 2024	$ 12,280	$ 959	$ 13,239

The following table summarizes the changes in Level 3 financial liabilities related to Baker Notes and SSNs measured at fair value on a recurring basis for the three and six months ended June 30, 2023 (in thousands):

	Baker Notes	Total SSNs (Note 4)	Total
Balance at March 31, 2023	$ 23,800	$ 7	$ 23,807
Balance at issuance	-	1	1
Change in fair value presented in the Condensed Consolidated Statements of Operations	-	160	160
Change in fair value presented in the Condensed Consolidated Statements of Comprehensive Income (Loss)	(8,200)	(168)	(8,368)
Balance at June 30, 2023	$ 15,600	$ -	$ 15,600

	Baker Notes	Total SSNs (Note 4)	Total
Balance at December 31, 2022	$ 39,260	$ 156	$ 39,416
Balance at issuance	-	12	12
Change in fair value presented in the Condensed Consolidated Statements of Comprehensive Income (Loss)	(23,660)	(168)	(23,828)
Balance at June 30, 2023	$ 15,600	$ -	$ 15,600

The following table summarizes the changes in Level 3 financial liabilities related to derivative liabilities measured at fair value on a recurring basis for the three and six months ended June 30, 2024 (in thousands):

	Purchase Rights	Derivative Liabilities Total
Balance at March 31, 2024	$ 4,310	$ 4,310
Balance at issuance	25	25
Exercises	(68)	(68)
Change in fair value presented in the Condensed Consolidated Statements of Operations	(3,325)	(3,325)
Balance at June 30, 2024	$ 942	$ 942

	Purchase Rights	Derivative Liabilities Total
Balance at December 31, 2023	$ 1,926	$ 1,926
Balance at issuance	3,300	3,300
Exercises	(157)	(157)
Change in fair value presented in the Condensed Consolidated Statements of Operations	(4,127)	(4,127)
Balance at June 30, 2024	$ 942	$ 942

The following table summarizes the changes in Level 3 financial liabilities related to derivative liabilities measured at fair value on a recurring basis for the three and six months ended June 30, 2023 (in thousands):

	May 2022 Public Offering Common Warrants	June 2022 Baker Warrants	December 2022 Warrants	February and March 2023 Warrants	Purchase Rights	Derivative Liabilities Total
Balance at March 31, 2023	$ 6	$ 3	$ 1	$ 6	$ 106	$ 122
Balance at issuance	-	-	-	-	26	26
Exercises	(1)	-	-	-	(6)	(7)
Change in fair value presented in the Condensed Consolidated Statements of Operations	(4)	(2)	(1)	(4)	(73)	(84)
Reclassified to equity	(1)	(1)	-	(2)	(53)	(57)
Balance at June 30, 2023	$ -	$ -	$ -	$ -	$ -	$ -

	April and June 2020 Baker Warrants	May 2022 Public Offering Common Warrants	June 2022 Baker Warrants	December 2022 Warrants	February and March 2023 Warrants	Purchase Rights	Derivative Liabilities Total
Balance at December 31, 2022	$ 1	$ 303	$ 170	$ 107	$ -	$ 1,095	$ 1,676
Balance at issuance	-	-	-	-	6	105	111
Exercises	-	(7)	-	-	-	(186)	(193)
Change in fair value presented in the Condensed Consolidated Statements of Operations	(1)	(295)	(169)	(107)	(6)	(961)	(1,539)
Reclassified to equity	-	(1)	(1)		-	(53)	(55)
Balance at June 30, 2023	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Valuation Methodology

From the third quarter of 2022 through the second quarter of 2023, the fair value of the Baker Notes issued, as described in Note 4 – Debt, and subsequent changes in fair value recorded at each reporting date, was determined by estimating the fair value of the Market Value of Invested Capital (MVIC) of the Company. This was estimated using forms of the cost and market approaches. In the Cost approach, an adjusted net asset value method was used to determine the net recoverable value of the Company, including an estimate of the fair of the Company's intellectual property. The estimated fair value of the Company's intellectual property was valued using a relief from royalty method which required management to make significant estimates and assumptions related to forecasts of future revenue, and the selection of the royalty and discount rates. The guideline public company method served as another valuation indicator. In this form of the Market approach, comparable market revenue multiples were selected and applied to the Company's forward revenue forecast to ultimately derive a MVIC indication. If the resulting fair value from these approaches was not estimated as greater than the contractual payout, the fair value of the Baker Notes became only the Company MVIC available for distribution to this first lien note holder.

Starting in the third quarter of 2023, the fair value of the Baker Notes, issued as described in Note 4 – Debt is determined using a Monte Carlo simulation-based model. The Monte Carlo simulation was used to take into account several embedded features and factors, including the exercise of the repurchase right, the Company's future revenues, meeting certain debt covenants, the maturity term of the note and dissolution. For the dissolution scenario, the cost approach, an adjusted net asset value method was used to determine the net recoverable value of the Company, including an estimate of the fair value of the Company's intellectual property. The estimated fair value of the Company's intellectual property was valued using a relief from royalty method which required management to make significant estimates and assumptions related to forecasts of future revenue, and the selection of the royalty (5.0%) and discount (15.0%) rates.

The fair value of the Baker Notes is subject to uncertainty due to the assumptions that are used in the Monte Carlo simulation-based model. These factors include but are not limited to the Company's future revenue, and the probability and timing of the exercise of the repurchase right. The fair value of the Baker Notes is sensitive to these estimated inputs made by management that are used in the calculation.

SSNs

The fair values of the SSNs issued, as described in Note 4 – Debt, were determined using the methods described above in Valuation Methodology using the residual value of the Company after the fair value of the Baker Notes. The quarterly valuation adjustments for the three and six months ended June 30, 2024 were respectively recorded as an immaterial and a $0.2 million change in fair value of financial instruments attributed to credit risk change in the condensed consolidated comprehensive statement of operations. The quarterly valuation adjustments for the three months ended June 30, 2023 were recorded as a $0.2 million change in fair value of financial instruments in the condensed consolidated statement of operations and a $0.2 million change in fair value of financial instruments attributed to credit risk change in the condensed consolidated comprehensive statement of operations. The quarterly valuation adjustments for the six months ended June 30, 2023 were recorded as a $0.2 million change in fair value of financial instruments attributed to credit risk change in the condensed consolidated comprehensive statement of operations.

Purchase Rights

The Adjuvant Purchase Rights and the May Note Purchase Rights (collectively Purchase Rights) are recorded as derivative liabilities in the condensed consolidated balance sheets. The Purchase Rights are valued using an OPM, like a Black-Scholes Methodology with changes in the fair value being recorded in the condensed consolidated statements of operations. The assumptions used in the OPM are considered level 3 assumptions and include, but are not limited to, the market value of invested capital, the cumulative equity value of the Company as a proxy for the exercise price and the expected term the Purchase Rights will be held prior to exercise and a risk-free interest rate.

Warrants

Warrants previously classified as liabilities were reclassified as equity instruments during the second quarter of 2023 as a result of the Reverse Stock Split. The Company will continue to re-evaluate the classification of its warrants at the close of each reporting period to determine their proper balance sheet classification. The warrants are valued using an OPM based on the applicable assumptions, which include the exercise price of the warrants, time to expiration, expected volatility of our peer group, risk-free interest rate, and expected dividends. The assumptions used in the OPM are considered level 3 assumptions and include, but are not limited to, the market value of invested capital, the cumulative equity value of the Company as a proxy for the exercise price, the expected term the warrants will be held prior to exercise, a risk-free interest rate, and probability of change of control event. Additionally, because the warrants are re-priced under certain provisions in the agreements, at each re-pricing event the Company must value the warrants using a Black-Scholes model immediately prior to and immediately following the re-pricing event. The incremental fair value is recorded as an increase to accumulated deficit and additional paid-in-capital, in accordance with ASC 470.

7. Commitments and Contingencies

Operating Leases

Fleet Lease

In December 2019, the Company and Enterprise FM Trust (the Lessor) entered into a Master Equity Lease Agreement whereby the Company leases vehicles to be delivered by the Lessor from time to time with various monthly costs depending on whether the vehicles are delivered for a term of 24 or 36 months, commencing on each corresponding delivery date. The leased vehicles are for use by eligible employees of the Company's commercial operations team. As of June 30, 2024, there were a total of 19 leased vehicles. The Company maintained a letter of credit as collateral in favor of the Lessor of $0.3 million included in restricted cash, which was released by the Lessor during the first quarter of 2023. The Company determined that the leased vehicles are accounted for as operating leases under ASC 842, *Leases* (ASC 842).

In September 2022, the Company extended the lease term for an additional 12 months for the vehicles with a term of 24 months. In May and June 2024, the Company again extended the lease term for an additional 12 months for vehicles with initial terms of 24 months. In both instances, the Company determined that such extensions are accounted for as modifications, for which the Company reassessed the lease classification and the incremental borrowing rate on the modification dates and accounted for accordingly.

2020 Lease and the First Amendment

On October 3, 2019, the Company entered into an office lease for approximately 24,474 square feet (the High Bluff Premises) pursuant to a non-cancelable lease agreement (the 2020 Lease). The 2020 Lease commenced on April 1, 2020 with an expiry of September 30, 2025, unless terminated earlier in accordance with its terms. The Company provided the landlord with a $0.8 million security deposit in the form of a letter of credit for the High Bluff Premises.

On April 14, 2020, the Company entered into the first amendment to the 2020 Lease for an additional 8,816 rentable square feet of the same office location (the Expansion Premises), which commenced on September 1, 2020 with an expiry of September 30, 2025. The Company provided an additional $0.05 million in a letter of credit for the Expansion Premises.

On March 20, 2023, the Company received a notice of default from its landlord for failing to timely pay March 2023 rent, resulting in a breach under the agreement. As a result, the Company's letter of credit in the amount of $0.8 million, in restricted cash, was recovered by the landlord. In June 2023, the Company reached a settlement with the landlord. As a result of such settlement, the Company reversed its associated remaining ROU assets of $3.3 million and lease liabilities of $4.2 million and recognized a gain of $0.2 million.

2022 Sublease

On May 27, 2022, the Company entered into a sublease agreement with AMN Healthcare, Inc. (AMN), pursuant to which the Company agreed to sublease 16,637 rentable square feet of the High Bluff Premises to AMN for a term commencing on June 15, 2022 and ending coterminous with the 2020 Lease on September 30, 2025, in exchange for the sum of approximately $0.1 million per month, subject to an annual 3.5% increase each year. Gross sublease income was zero for the three and six months ended June 30, 2024 and $0.3 million for the three and six months ended June 30, 2023. The sublease was terminated along with the settlement of the 2020 Lease in June 2023.

Supplemental Financial Statement Information

		Three Months Ended June 30,		Six Months Ended June 30,	
Lease Cost (in thousands)	**Classification**	**2024**	**2023**	**2024**	**2023**
Operating lease expense	Research and development	$ 1	$ 59	$ 2	$ 125
Operating lease expense	Selling and marketing	43	88	95	247
Operating lease expense	General and administrative	2	103	5	334
Total		$ 46	$ 250	$ 102	$ 706

Lease Term and Discount Rate	**June 30, 2024**	**December 31, 2023**
Weighted Average Remaining Lease Term (in years)	0.92	0.75
Weighted Average Discount Rate	12%	12%

Maturity of Operating Lease Liabilities (in thousands)	**June 30, 2024**
Remainder of 2024 (6 months)	$ 66
Year ending December 31, 2025	55
Total lease payments	121
Less imputed interest	(7)
Total	$ 114

	Six Months Ended June 30,	
Other information (in thousands)	**2024**	**2023**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows in operating leases	$ 140	$ 1,427

Other Contractual Commitments

In November 2019, the Company entered into a supply and manufacturing agreement with a third-party to manufacture Phexxi, with potential to manufacture other product candidates, in accordance with all applicable current good manufacturing practice regulations. There was approximately $0.3 million in purchases under the supply and manufacturing agreement for the three and six months ended June 30, 2024, and no such purchases during the three and six months ended June 30, 2023.

Contingencies

From time to time the Company may be involved in various lawsuits, legal proceedings, or claims that arise in the ordinary course of business. During the year ended December 31, 2023, the Company settled a portion of its trade payables with numerous vendors, which resulted in a $2.1 million reduction in trade payables. As of June 30, 2024, there were no other claims or actions pending against the Company which management believes have a probable, or reasonably possible, probability of an unfavorable outcome. However, the Company may receive trade payable demand letters from its vendors that could lead to potential litigation. As of June 30, 2024, approximately 92% of our trade payables were greater than 90 days past due.

On December 14, 2020, a trademark dispute captioned TherapeuticsMD, Inc. v Evofem Biosciences, Inc., was filed in the U.S. District Court for the Southern District of Florida against the Company, alleging trademark infringement of certain trademarks owned by TherapeuticsMD under federal and state law (Case No. 9:20-cv-82296). On July 18, 2022, the Company settled the lawsuit with TherapeuticsMD, with certain requirements which are required to be performed by July 2024, including changing the name of Phexxi. The Company is currently working on how to resolve this issue.

Intellectual Property Rights

In 2014, the Company entered into an amended and restated license agreement (the Rush License Agreement) with Rush University Medical Center (Rush University) pursuant to which Rush University granted the Company an exclusive, worldwide license of certain patents and know-how related to its multipurpose vaginal pH modulator technology. For the U.S. patent that the Company licensed from Rush University, multiple Orders Granting Interim Extension (OGIEs) have been received from the United States Patent and Trademark Office (USPTO), currently extending the expiration of this patent to March 2025. Pursuant to the Rush License Agreement, the Company is obligated to pay Rush University an earned royalty based upon a percentage of net sales in the range of mid-single digits until the expiration of this patent. In September 2020, the Company entered into the first amendment to the Rush License Agreement, pursuant to which the Company is also obligated to pay a minimum annual royalty amount of $0.1 million to the extent the earned royalties do not equal or exceed $0.1 million commencing January 1, 2021. Such royalty costs, included in cost of goods sold, were $0.2 million and $0.4 million for the three and six months ended June 30, 2024, respectively, and $0.2 million and $0.3 million for the three and six months ended June 30, 2023, respectively. As of June 30, 2024 and December 31, 2023, approximately $1.5 million and $1.1 million were included in accrued expenses in the condensed consolidated balance sheets.

8. Convertible and Redeemable Preferred Stock and Stockholders' Deficit

Warrants

In April and June 2020, pursuant to the Baker Bros. Purchase Agreement, as discussed in Note 4 – Debt, the Company issued warrants to purchase up to 2,732 shares of common stock in a private placement at an exercise price of $4,575 per share. The Second Baker Amendment provides that the exercise price of the Baker Warrants will equal the conversion price of the Baker Notes. The exercise price of the Baker warrants was $0.0154 per share as of June 30, 2024.

In May 2022, the Company completed an underwritten public offering (the May 2022 Public Offering) which included the issuance of common warrants to purchase 362,640 shares of common stock at a price to the public of $93.75 and the issuance of common warrants to purchase 205,360 shares of common stock at a price to the public of $93.63 (the May 2022 Common Stock Warrants). The May 2022 Common Stock Warrants were exercisable beginning on May 24, 2022 and have a five-year term. Due to features in the May 2022 Common Stock Warrants, including dilution adjustments requiring strike price resets, there are 894,194 May 2022 Common Stock Warrants outstanding as of June 30, 2024 at an exercise price of $0.0154.

In June 2022, as required by the Second Baker Amendment, the Company issued the June 2022 Baker Warrants to purchase up to 582,886 shares of the Company's common stock, $0.0001 par value per share. The June 2022 Baker Warrants have an exercise price of $93.75 per share and a five-year term and were exercisable beginning June 28, 2022. The June 2022 Baker Warrants also contain customary 4.99% and 19.99% limitations on exercise provisions. The exercise price and number of shares issuable upon exercise of the June 2022 Baker Warrants is subject to adjustment for certain dilutive issuances, stock splits and similar recapitalization transactions. The exercise price of these warrants had reset to $0.0154 per share as of June 30, 2024.

In February, March, April, July, August, and September 2023, pursuant to the SSNs as discussed in Note 4 – Debt, the Company issued warrants to purchase up to 1,152,122 shares of the Company's common stock at an exercise price of $2.50 per share, up to 2,615,383 shares of the Company's common stock at an exercise price of $1.25 per share and up to 22,189,349 shares of the Company's common stock at an exercise price of $0.13 per share. The exercise price of these warrants reset to $0.0154 per share as of June 30, 2024.

On December 21, 2023, warrants to purchase up to 9,972,074 shares of the Company's common stock were exchanged for 613 shares of the Company's Series F-1 Shares.

As of June 30, 2024, warrants to purchase up to 20,807,539 shares of the Company's common stock remain outstanding at a weighted average exercise price of $2.42 per share. In accordance with ASC 815, certain warrants previously classified as equity instruments were determined to be liability classified (the Reclassified Warrants) due to the Company having an insufficient number of authorized shares as of December 31, 2022; however, the impacted warrants were reclassified back to as equity instruments during the second quarter of 2023 as a result of the May 2023 Reverse Stock Split. During the first quarter of 2024, the Company obtained waivers from a majority of the convertible instrument holders, removing the requirement for shares to be reserved for conversion of their instruments, which will prevent the instruments from needing to be liability classified due to an insufficient number of authorized shares going forward. The Company will continue to re-evaluate the classification of its warrants at the close of each reporting period to determine the proper balance sheet classification for them. These warrants are summarized below:

Type of Warrants	Underlying common stock to be Purchased	Exercise Price	Issue Date	Exercise Period
Common Warrants	451	$ 14,062.50	May 24, 2018	May 24, 2018 to May 24 2025
Common Warrants	888	$ 11,962.50	April 11, 2019	October 11, 2019 to April 11, 2026
Common Warrants	1,480	$ 11,962.50	June 10, 2019	December 10, 2019 to June 10, 2026
Common Warrants	1,639	$ 0.0154	April 24, 2020	April 24, 2020 to April 24, 2025
Common Warrants	1,092	$ 0.0154	June 9, 2020	June 9, 2020 to June 9, 2025
Common Warrants	8,003	$ 735.00	January 13, 2022	March 1, 2022 to March 1, 2027
Common Warrants	8,303	$ 897.56	March 1, 2022	March 1, 2022 to March 1, 2027
Common Warrants	6,666	$ 309.56	May 4, 2022	May 4, 2022 to May 4, 2027
Common Warrants	894,194	$ 0.0154	May 24, 2022	May 24, 2022 to May 24, 2027
Common Warrants	582,886	$ 0.0154	June 28, 2022	May 24, 2022 to June 28, 2027
Common Warrants	49,227	$ 0.0154	December 21, 2022	December 21, 2022 to December 21, 2027
Common Warrants	130,461	$ 0.0154	February 17, 2023	February 17, 2023 to February 17, 2028
Common Warrants	258,584	$ 0.0154	March 20, 2023	March 20, 2023 to March 20, 2028
Common Warrants	369,231	$ 0.0154	April 5, 2023	April 5, 2023 to April 5, 2028
Common Warrants	349,463	$ 0.0154	July 3, 2023	July 3, 2023 to July 3, 2028
Common Warrants	615,384	$ 0.0154	August 4, 2023	August 4, 2023 to August 4, 2028
Common Warrants	12,721,893	$ 0.0154	September 27, 2023	September 27, 2023 to September 27, 2028
Prefunded Common Warrants	4,807,694	$ 0.0010	September 27, 2023	September 27, 2023 to September 27, 2028
Total	20,807,539			

Preferred Stock

Effective December 15, 2021, the Company amended and restated its certificate of incorporation, under which the Company is currently authorized to issue up to 5,000,000 shares of total preferred stock, including the authorized convertible and redeemable preferred stock designated for Series B-1 and B-2, Series C, Series E-1, and Series F-1, and nonconvertible and redeemable preferred stock (Series D), par value $0.0001 per share.

Convertible and Redeemable Preferred Stock

On August 7, 2023, the Company filed a Certificate of Designation of Series E-1 Convertible Preferred Stock (E-1 Certificate of Designation), par value $0.0001 per share (the Series E-1 Shares). An aggregate of 2,300 shares was authorized. The Series E-1 Shares are convertible into shares of common stock at a conversion price of $0.40 per share and are both a) counted toward quorum on the basis of and b) have voting rights equal to the number of shares of common stock into which the Series E-1 Shares are then convertible. The Series E-1 Shares are senior to all common stock with respect to preferences as to dividends, distributions and payments upon a dissolution event. In the event of a liquidation event, the Series E-1 Shares are entitled to receive an amount per share equal to the Black Scholes Value as of the liquidation event plus the greater of 125% of the conversion amount (as defined in the Certificate of Designation) and the amount the holder of the Series E-1 Shares would receive if the shares were converted into common stock immediately prior to the liquidation event. If the funds available for liquidation are insufficient to pay the full amount due to the holders of the Series E-1 Shares, each holder will receive a percentage payout. The Series E-1 Shares are entitled to dividends at a rate of 10% per annum or 12% upon a triggering event. Dividends are payable in shares of common stock and may, at the Company's election, be capitalized and added to the principal monthly. The Series E-1 Shares also have a provision that allows them to be converted to common stock at a conversion rate equal to the Alternate Conversion Price (as defined in the E-1 Certificate of Designation) times the number of shares subject to conversion times the 25% redemption premium in the event of a Triggering Event (as defined in the E-1 Certificate of Designation) such as in a liquidation event. The Series E-1 Shares are mandatorily redeemable in the event of bankruptcy.

On August 7, 2023, certain investors party to the December 2022 Notes and the February 2023 Notes exchanged $1.8 million total in principal and accrued interest under the outstanding convertible promissory notes for 1,800 shares of Series E-1 Shares (the August 2023 Preferred Stock Transaction). Per the E-1 Certificate of Designation, the conversion rate can also be adjusted in several future circumstances, such as on certain dates after the exchange date and upon the issuance of additional convertible securities with a lower conversion rate or in the instance of a Triggering Event. As such, the conversion price as of June 30, 2024 was adjusted to $0.0154 per share. The Series E-1 Shares are classified as mezzanine equity within the condensed consolidated balance sheets in accordance with ASC 480 because of a fixed 25% redemption premium upon a Triggering Event and no mandatory redemption feature. During the year ended December 31, 2023, $1.8 million was recorded as an increase to additional paid-in-capital for the preferred shares in the condensed consolidated statement of convertible and redeemable preferred stock and stockholders' deficit related to the August 2023 Preferred Stock Transaction. For the three and six months ended June 30, 2024, an immaterial and $0.1 million deemed dividend was recorded as an increase to the number of Series E-1 Shares outstanding.

On December 11, 2023, the Company filed a Certificate of Designation of Series F-1 Convertible Preferred Stock (F-1 Certificate of Designation), par value $0.0001 per share (the Series F-1 Shares). An aggregate of 95,000 shares was authorized. The Series F-1 Shares are convertible into shares of common stock at a conversion price of $0.0635 per share and do not have the right to vote on any matters presented to the holders of the Company's common stock. The Series F-1 Shares are senior to all common stock and subordinate to the Series E-1 Shares with respect to preferences as to distributions and payments upon a dissolution event. In the event of a liquidation event, the Series F-1 Shares are entitled to receive an amount per share equal to the Black Scholes Value as of the liquidation event plus the greater of 125% of the conversion amount (as defined in the F-1 Certificate of Designation) and the amount the holder of the Series F-1 Shares would receive if the shares were converted into common stock immediately prior to the liquidation event. If the funds available for liquidation are insufficient to pay the full amount due to the holders of the Series F-1 Shares, each holder will receive a percentage payout. The Series F-1 Shares are not entitled to dividends. The Series F-1 Shares also have a provision that allows them to be converted to common stock at a conversion rate equal to the Alternate Conversion Price (as defined in the F-1 Certificate of Designation) times the number of shares subject to conversion times the 25% redemption premium in the event of a Triggering Event (as defined in the F-1 Certificate of Designation) such as in a liquidation event. The Series F-1 Shares are mandatorily redeemable in the event of bankruptcy. In June 2024, the Required Holders, as defined in the F-1 Certificate of Designation, approved an amended and restated certificate of designation (the Amended F-1 Certificate of Designation) to the Company's certificate of designation designating the rights, preferences and limitations of the Company's Series F-1 Shares. The Amended F-1 Certificate of Designation provides for the removal of the conversion price adjustment provisions previously included and changed the conversion price to $0.0154.

On December 21, 2023, the Company issued a total of 22,280 Series F-1 Shares to certain investors, including 613 shares exchanged for warrants to purchase up to 9,972,074 shares of the Company's common stock and 21,667 shares to exchange a partial value of the outstanding purchase rights. The holders of the Series F-1 Shares immediately exchanged their Series F-1 Shares into Aditxt's Series A-1 preferred stock and, as a result, Aditxt currently holds all 22,280 outstanding Series F-1 Shares. The Series F-1 Shares are to be cancelled upon the consummation of the Merger.

Nonconvertible and Redeemable Preferred Stock

On December 16, 2022, the Company filed a Certificate of Designation of Series D Non-Convertible Preferred Stock (the D Certificate of Designation), par value $0.0001 per share (the Series D Preferred Shares). An aggregate of 70 shares was authorized; these shares were not convertible into shares of common stock, had limited voting rights equal to 1% of the total voting power of the then-outstanding shares of common stock entitled to vote, were not entitled to dividends, and were required to be redeemed by the Company once its shareholders approved a reverse split, as described in the D Certificate of Designation. All 70 shares of the Series D Preferred were subsequently issued in connection with the December 2022 Securities Purchase Agreement as discussed in Note 4 – Debt. The Series D Preferred Shares were redeemed in July 2023.

Common Stock

Effective September 14, 2023, the Company further amended its amended and restated certificate of incorporation to increase the number of authorized shares of common stock to 3,000,000,000 shares.

Purchase Rights

On September 15, 2022, the Company entered into certain exchange agreements with the Adjuvant Purchasers and the May 2022 Notes Purchasers to exchange, upon request, the Purchase Rights for an aggregate of 942,080 shares of the Company's common stock. The number of right shares for each Purchase Right was initially fixed at issuance, but subject to certain customary adjustments for certain dilutive Company equity issuances until the second anniversary of issuance. These Purchase Rights expire on June 28, 2027. Refer to Note 6 – Fair Value of Financial Instruments for the accounting treatment of the Purchase Rights.

In 2023, the Company signed an additional agreement with the holders of the Purchase Rights which fixed the total aggregate value of the Purchase Rights at $24.7 million, to be paid in a variable number of shares based on the then current exercise price. On December 21, 2023, the Company issued 21,667 of the Series F-1 Shares in exchange for a partial value of certain purchase rights, as described above.

In connection with the SSNs issuances, during the three and six months ended June 30, 2024, the number of outstanding Purchase Rights increased by 16,303,657 and 1,161,636,815, respectively and 15,218,227 and 24,966,856, respectively during the three and six months ended June 30, 2023, due to the reset of their exercise price. This was recorded as a loss on issuance of financial instruments in an immaterial amount in the condensed consolidated statements of operations for each period. The exercise price will be further adjusted if any other convertible instruments have price resets.

During the three months ended June 30, 2024, the Company issued 24,350,000 shares of common stock upon the exercise of certain Purchase Rights. As of June 30, 2024, Purchase Rights of 1,546,948,899 shares of the Company's common stock remained outstanding.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance is as follows in common equivalent shares as of June 30, 2024:

Common stock issuable upon the exercise of stock options outstanding	3,713
Common stock issuable upon the exercise of common stock warrants	10,598,201
Common stock available for future issuance under the 2019 ESPP	509
Common stock available for future issuance under the Amended and Restated 2014 Plan	5,823
Common stock available for future issuance under the Amended Inducement Plan	609
Common stock reserved for the exercise of purchase rights	741,490,642
Common stock reserved for the conversion of convertible notes	155,468,037
Common stock reserved for the conversion of series E-1 preferred stock	37,770,024
Total common stock reserved for future issuance	945,337,558

(1) The potentially dilutive securities in Note 2 – Summary of Significant Accounting Policies includes all potentially dilutive securities that are not included in the diluted EPS as per U.S. GAAP, whereas the total common stock reserved for future issuance in the table above includes the shares that must legally be reserved based on the applicable instruments' agreements.

9. Stock-based Compensation

Equity Incentive Plans

The following table summarizes stock-based compensation expense related to stock options granted to employees, non-employee directors and consultants included in the condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Research and development	$ 10	$ 29	$ 26	$ 69
Selling and marketing	24	47	59	104
General and administrative	185	192	371	512
Total	$ 219	$ 268	$ 456	$ 685

Stock Options

There were no stock options granted during the three or six months ended June 30, 2024 or 2023. As of June 30, 2024, unrecognized stock-based compensation expense for employee stock options was approximately $0.6 million, which the Company expects to recognize over a weighted-average remaining period of 1.2 years, assuming all unvested options become fully vested.

Employee Stock Purchase Plan

The purchase price under the 2019 ESPP is 85% of the lesser of the fair market value of the common stock on the first or the last business day of an offering period. The maximum number of shares of common stock that may be purchased by any participant during an offering period is equal to $25,000 divided by the fair market value of the common stock on the first business day of an offering period. In October 2022, the Board suspended future offering periods.

Restricted Stock Awards

There were no shares of performance-based RSAs granted to the Company's executive management team in any period presented.

For performance-based RSAs, (i) the fair value of the award is determined on the grant date; (ii) the Company assesses the probability of achieving each individual milestone associated with the award using reasonable assumptions based on the Company's operation performance towards each milestone; (iii) the fair value of the shares subject to the milestone is expensed over the implicit service period commencing once management believes the performance criteria is probable of being met; and (iv) the Company reassesses the probability of achieving each individual milestone at each reporting date, and any change in estimate is accounted for through a cumulative adjustment in the period when the change in estimate occurs. Non-performance based RSAs are valued at the fair value on the grant date and the associated expenses will be recognized over the vesting period.

As of June 30, 2024, there was no unrecognized noncash stock-based compensation expense related to unvested RSAs.

10. Subsequent Events

Baker Notes Assignment

On July 23, 2024, the Company consented to the transfer of ownership of the Company's senior secured notes from Baker Brothers Life Sciences, L.P., a Delaware limited partnership, 667, L.P., a Delaware limited partnership and Baker Bros. Advisors, LP, a Delaware limited partnership to the successor Future Pak, LLC, a Michigan limited liability company (the Assignee).

The terms of the senior secured notes were not changed in connection with the assignment from Baker to the Assignee.

Issuance of Series F-1 Preferred Shares to Aditxt

The Company issued a total of 1,000 shares of its Series F-1 Preferred Shares to Aditxt for an aggregate purchase price of $1.0 million in July and August 2024, as per the A&R Merger Agreement.

The powers, preferences, rights, qualifications, limitations and restrictions applicable to the F-1 Preferred Stock are set forth in the F-1 Preferred Stock certificate of designation, as filed with the US Securities and Exchange Commission (the Commission) in that Current Report on Form 8-K dated on December 12, 2023.

In connection with the closing of the above, the Company entered into a Registration Rights Agreement (the Registration Rights Agreement) with Aditxt, which provides that the Company will register the resale the shares of Company common stock issuable upon conversion of the F-1 Preferred Shares. The Company is required to prepare and file a registration statement on Form S-3 with the Commission no later than the 300th calendar day following the signing date for the Purchase Agreement and to use its commercially reasonable efforts to have the registration statement declared effective by the Commission within 90 days of the filing of such registration statement, subject to certain exceptions and specified penalties if timely effectiveness is not achieved.

The Company has also agreed to, among other things, indemnify Aditxt, its officers, directors, agents, partners, members, managers, stockholders, affiliates, investment advisers and employees of each of them under the registration statement from certain liabilities and pay all fees and expenses (excluding any underwriting discounts and selling commissions) incident to the Company's obligations under the Registration Rights Agreement.

License and Supply Agreement

On July 17, 2024, Evofem entered into a License and Supply Agreement with Pharma 1 Drug Store, LLC, for the exclusive commercialization rights for Phexxi in certain countries in the Middle East (the Territory), including the United Arab Emirates (UAE), Kuwait, Saudi Arabia, and Qatar. Pharma 1 is responsible for obtaining and maintaining any regulatory approvals required to market and sell Phexxi and will handle all aspects of distribution, sales and marketing, pharmacovigilance and all other commercial functions related to Phexxi in the Territory, assuming regulatory approvals.

Under the License Agreement, Pharma 1 shall create a Development Plan (as defined in the License Agreement) to pursue all reasonable actions necessary to obtain governmental approval of (i) Phexxi and (ii) any related formulation of the Company's licensed technology whether now existing or subsequently developed (the Product) in the Territory. Furthermore, subject to the terms and conditions of the License Agreement, the Company granted to Pharma 1 an exclusive, royalty-free, sublicensable license to the Product to advertise, promote, distribute for commercial sale, offer for sale, sell, and import for commercial sale the Licensed Product in the Territory. Within three months from the Effective Date, Pharma 1 must file the regulatory dossier for the Product with the UAE. Within twelve months of the Effective Date, Pharma 1 must place an order for sufficient quantities of the Product to support commercial launch of the Product in the UAE. Within eighteen months after the last governmental approval of the Product, Pharma 1 must seek governmental approval of the Product in a different country/state in the Territory.

As consideration for the License Agreement, Pharma 1 has agreed to pay the Company the cost to manufacture the Product, plus a fee, and has agreed to maintain an inventory of the Product reasonably sufficient to satisfy at least four months' worth of its requirements at all times for the duration of the Term.

The License Agreement contains customary representations, warranties and indemnities of the Company and Pharma 1 relating to the Product

Asset Purchase Agreement

On July 14, 2024, Evofem entered into an Asset Purchase Agreement (the SOLOSEC Agreement), with Lupin, Inc. (Lupin) to expand its women's health product portfolio with the acquisition of all of the global rights and title to Lupin's SOLOSEC® (secnidazole) 2g oral granules. This FDA-approved single-dose oral antibiotic provides a complete course of therapy for the treatment of bacterial vaginosis (BV) and trichomoniasis. Evofem intends to re-launch SOLOSEC to OB/GYNs and allied healthcare providers through its existing U.S. sales force. The Company also assumed all of Lupin's rights, title and obligations under that certain Omnibus Acquisition Agreement, dated May 1, 2017 by and among Lupin, Saker Merger Sub LLC, a Delaware limited liability company, Symbiomix Therapeutics, LLC, a Delaware limited liability company, and Shareholder Representative Services LLC, a Colorado limited liability company (the OAA). As consideration for entering into the Asset Agreement, the Company paid Lupin a one-time upfront payment and will pay sales-based payments once annual net sales reach a certain threshold and a one-time milestone payment when cumulative net sales reach a certain threshold. The Company also assumed the OAA Liabilities, excluding Seller OAA Contributions.

Amended and Restated Plan of Merger

On July 12, 2024, the Company, Aditxt, and the Merger Sub entered into an Amended and Restated Merger Agreement (the A&R Merger Agreement). The A&R Merger Agreement amends and restates in its entirely the Agreement and Plan of Merger (as amended January 10, 2024, January 30, 2024, February 29, 2024, and May 2, 2024 (collectively, the Original Merger Agreement). Except as described below, the terms and provisions of the A&R Merger Agreement are consistent with the terms and provision of the Original Merger Agreement.

As consideration for the Merger, the Parent will (i) pay to Common Stockholders an amount equal to $1.8 million less an amount equal to the product of (x) the number of Dissenting Shares represented by Company Common Stock and (y) the Common Exchange Ratio (as defined in the A&R Merger Agreement) (the Common Consideration).

Additionally, each share of the Company's Series E-1 Shares issued and outstanding as of the Effective Time (as defined in the A&R Merger Agreement) shall automatically be converted into the right to receive from Aditxt one share of Parent Preferred Stock (the Preferred Merger Consideration, and together with the Common Consideration the Merger Consideration).

At the Effective Time of the Merger:

(i) the Company Convertible Note Holders will enter into an Exchange Agreement, pursuant to which these Note Holders will exchange the value of their then-outstanding Company Convertible Notes and purchase rights for an aggregate of not more than 88,161 shares of Parent Preferred Stock.

(ii) each stock option of the Company (Options) that was outstanding and unexercised immediately prior to the Effective Time will be cancelled without the right to receive any consideration.

(iii) all shares of Company Common Stock or Company Preferred Stock held by Parent or Merger Sub or by any wholly-owned Subsidiary thereof shall be automatically cancelled and retired and shall cease to exist, and no consideration shall be delivered or deliverable in exchange therefor;

Further, Aditxt agreed to, on or prior to: (a) July 12, 2024, purchase 500 shares of the Company's Series F-1 Preferred Shares for an aggregate purchase price of $0.5 million (the July Purchase) (b) August 9, 2024, purchase an additional 500 shares of F-1 Preferred Shares for an aggregate purchase price of $0.5 million (the August Purchase), (c) the earlier of August 30, 2024 or within five business days of the closing of a public offering by Aditxt resulting in aggregate net proceeds to Aditxt of no less than $20.0 million, purchase an additional 2,000 shares of F-1 Preferred Shares for an aggregate purchase price of $2.0 million; and (d) September 30, 2024, purchase an additional 1,000 shares of F-1 Preferred Stock at an aggregate purchase price of $1.0 million. The July Purchase and subsequent August Purchase of 500 shares of the Company's Series F-1 Preferred Shares in each respective purchase were completed as scheduled.

The A&R Merger Agreement is subject to certain closing conditions and contains customary representations, warranties and covenants and indemnifications provisions.

The consummation of the Merger is conditioned upon, among other things: (i) the Company Shareholder approval shall having been obtained in accordance with applicable Law; (ii) no governmental entity having jurisdiction over any party shall have issue any order, decree, ruling injunction or other action that is in effect restraining the Merger; (iii) a voting agreement shall have been executed and delivered by the parties thereto; (iv) all Company preferred stock shall have been converted to Company common stock except for the Unconverted Company Preferred Stock (as defined by the A&R Merger Agreement); (v) the Company shall have received agreements from all of the holders of the Company's warrants, duly executed, containing waivers with respect to any fundamental transaction, change in control or other similar rights that such warrant holders may have under any such Company warrants and exchange such Company warrants as they hold for an aggregate of not more than 930,336 shares of Parent Preferred Stock (as defined in the A&R Merger Agreement); (vi) the Company shall have cashed out any other warrant holder who has not provided a warrant holder agreement, provided, however, that the aggregate amount of such cash out for any and all other warrant holders who have not provided a warrant holder agreement shall not exceed $0.15 million; (vii) the Company shall have obtained waivers from holders of Company convertible notes of the original principal amount thereof with respect to any fundamental transaction rights such Company convertible note holders may have under any such Company convertible notes, including any right to vote, consent or otherwise approve or veto any of the transaction contemplated by this A&R Merger Agreement; (viii) Aditxt shall have received sufficient financing to satisfy its payment obligations under the A&R Merger Agreement (ix) the requisite stockholder approval shall have been obtained by Aditxt at a special meeting of its stockholders to approve the Parent Stock Issuance (as defined in the A&R Merger Agreement) (x) Aditxt shall have received a compliance certificate from the Company certifying Company complied with all reps and warranties in the A&R Merger Agreement; (xi) Aditxt shall have received waivers from the parties to the agreements listed in Section 7.2(f) of the A&R Merger Agreement Parent Disclosure Letter of the issuance of securities in a "Variable Rate Transaction" (as such term in defined in such agreements); (xii) Parent shall have received a certificate certifying that no interest in the Company is a U.S. real property interest, as required under U.S. treasury regulation section 1.897-2(h) and 1.1445-3(c); (xiii) Aditxt shall have paid, in full, the Repurchase Price, as defined in that certain Securities Purchase and Security Agreement, dated as of April 23, 2020, as amended by that First Amendment to the Securities Purchase and Security Agreement, dated as of November 20, 2021, that Second Amendment to the Securities Purchase and Security Agreement, dated as of March 21, 2022, that Third Amendment to Securities Purchase and Security Agreement dated as of September 15, 2022, and that Fourth Amendment to Securities Purchase and Security Agreement, dated as of September 8, 2023, by and among the Company, Baker Brothers Life Sciences, L.P., 667, L.P. and Bakers Bros. Advisors LP (xv) there shall be no more than 4,141,434 dissenting shares that are Company common stock or 98 dissenting shares that are Company preferred stock (xiv) Company shall have received from Aditxt a compliance certificate certifying that Parent has complied with all representations and warranties, (xv) that Aditxt shall be incompliance with stockholders' equity requirements in Nasdaq listing rule 5550(b)(1).

The Company will prepare and file a proxy statement with the U.S. SEC and, subject to certain exceptions, the Company's Board of Directors will recommend that the A&R Merger Agreement be adopted by the Company's stockholders at a special meeting of the Company's stockholders (the Company Board Recommendation). However, subject to the satisfaction of certain terms and conditions, the Company and the Board, as applicable, are permitted to take certain actions which may, as more fully described in the A&R Merger Agreement, include changing the Company Board Recommendation and entering into a definitive agreement with respect to a Company Change of Recommendation (as defined in the A&R Merger Agreement) if the Company Board or any committee thereof determines in good faith, after consultation with the Company's outside legal and financial advisors and after taking into account relevant legal, financial, regulatory, estimated timing of consummation and other aspects of such proposal that the Company Board considers in good faith and the Person or group making such proposal, would, if consummated in

accordance with its terms, result in a transaction more favorable to the Company Shareholders than the Merger. If the Company has a Company Change of Recommendation, the Company must provide Aditxt with a ten (10) calendar day written notice thereof and negotiate with Aditxt in good faith to provide a competing offer.

The Board has (i) determined that the A&R Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable and in the best interests of the Company and its stockholders, and declared it advisable for the Company to enter into the A&R Merger Agreement, (ii) approved and declared advisable the execution and delivery by the Company of the A&R Merger Agreement, the performance by the Company of its covenants and agreements contained in the A&R Merger Agreement and the consummation of the Merger and the other transactions contemplated by the A&R Merger Agreement upon the terms and subject to the conditions contained therein, (iii) directed that the adoption of the A&R Merger Agreement be submitted to a vote at a meeting of the Company stockholders and (iv) resolved, subject to the terms and conditions set forth in the Merger Agreement, to recommend that the Company stockholders adopt the Merger Agreement.

Warrants and Purchase Rights Exercises and Notes Conversions

Subsequent to June 30, 2024, 17,500,000 Purchase Rights were exercised in cashless transactions for an equivalent number of shares of common stock.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Evofem Biosciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Evofem Biosciences, Inc. and Subsidiaries (the "Company") as of December 31, 2023, and the related consolidated statements of operations, comprehensive operations, convertible and redeemable preferred stock and stockholders' deficit, and cash flows for the year ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for each of the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations, negative cash flows from operations since inception, has received a notice of default for its convertible notes, and does not have sufficient capital to repay such obligations, which are now currently due and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Emphasis of the Matter – Restatement of Unaudited Interim Financial Statements

As disclosed in Note 12 of the financial statements, the unaudited interim financial statements as of and for the periods ended June 30, 2023 and September 30, 2023 have been restated to reclassify purchase rights from equity to liability classification.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Critical Audit Matter Description

In April 2020, the Company entered into a Securities Purchase and Security Agreement with certain affiliates of Baker Bros. Advisors LP, as purchasers, pursuant to which the Company agreed to issue and sell senior secured promissory notes (the "Baker Notes") in an aggregate principal amount of up to $25.0 million. The Baker Notes were issued and sold in two separate closings in April and June 2020, were subsequently exchanged with Aditxt, Inc. in December 2023 as described in Note 4 – Debt, and remain outstanding at December 31, 2023. The Company elected the fair value option under ASC 825, *Financial Instruments* ("ASC 825") and recognized the hybrid debt instrument at fair value inclusive of the embedded features. The fair value of the Baker Notes was determined by estimating the fair value of the Market Value of Invested Capital ("MVIC") of the Company from the third quarter of 2022 through the second quarter of 2023. The MVIC was estimated using forms of the cost and market approaches. In the Cost approach, an adjusted net asset value method was used to determine the net recoverable value of the Company, including an estimate of the fair value of the Company's intellectual property. Starting in the third quarter of 2023, the fair value of the Baker Notes, and subsequently the Aditxt Notes, was determined using a Monte Carlo simulation-based model. The Monte Carlo simulation was used to take into account several embedded features and factors, including the exercise of the repurchase right, the Company's future revenues, meeting certain debt covenants, the maturity term of the note and dissolution. For the dissolution scenario, the Cost approach, an adjusted Net Asset Value Method was used to determine the net recoverable value of the Company, including an estimate of the fair value of the Company's intellectual property. The estimated fair value of the Company's intellectual property was valued using a Relief from Royalty Method, which required management to make significant estimates and assumptions related to forecasts of future revenue, and the selection of the royalty and discount rates. The guideline public company method served as another valuation indicator. In this form of the Market approach, comparable market revenue multiples were elected and applied to the Company's forward revenue forecast to ultimately derive a MVIC indication. As of December 31, 2023, the Company recorded the fair value of the Aditxt Notes at $13.5 million.

We identified the Company's estimate of the fair value for the Baker Notes, and subsequently the Aditxt Notes, as a critical audit matter due to the significant estimates and assumptions made by management related to forecasts of future revenue, probability of scenarios used in the Monte Carlo simulation, and the selection of the royalty and discount rates to determine the fair value of the Company's intellectual property. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's forecasts of future revenue, probability of scenarios used in the Monte Carlo simulation, and the selection of the royalty and discount rates for the intellectual property.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's determination of the fair value of the Baker Notes, and subsequently Aditxt Notes, included the following, among others:

- We evaluated management's ability to accurately forecast future revenue by comparing actual revenues to management's historical forecasts.

- We evaluated the reasonableness of management's forecasts of future revenue by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) the overall estimated market size.

- With the assistance of fair value specialists, we evaluated the reasonableness of the probability of scenarios used in the Monte Carlo simulation the royalty and discount rates by (1) testing the underlying source information and mathematical accuracy of the calculations (2) developing a range of independent estimates and comparing those to the probability scenarios and discount rates selected by management and (3) understanding the facts and circumstances around the selected probability weightings for each scenario and selected royalty rate.

We have served as the Company's auditor since 2023.

/s/ BPM, LLP
Walnut Creek, California

March 26, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Evofem Biosciences, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Evofem Biosciences, Inc. and subsidiaries (the "Company") as of December 31, 2022, the related consolidated statements of operations, comprehensive operations, convertible and redeemable preferred stock and stockholders' deficit and cash flows, for the year ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses, negative cash flows from operations since inception and has received a notice of default for its convertible notes, and does not have sufficient capital to repay such obligations, which are now currently due. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Deloitte & Touche LLP

San Diego, CA
April 27, 2023 (July 7, 2023, as to the effects of the reverse stock split described in Note 1)

We have served as the Company's auditor since 2015. In 2023 we became the predecessor auditor.

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share data)

	December 31,	
	2023	**2022**
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 2,769
Restricted cash	580	1,207
Trade accounts receivable, net	5,738	1,126
Inventories	1,697	5,379
Prepaid and other current assets	1,195	2,218
Total current assets	9,210	12,699
Property and equipment, net	1,203	3,940
Operating lease right-of-use assets	106	4,406
Other noncurrent assets	35	4,118
Total assets	$ 10,554	$ 25,163
Liabilities, convertible preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 17,020	$ 14,984
Convertible notes payable carried at fair value (Note 4)	14,731	39,416
Convertible notes payable - Adjuvant (Note 4)	28,537	26,268
Accrued expenses	4,227	4,124
Accrued compensation	2,609	2,175
Operating lease liabilities - current	97	2,311
Derivative liabilities	1,926	1,676
Other current liabilities	3,316	2,876
Total current liabilities	72,463	93,830
Operating lease liabilities - non-current	8	3,133
Total liabilities	72,471	96,963
Commitments and contingencies (Note 7)		
Convertible and redeemable preferred stock, $0.0001 par value, Senior to common stock		
Series B-1, B-2, C, E-1, and F-1 convertible preferred stock, 5,000, 5,000, 1,700, 2,300, and 95,000 shares authorized; 1,874 shares of E-1 and 22,280 shares of F-1 issued and outstanding at December 31, 2023; no other shares issued and outstanding at December 31, 2023 or 2022	4,593	-
Stockholders' deficit:		
Preferred stock, $0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding at December 31, 2023 or 2022		-
Common Stock, $0.0001 par value; 3,000,000,000 shares authorized; 20,007,799 and 984,786 shares issued and outstanding as of December 31, 2023 and 2022, respectively	2	-
Additional paid-in capital	823,036	817,367
Accumulated other comprehensive income (loss)	(849)	49,527
Accumulated deficit	(888,699)	(938,694)
Total stockholders' deficit	(66,510)	(71,800)
Total liabilities, convertible and redeemable preferred stock and stockholders' deficit	$ 10,554	$ 25,163

See accompanying notes to the consolidated financial statements.

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

	Years Ended December 31,	
	2023	**2022**
Product sales, net	$ 18,218	$ 16,837
Operating expenses:		
Cost of goods sold	6,512	4,415
Research and development	2,939	25,032
Selling and marketing	11,664	43,951
General and administrative	14,950	27,563
Total operating expenses	36,065	100,961
Loss from operations	(17,847)	(84,124)
Other income (expense):		
Interest income	31	85
Other expense, net	(2,628)	(2,087)
Loss on issuance of financial instruments	(6,776)	(72,993)
Gain (loss) on debt extinguishment	75,337	(24,487)
Change in fair value of financial instruments	4,879	106,952
Total other income, net	70,843	7,470
Income (loss) before income tax	52,996	(76,654)
Income tax expense	(17)	(44)
Net income (loss)	52,979	(76,698)
Deemed dividends	(2,984)	(1,316)
Net income (loss) attributable to common stockholders	$ 49,995	$ (78,014)
Net income (loss) per share attributable to common stockholders:		
Basic (Note 2)	$ 10.36	$ (167.42)
Diluted (Note 2)	$ 0.05	$ (167.42)
Weighted-average shares used to compute net income (loss) per share:		
Basic	4,826,763	465,967
Diluted	984,038,574	465,967

See accompanying notes to the consolidated financial statements.

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(In thousands, except share and per share data)

	Years Ended December 31	
	2023	**2022**
Net income (loss)	$ 52,979	$ (76,698)
Other comprehensive income:		
Change in fair value of financial instruments attributed to credit risk change	22,814	44,438
Reclassification adjustment related to debt extinguishment	(73,187)	-
Comprehensive income (loss)	$ 2,606	$ (32,260)

See accompanying notes to consolidated financial statements.

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONVERTIBLE AND REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(In thousands, except share data)

	Series B Redeemable Convertible Preferred Stock		Series C Redeemable Convertible Preferred Stock		Stockholders' Deficit					
					Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income	Deficit	Deficit
Balance at December 31, 2021	5,000	4,740	-	-	86,666	-	751,276	5,089	(860,680)	(104,315)
Issuance of common stock - Stock Purchase Agreement (Note 8)	-	-	-	-	16,739	-	7,953	-	-	7,953
Issuance of common stock - May 2022 Public Offering (see Note 8)	-	-	-	-	181,320	-	1,239	-	-	1,239
Issuance of common stock upon cash exercise of warrants	-	-	-	-	385,198	-	41,932	-	-	41,932
Issuance of common stock - ESPP	-	-	-	-	601	-	20	-	-	20
Issuance of common stock - a360 Media	-	-	-	-	53,908	-	3,408	-	-	3,408
Issuance of common stock upon noncash exercise of Purchase Rights	-	-	-	-	260,692	-	1,005	-	-	1,005
Conversion of series B-2 convertible preferred stock	(1,200)	(1,143)	-	(72)	2,347	-	1,251	-	-	1,251
Exchange of series B-2 convertible preferred stock (see Note 8)	(1,700)	(1,616)	1,700	1,616	-	-	-	-	-	-
Convertible preferred stock deemed dividends	-	118	-	84	-	-	(81)	-	-	(81)
Restricted stock awards issued	-	-	-	-	1,258	-	-	-	-	-
Restricted stock awards cancelled	-	-	-	-	(1,258)	-	-	-	-	-
May 2022 exchange transaction	(2,100)	(2,099)	(1,700)	(1,628)	(2,600)	-	3,655	-	(1,316)	2,339
Cash repurchase of fractional common stock after the reverse stock split	-	-	-	-	(85)	-	(18)	-	-	(18)
Issuance of December 2022 Notes	-	-	-	-	-	-	1,344	-	-	1,344
Change in fair value of financial instruments attributed to credit risk change	-	-	-	-	-	-	-	44,438	-	44,438
Modification of Baker Warrants (see Note 4)	-	-	-	-	-	-	1,070	-	-	1,070
Stock-based compensation	-	-	-	-	-	-	3,313	-	-	3,313
Net loss	-	-	-	-	-	-	-	-	(76,698)	(76,698)

Balance at December 31, 2022	**-**	**$ -**	**-**	**$ -**	**984,786**	**$ -**	**$ 817,367**	**$ 49,527**	**$ (938,694)**	**$ (71,800)**

	Series E-1 Redeemable Convertible Preferred Stock		Series F-1 Redeemable Convertible Preferred Stock		Stockholders' Deficit					
					Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Income	Deficit	Deficit
Balance at December 31, 2022	-	$ -	-	$ -	984,786	$ -	$ 817,367	$ 49,527	$ (938,694)	$ (71,800)
Issuance of common stock upon cash exercise of warrants	-	-	-	-	1,760,544	-	284	-	-	284
Issuance of common stock upon noncash exercise of purchase rights	-	-	-	-	16,534,856	2	424	-	-	426
Issuance of SSNs (See Note 4)	-	-	-	-	-	-	5,420	-	-	5,420
Issuance of common stock upon conversion of notes	-	-	-	-	730,997	-	-	-	-	-
Issuance of convertible and redeemable preferred stock upon exchange of notes with existing equity holders	1,800	1,800	-	-	-	-	(1,797)	(3)	-	(1,800)
Issuance of convertible and redeemable preferred stock upon exchange of partial purchase rights value and warrants (see Note 8)	-	-	22,280	2,719	-	-	(13)	-	(2,748)	(2,761)
Adjustment related to reverse stock split (fractional shares)	-	-	-	-	(3,384)	-	-	-	-	-
Change in fair value of financial instruments attributed to credit risk change (see Note 4)	-	-	-	-	-	-	-	22,814	-	22,814
Adjustment related to downround feature for financial instruments	-	-	-	-	-	-	162	-	(162)	-
Stock-based compensation	-	-	-	-	-	-	1,189	-	-	1,189
Reverse of AOCI upon Baker's 4th Amendment	-	-	-	-	-	-	-	(73,187)	-	(73,187)
Series E-1 Shares dividends	74	74	-	-	-	-	-	-	(74)	(74)
Net income	-	-	-	-	-	-	-	-	52,979	52,979

Balance at December 31, 2023	**1,874**	**$ 1,874**	**22,280**	**$ 2,719**	**20,007,799**	**$ 2**	**$ 823,036**	**$ (849)**	**$ (888,699)**	**$ (66,510)**

See accompanying notes to the consolidated financial statements.

EVOFEM BIOSCIENCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,	
	2023	**2022**
Cash flows from operating activities:		
Net income (loss)	$ 52,979	$ (76,698)
Adjustments to reconcile net income (loss) to net cash and restricted cash used in operating activities:		
Loss on issuance of financial instruments	6,776	72,993
Gain on debt extinguishment	(75,337)	24,487
Change in fair value of financial instruments	(4,879)	(106,952)
Financial instrument modification expense	-	1,067
Stock-based compensation	1,189	3,313
Depreciation	477	1,015
Noncash interest expenses	2,270	2,176
Noncash right-of-use amortization	1,304	1,031
Noncash inventory reserve for excess & obsolescence	1,576	(300)
Net gain on lease termination	(466)	-
Noncash instrument exchange expense	-	514
Loss on disposal and write-down of property and equipment	2,511	926
Gain on accounts payable settlements	(2,096)	-
Changes in operating assets and liabilities:		
Trade accounts receivable	(4,612)	5,323
Inventories	2,106	1,566
Prepaid and other assets	3,661	2,593
Accounts payable	4,090	4,474
Accrued expenses and other liabilities	527	(4,106)
Accrued compensation	434	(2,478)
Lease liabilities	(1,478)	(1,354)
Net cash and restricted cash used in operating activities	**(8,968)**	**(70,410)**
Purchases of property and equipment	(4)	(341)
Net cash and restricted cash used in investing activities	**(4)**	**(341)**
Cash flows from financing activities:		
Proceeds from issuance of common stock - exercise of warrants	290	25,211
Proceeds from issuance of common stock and warrants, net of offering costs	-	24,882
Proceeds from issuance of common stock – Public Offering, net of commissions – ATM transactions	-	7,438
Proceeds from issuance of common stock- ESPP and exercise of stock options	-	20
Borrowings under term notes	5,640	11,500
Payments under term notes	(1,154)	(5,892)
Cash repurchase of fractional common stock after reverse stock split	-	(18)
Cash paid for offering costs	-	(1,202)
Net cash and restricted cash provided by financing activities	**4,776**	**61,939**
Net change in cash, cash equivalents and restricted cash	(4,196)	(8,812)
Cash, cash equivalents and restricted cash, beginning of period	4,776	13,588
Cash, cash equivalents and restricted cash, end of period	$ 580	$ 4,776
Supplemental cash flow information:		
Cash paid for interest	338	698
Cash paid for taxes	4	26
Supplemental disclosure of noncash investing and financing activities:		
Exchange of convertible notes to Series E-1 Shares	1,800	-
Exchange of warrants and partial purchase rights value to Series F-1 Shares	2,761	-
Issuance of common stock upon exercise of purchase rights	426	1,007
Series E-1 shares dividends	74	-
Right-of-use assets obtained in exchange for operating lease liabilities	-	219

Purchases of property and equipment included in accounts payable and accrued expenses	-	105
Conversion of series B-2 and B-1 convertible preferred stock to common stock	-	1,187
Exchange of series B-2 convertible preferred stock to series C convertible preferred stock	-	1,616
Issuance of common stock for prepaid advertising	-	3,412
Exchange of Adjuvant Notes for Purchase Rights	-	634
Exchange of term notes for Purchase Rights	-	4,806

See accompanying notes to the consolidated financial statements.

1. Description of Business and Basis of Presentation

Description of Business

Evofem is a San Diego-based, commercial-stage biopharmaceutical company committed to commercializing innovative products to address unmet needs in women's sexual and reproductive health.

The Company's first commercial product, Phexxi® (lactic acid, citric acid, and potassium bitartrate) vaginal gel (Phexxi), was approved by the U.S. Food and Drug Administration (FDA) on May 22, 2020, and is the first and only FDA-approved, hormone-free, woman-controlled, on-demand prescription contraceptive gel for women. The Company commercially launched Phexxi in September 2020. Phexxi net product sales were $16.8 million in 2022 and $18.2 million in 2023.

On December 11, 2023, the Company entered into an Agreement and Plan of Merger, as amended (the Merger Agreement) with Aditxt, Inc., a Delaware corporation (Aditxt), Adicure, Inc., a Delaware corporation, and a wholly-owned Subsidiary of Aditxt (Merger Sub), pursuant to which, and on the terms and subject to the conditions thereof, the Merger Sub will merge with and into the Company, with the Company surviving as a wholly owned subsidiary of Aditxt (the Merger). The Merger is expected to close in the second half of 2024; the accompanying consolidated financial statements do not reflect the potential impact of the Merger Agreement.

Basis of Presentation and Principles of Consolidation

The Company prepared the consolidated financial statements in accordance with accounting principles generally accepted in the US (GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) related to annual reports on Form 10-K. The Company's financial statements are presented on a consolidated basis, which include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

Reverse Stock Split

On March 15, 2023, the Company's shareholders approved a reverse stock split between 1-for-20 and not more than 1-for-125 at any time on or prior to March 15, 2024. The Company decided on a ratio of 1-for-125 for the Reverse Stock Split, which became effective on May 18, 2023. The consolidated financial statements are retrospectively adjusted for this Reverse Stock Split.

Risks, Uncertainties and Going Concern

Any disruptions in the commercialization of Phexxi and/or its supply chain could have a material adverse effect on the Company's business, results of operations and financial condition.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities, in the normal course of business, and does not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

The Company's principal operations have been related to research and development, including the development of Phexxi, and to its commercially related sales and marketing efforts. Additional activities have included raising capital, identifying alternative manufacturing to lower the cost of goods sold (COGS), seeking ex-U.S. licensing partners to commercialize Phexxi outside the U.S. and provide non-dilutive capital to the Company, and establishing and maintaining a corporate infrastructure to support a commercial product. The Company has incurred operating losses and negative cash flows from operating activities since inception. As of December 31, 2023, the Company had cash and cash equivalents, including restricted cash from the Adjuvant Notes (as defined in Note 4 - Debt) of $0.6 million, a working capital deficit of $63.3 million and an accumulated deficit of $888.7 million.

Effective October 3, 2022, the Company's common stock is listed on the OTC Venture Market (the OTCQB) of the OTC Markets Group, Inc., a centralized electronic quotation service for over-the-counter securities, under the symbol "EVFM." The OTCQB imposes, among other requirements, a minimum $0.01 per share bid price requirement (the Bid Price Requirement) for continued inclusion on the OTCQB. The closing bid price for the Company's common stock must remain at or above $0.01 per share to comply with the Bid Price Requirement for continued listing. As of March 21, 2024, the closing price was $0.0158. While the Company's common stock was previously listed on the Nasdaq Capital Market (Nasdaq) under the symbol "EVFM", on August 11, 2022, it was suspended from trading on the Nasdaq due to noncompliance with the Nasdaq's minimum bid price requirement. On October 26, the Company's common stock was formally delisted from Nasdaq. The delisting of the Company's shares from Nasdaq makes shares of the Company's common stock less liquid and makes it more difficult for the Company to raise funds when and as needed to fund its operations.

In October 2022, the Company reported that its Phase 3 clinical trial (*EVOGUARD)* did not achieve its efficacy endpoints. The Company has discontinued investment in this development program.

In March 2023, the Company received a Notice of Event of Default and Reservation of Rights (the Notice of Default) from Baker Bros claiming that the Company failed to maintain the required shares reserved amount per the Third Baker Amendment as defined in Note 4 - Debt. In addition, the Notice of Default resulted in a cross default under all outstanding debt; which became currently due and the Company did not have sufficient capital to repay such obligations during the period of default. As of June 30, 2023, the Company had not met the affirmative covenant requiring achievement of $100.0 million in cumulative net sales of Phexxi by such date as per the First Baker Amendment (as defined in Note 4 – Debt). In September 2023, the Company entered into the Fourth Baker Amendment (as defined in Note 4 – Debt), upon which the cumulative net sales covenant was removed and all defaults existing at the time of signing were cured.

Management's plans to meet its cash flow needs in the next 12 months include generating recurring product revenue, restructuring its current payables and obtaining additional funding through means such as the issuance of its capital stock, non-dilutive financings, or through collaborations or partnerships with other companies, including license agreements for Phexxi in the US or foreign markets, or other potential business combinations, including the Merger.

The Company anticipates it will continue to incur net losses for the foreseeable future. According to management estimates, liquidity resources as of December 31, 2023 and 2022 were not sufficient to maintain the Company's cash flow needs for the twelve months from the date of issuance of these consolidated financial statements.

If the Company is not able to obtain the required funding through a significant increase in revenue, equity or debt financings, license agreements for Phexxi in the US or foreign markets, or other means, or is unable to obtain funding on terms favorable to the Company, or if there is another event of default affecting the notes payable, there will be a material adverse effect on commercialization and development operations and the Company's ability to execute its strategic development plan for future growth. If the Company cannot successfully raise additional funding and implement its strategic development plan, the Company may be forced to make further reductions in spending, including spending in connection with its commercialization activities, extend payment terms with suppliers, liquidate assets where possible at a potentially lower amount than as recorded in the consolidated financial statements, suspend or curtail planned operations, or cease operations entirely. Any of these could materially and adversely affect the Company's liquidity, financial condition and business prospects, and the Company would not be able to continue as a going concern. The Company has concluded that these circumstances and the uncertainties associated with the Company's ability to obtain additional equity or debt financing on terms that are favorable to the Company, or at all, and otherwise succeed in its future operations raise substantial doubt about the Company's ability to continue as a going concern.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the notes thereto.

Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include, but are not limited to: the assumptions used in measuring the revenue gross-to-net variable consideration items; the trade accounts receivable credit loss reserve estimate; the discount rate used in estimating the fair value of the right-of-use (ROU) assets and lease liabilities; the assumptions used in estimating the fair value of convertible notes, warrants and purchase rights issued; the useful lives of property and equipment; the recoverability of long-lived assets; clinical trial accruals; the assumptions used in estimating the fair value of stock-based compensation expense; the valuation of inventory; and the valuation of deferred tax assets. These assumptions are more fully described in Note 2 – Summary of Significant Accounting Policies, Note 3 - Revenue, Note 4 - Debt, Note 6 - Fair Value of Financial Instruments, Note 7 - Commitments and Contingencies, Note 9 - Stock-based Compensation, and Note 11 – Income Taxes. The Company bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances and adjusts when facts and circumstances dictate. The estimates are the basis for making judgments about the carrying values of assets, liabilities and recorded expenses that are not readily apparent from other sources. As future events and their effects cannot be determined with precision, actual results may materially differ from those estimates or assumptions.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker, the Chief Executive Officer of the Company, in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business in one operating segment.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash, cash equivalents and restricted cash. Deposits in the Company's checking and time deposit accounts are maintained in federally insured financial institutions and are subject to federally insured limits or limits set by Securities Investor Protection Corporation. The Company invests in funds through a major U.S. bank and is exposed to credit risk in the event of default to the extent of amounts recorded on the consolidated balance sheets.

The Company has not experienced any losses in such accounts and believes it is not exposed to significant concentrations of credit risk on its cash, cash equivalents and restricted cash balances on amounts in excess of federally insured limits due to the financial position of the depository institutions in which these deposits are held. The Company's deposits were primarily held in Silicon Valley Bank prior to their closure by regulators; however, the Company was subsequently able to regain full access to all its deposits and moved these to a different financial institution.

The Company is also subject to credit risk related to its trade accounts receivable from product sales. Its customers are located in the U.S. and consist of wholesale distributors, retail pharmacies, and a mail-order specialty pharmacy. The Company extends credit to its customers in the normal course of business after evaluating their overall financial condition and evaluates the collectability of its accounts receivable by periodically reviewing the age of the receivables, the financial condition of its customers, and its past collection experience. Historically, the Company has not experienced any credit losses. As of December 31, 2023, based on the evaluation of these factors the Company did not record an allowance for doubtful accounts. Phexxi is distributed primarily through three major distributors and a mail-order pharmacy, who receive service fees calculated as a percentage of the gross sales, and a fee per units shipped, respectively. These entities are not obligated to purchase any set number of units and distribute Phexxi on demand as orders are received. For the years ended December 31, 2023, and 2022, the Company's three largest customers combined made up approximately 84% and 77% of its gross product sales, respectively. As of December 31, 2023, the Company's three largest customers combined made up 87% and as of December 31, 2022, the Company's four largest customers combined made up 81% of its trade accounts receivable balance.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of readily available cash in checking accounts and money market funds. Restricted cash consists of cash held in monthly time deposit accounts and letters of credit as described in Note 7 - Commitments and Contingencies. During the twelve months ended December 31, 2023, the Company's letters of credit of $0.3 million for its fleet leases were released. Additionally, the remaining funds of the $25.0 million received from the issuance of Adjuvant Notes (as defined below) in the fourth quarter of 2020 is classified as restricted cash as the Company is contractually obligated to use the funds for specific purposes. Upon receipt of a notice of default from its landlord on March 20, 2023, for failing to pay March 2023 rent timely resulting in a breach under the office lease agreement, the Company's letter of credit in the amount of $0.8 million, in restricted cash, was recovered by the landlord.

The following table provides a reconciliation of cash, cash equivalents and restricted cash, reported within the consolidated statements of cash flows (in thousands):

	Twelve months ended	
	2023	2022
Cash and cash equivalents	$ -	$ 2,769
Restricted cash	580	1,207
Restricted cash included in other noncurrent assets	-	800
Total cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows	$ 580	$ 4,776

Trade Accounts Receivable and Allowance

Trade accounts receivable are amounts owed to the Company by its customers for product that has been delivered. The trade accounts receivable are recorded at the invoice amount, less prompt pay and other discounts, chargebacks and an allowance for credit losses, if any. The allowance for credit losses is the Company's estimate of losses over the life of the receivables. The Company determines the allowance for credit losses based on its historical payment information by customer and the analysis of the trade accounts receivable balance by customer segment. When the collectability of an invoice is no longer probable, the Company will create a reserve for that specific receivable. If a receivable is determined to be uncollectible, it is charged against the general credit loss reserve or the reserve for the specific receivable, if one exists. No allowance was deemed necessary at December 31, 2023 or 2022.

Fair Value of Financial Instruments

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which to transact and the market-based risk. The Company applies fair value accounting for all assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis.

The valuation of assets and liabilities are subject to fair value measurements using a three-tiered approach. Fair value measurement is classified and disclosed by the Company in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, restricted cash, accounts payable, accrued expenses and accrued compensation approximate their fair values due to their short-term nature.

The Company believes that the Adjuvant Notes bear interest at a rate that approximates prevailing market rates for instruments with similar characteristics. The Company estimates the fair value of other debt carried at fair value (the Baker Notes and the Senior Subordinate Notes) utilizing a specialist using a Monte Carlo methodology as described in Note 6 – Fair Value of Financial Instruments. Based on the assumptions used to value these instruments at fair value, the debt instruments are categorized as Level 3 in the fair value hierarchy.

Inventories

Inventories, consisting of purchased materials, direct labor and manufacturing overheads, are stated at the lower of cost, or net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. At each balance sheet date, the Company evaluates ending inventories for excess quantities, obsolescence, or shelf-life expiration. The evaluation includes an analysis of the Company's current and future strategic plans, anticipated future sales, the price projections of future demand, and the remaining shelf life of goods on hand. To the extent that management determines there are excess or obsolete inventory or quantities with a shelf life that is too near its expiration for the Company to reasonably expect that it can sell those products prior to their expiration, the Company adjusts the carrying value to estimated net realizable value in accordance with the first-in, first-out inventory costing method.

Inventories consist of the following (in thousands) for the period indicated:

	December 31,	
	2023	**2022**
Raw Materials [(1)]	$ 520	$ 758
Work in process	386	4,142
Finished Goods [(1)]	791	1,748
Total [(2)]	$ 1,697	$ 6,648

(1) The raw materials and finished goods balances included a combined estimated reserve on obsolescence and excess inventory which might not be sold prior to expiration of $0.3 million as of December 31, 2023, based upon assumptions about future manufacturing needs and gross sales of Phexxi. Inventory associated with the additional write-down of $1.3 million recorded during the year ended December 31, 2023, was disposed and is no longer in the inventory balance as of December 31, 2023.

(2) A portion of the total inventory balance which relates to inventory not expected to be sold within one year from the balance sheet date is included in other noncurrent assets as of December 31, 2022.

Property and Equipment

Property and equipment generally consist of research equipment, computer equipment and software and office furniture. Property and equipment are recorded at cost and depreciated over the estimated useful lives of the assets (generally three to five years) using the straight-line method. Leasehold improvements are stated at cost and are amortized on a straight-line basis over the lesser of the remaining term of the related lease or the estimated useful lives of the assets. Repairs and maintenance costs are charged to expense as incurred and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheets and any resulting gain or loss is reflected in the consolidated statements of operations in the period realized.

Impairment of Long-lived Assets

The Company reviews property and equipment for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss would be recognized when estimated future undiscounted cash flows relating to the asset or asset group are less than its carrying amount. An impairment loss is measured as the amount by which the carrying amount of an asset or asset group exceeds its fair value. The Company recognized an immaterial impairment of construction in process in the year ended December 31, 2023 and no such impairment loss was recorded during the year ended December 31, 2022.

Clinical Trial Accruals

As part of the process of preparing the consolidated financial statements, the Company is required to estimate expenses resulting from obligations under contracts with vendors, clinical research organizations (CROs), consultants and under clinical site agreements relating to conducting clinical trials. The financial terms of these contracts vary and may result in payment flows that do not match the periods over which materials or services are provided under such contracts.

The Company's objective is to reflect the appropriate clinical trial expenses in our consolidated financial statements by recording those expenses in the period in which services are performed and efforts are expended. The Company accounts for these expenses according to the progress of the clinical trial as measured by patient progression and the timing of various aspects of the trial. Management determines accrual estimates through financial models and discussions with applicable personnel and outside service providers as to the progress of clinical trials.

During a clinical trial, the Company adjusts the clinical expense recognition if actual results differ from its estimates. The Company makes estimates of accrued expenses as of each balance sheet date based on the facts and circumstances known at that time. The Company's clinical trial accruals are partially dependent upon accurate reporting by CROs and other third-party vendors. The Company's understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in reporting amounts that are too high or too low for any period.

Fair Value of Warrants

Upon the issuance of warrants, they are initially measured at fair value and reviewed for the appropriate classification (liability or equity). Warrants determined to require liability accounting are subsequently re-measured with changes in fair value being recognized as a component of other income (expense), net in the consolidated statements of operations. Warrants are valued using an option pricing model based on the applicable assumptions, which include the exercise price of the warrants, time to expiration, expected volatility of our peer group, risk-free interest rate, and expected dividends. The Company re-evaluates the classification of its warrants at each balance sheet date to determine the proper balance sheet classification for each warrant. The assumptions used in the Option Pricing Model (OPM) are considered level 3 assumptions and include, but are not limited to, the market value of invested capital, our cumulative equity value as a proxy for the exercise price, the expected term the purchase rights will be held prior to exercise and a risk-free interest rate, and probability of change of control events.

Leases

The Company determines if an arrangement is a lease or implicitly contains a lease as well as if the lease is classified as an operating or finance lease in accordance with ASC 842, *Leases* (ASC 842), at inception based on the lease definition. Operating leases are included in operating lease ROU assets and operating lease liabilities in the Company's consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term. Lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date or the adoption date for existing leases based on the present value of lease payments over the lease term using an estimated discount rate.

For leases which do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date or the adoption date in determining the present value of lease payments over a similar term. In determining the estimated incremental borrowing rate, the Company considers a rate obtained from its primary banker for discussion purposes of a potential collateralized loan with a term similar to the lease term; the Company's historical borrowing capability in the market; and the Company's costs incurred for underwriting discounts and financing costs in its previous equity financings. For leases which have an implicit rate, the Company uses the rate implicit in the lease to determine the present value of the lease payments. The ROU assets also include any lease payments made and exclude lease incentives. For operating leases, lease expense is recognized on a straight-line basis over the lease term. Lease and non-lease components within a contract are generally accounted for separately. Short-term leases of 12 months or less, if any, are expensed as incurred which approximates the straight-line basis due to the short-term nature of the leases.

Operating lease ROU assets and lease liabilities were $0.1 million each on December 31, 2023 and were $4.4 million and $5.4 million on December 31, 2022, respectively. See Note 7 - Commitments and Contingencies for more detailed discussions on leases and financial statements information under ASC 842.

Revenue

The Company recognizes revenue from the sale of Phexxi in accordance with ASC 606, *Revenue from Contracts with Customers* (ASC 606). Revenue is recognized when the Company's performance obligation is satisfied by transferring control of the product to a customer. In accordance with the Company's contracts with customers, control of the product is transferred upon the conveyance of title, which occurs when the product is sold to and received by a customer. The amount of revenue recognized by the Company is equal to the amount of consideration that is expected to be received from the sale of product to its customers.

An estimate for variable consideration is made with each sale and is recorded in conjunction with the revenue being recognized. To calculate the variable consideration, the Company uses the expected value method and the amount is recorded either as a reduction to accounts receivable or as a current liability based on the nature of the allowance and the terms of the related arrangements.

Research and Development

Research and development expenses include costs associated with the Company's research and development activities, including, but not limited to, payroll and personnel-related expenses, stock-based compensation expense, materials, laboratory supplies, clinical studies, and outside services. Research and development costs are expensed as incurred, except when accounting for nonrefundable advance payments for goods or services not yet received. These payments, if any, are capitalized at the time of payment and expensed as the related goods are delivered or the services are performed.

Advertising

Costs for producing advertising are expensed when incurred. Costs for communicating advertising, such as television commercial airtime and print media space, are recorded as prepaid expenses and then expensed when the advertisement occurs. Advertising costs were immaterial in both of the presented periods.

Patent Expenses

The Company expenses all costs incurred relating to patent applications, including, but not limited to, direct application fees and the legal and consulting expenses related to making such applications. Such costs are included in general and administrative expenses in the consolidated statements of operations.

Stock-based Compensation

Stock-based compensation expense for stock options issued to employees, non-employee directors and consultants is measured based on estimating the fair value of each stock option on the date of grant using the Black-Scholes (BSM) option-pricing model.

The following table summarizes the Company's stock-based awards expensing policies for employees and non-employees:

	Employees and Nonemployee Consultants
Service only condition	Straight-line based on the grant date fair value
Performance criterion is probable of being met:	
Service criterion is complete	Recognize the grant date fair value of the award(s) once the performance criterion is considered probable of occurrence
Service criterion is not complete	Expense using an accelerated multiple-option approach[(1)] over the remaining requisite service period
Performance criterion is not probable of being met:	No expense is recognized until the performance criterion is considered probable at which point expense is recognized using an accelerated multiple-option approach

(1) The accelerated multiple-option approach results in compensation expense being recognized for each separately vesting tranche of the award as though the award was in substance multiple awards and, therefore, results in accelerated expense recognition during the earlier vesting periods.

Fair Value of Stock Options

The fair value of stock options is determined using the BSM option-pricing model based on the applicable assumptions, which includes the exercise price of options, time to expiration, expected volatility of our peer group, risk-free interest rate and expected dividend. The Company records forfeitures when they occur.

Performance-based Awards

For performance-based RSAs (i) the fair value of the award is determined on the grant date, (ii) the Company assesses the probability of the individual milestone under the award being achieved, and (iii) the fair value of the shares subject to the milestone is expensed over the implicit service period commencing once management believes the performance criteria is probable of being met. If the performance-based RSAs are modified, the Company applies the share-based payment modification accounting in accordance with ASC 718, *Compensation-Stock Compensation* (ASC 718).

Income Taxes

The accounting guidance for uncertainty in income taxes prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities based on the technical merits of the position.

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and the tax reporting basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax assets will be realized. When the Company establishes or reduces the valuation allowance against its deferred tax assets, its provision for income taxes will increase or decrease, respectively, in the period such determination is made.

Net Income (Loss) per Share

Basic net income (loss) per share attributable to common stockholders is calculated by dividing the net income (loss) by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. The net income (loss) available to common stockholders is adjusted for amounts in accumulated deficit related to the deemed dividends triggered for certain financial instruments. Such adjustment was $3.0 million and zero in the years ended December 31, 2023 and 2022, respectively. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common shares and potentially dilutive securities outstanding for the period determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share calculation, potentially dilutive securities are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive and therefore, basic and diluted net loss per share were the same for the year ended December 31, 2022. Potentially dilutive securities excluded from the calculation of diluted net loss per share are summarized in the table below. Common shares were calculated for the convertible preferred stock and the convertible debt using the if-converted method.

	Years Ended December 31,	
	2023	**2022**
Options to purchase common stock	3,747	5,672
Warrants to purchase common stock	21,053,694	2,052,367
Series E-1 Shares	30,472,989	-
Series F-1 Shares	370,731,708	-
Purchase rights to purchase common stock	385,312,084	4,490,202
Convertible notes	616,497,236	18,105,684
Total	1,424,071,458	24,653,925

The following table sets forth the computation of net income attributable to common shareholders, weighted average common shares outstanding for diluted net income per share, and diluted net income per share attributable to common shareholders for the year ended December 31, 2023 (in thousands, except share and per share amounts).

	Twelve Months Ended December 31, 2023
Numerator:	
Net income attributable to common stockholders	$ 49,995
Adjustments:	
Change in fair value of purchase rights	1,253
Noncash interest expense on convertible notes, net of tax	1,432
Net income attributable to common stockholders	$ 52,680
Denominator:	
Weighted average shares used to compute net income attributable to common stockholder, basic	4,826,763
Add:	
Pro forma adjustments to reflect assumed conversion of convertible notes	549,963,204
Pro forma adjustments to reflect assumed exercise of outstanding warrants and purchase rights	405,803,188
Pro forma adjustments to reflect the assumed conversion of Series E-1 Shares	12,272,683
Pro forma adjustments to reflect the assumed conversion of Series F-1 Shares	11,172,736
Weighted average shares used to compute net loss attributable to common stockholder, diluted	984,038,574
Net income per share attributable to common stockholders, diluted	$ 0.05

Recently Adopted Accounting Pronouncements

No significant new standards were adopted during the year ended December 31, 2023.

Recently Issued Accounting Pronouncements — Not Yet Adopted

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board or other standards setting bodies that are adopted as of the specified effective date.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes: Improvements to Income Tax Disclosures* addressing income tax disclosures, requiring entities to annually disclose specific categories in the rate reconciliation and provide additional information for certain reconciling items and categories. ASU No. 2023-09 will be effective for the Company beginning with the annual filing for the period ended December 31, 2024 and early adoption is allowed. The Company will adopt ASU No. 2023-09 by adding the required disclosures for the December 31, 2024 Annual Report.

The Company does not believe the impact of any other recently issued standards and any issued but not yet effective standards will have a material impact on its consolidated financial statements upon adoption.

3. Revenue

The Company recognizes revenue from the sale of Phexxi in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (ASC 606). The provisions of ASC 606 require the following steps to determine revenue recognition: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

In accordance with ASC 606, the Company recognizes revenue when its performance obligation is satisfied by transferring control of the product to a customer. In accordance with the Company's contracts with customers, control of the product is transferred upon the conveyance of title, which occurs when the product is sold to and received by a customer. The Company's customers are located in the U.S. and consist of wholesale distributors, retail pharmacies, and a mail-order specialty pharmacy. Payment terms typically range from 31 to 66 days, include prompt pay discounts, and vary by customer. Trade accounts receivable due to the Company from contracts with its customers are stated separately in the consolidated balance sheets, net of various allowances as described in the Trade Accounts Receivable policy in Note 2 - Summary of Significant Accounting Policies.

The amount of revenue recognized by the Company is equal to the amount of consideration that is expected to be received from the sale of product to its customers. Revenue is only recognized when the performance obligation is satisfied. To determine whether a significant reversal will occur in future periods, the Company assesses both the likelihood and magnitude of any such potential reversal of revenue.

Phexxi is sold to customers at the wholesale acquisition cost (WAC), or in some cases at a discount to WAC. However, the Company records product revenue net of reserves for applicable variable consideration. These types of variable consideration reduce revenue and include the following:

- Distribution services fees
- Prompt pay and other discounts
- Product returns
- Chargebacks
- Rebates
- Patient support programs, including our co-pay programs

An estimate for variable consideration is made with each sale and is recorded in conjunction with the revenue being recognized. To calculate the variable consideration, the Company uses the expected value method and the estimated amounts are recorded as a reduction to accounts receivable or as a current liability based on the nature of the allowance and the terms of the related arrangements. An estimated amount of variable consideration may differ from the actual amount. At each balance sheet date, these provisions are analyzed and adjustments are made if necessary. Any adjustments made to these provisions would also affect net product revenue and earnings.

In accordance with ASC 606, the Company must make significant judgments to determine the estimate for certain variable consideration. For example, the Company must estimate the percentage of end-users that will obtain the product through public insurance such as Medicaid or through private commercial insurance. To determine these estimates, the Company relies on historical sales data showing the amount of various end-user consumer types, inventory reports from the wholesale distributors and mail-order specialty pharmacy, and other relevant data reports.

The specific considerations that the Company uses in estimating these amounts related to variable consideration are as follows:

Distribution services fees – The Company pays distribution service fees to its wholesale distributors and mail-order specialty pharmacy. These fees are a contractually fixed percentage of WAC and are calculated at the time of sale based on the purchase amount. The Company considers these fees to be separate from the customer's purchase of the product and, therefore, they are recorded in other current liabilities on the consolidated balance sheets.

Prompt pay and other discounts – The Company incentivizes its customers to pay their invoices on time through prompt pay discounts. These discounts are an industry standard practice, and the Company offers a prompt pay discount to each wholesale distributor and retail pharmacy customer. The specific prompt pay terms vary by customer and are contractually fixed. Prompt pay discounts are typically taken by the Company's customers, so an estimate of the discount is recorded at the time of sale based on the purchase amount. Prompt pay discount estimates are recorded as contra trade accounts receivable on the consolidated balance sheets.

The Company may also give other discounts to its customers to incentivize purchases and promote customer loyalty. The terms of such discounts may vary by customer. These discounts reduce gross product revenue at the time the revenue is recognized.

Chargebacks – Certain government entities and covered entities (e.g., Veterans Administration, 340B covered entities) are able to purchase Phexxi at a price discounted below WAC. The difference between the government or covered entity purchase price and the wholesale distributor purchase price of WAC will be charged back to the Company. The Company estimates the amount of each chargeback channel based on the expected number of claims in each channel and related chargeback that is associated with the revenue being recognized for product that remains in the distribution channel at the end of each reporting period. Estimated chargebacks are recorded as contra trade accounts receivable on the consolidated balance sheets.

Rebates – The Company is subject to mandatory discount obligations under the Medicaid and Tricare programs. The rebate amounts for these programs are determined by statutory requirements or contractual arrangements. Rebates are owed after the product has been dispensed to an end user and the Company has been invoiced. Rebates for Medicaid and Tricare are typically invoiced in arrears. The Company estimates the amount of rebates based on the expected number of claims and related cost that is associated with the revenue being recognized for product that remains in the distribution channel at the end of each reporting period. Rebate estimates are recorded as other current liabilities on the consolidated balance sheets.

Patient support programs – One type of patient support program the Company offers is a co-pay program to commercially insured patients whose insurance requires a co-pay to be made when filling their prescription. This is a voluntary program that is intended to provide financial assistance to patients meeting certain eligibility requirements. The Company estimates the amount of financial assistance for these programs based on the expected number of claims and related cost that is associated with the revenue being recognized for product that remains in the distribution channel at the end of each reporting period. Patient support programs estimates are recorded as other current liabilities on the consolidated balance sheets.

Product returns – Customers have the right to return product that is within six months or less of the labeled expiration date or that is past the expiration date by no more than twelve months. Phexxi was commercially launched in September 2020 with a 30-month shelf life. The shelf life increased to 48 months in June 2022. The Company uses historical sales and return data to estimate future product returns. Product return estimates are recorded as other current liabilities on the consolidated balance sheets.

The variable considerations discussed above were recorded in the consolidated balance sheet and consisted of $0.3 million and $0.1 million in contra trade accounts receivable as of December 31, 2023 and 2022, respectively and $3.2 million and $2.6 million in other current liabilities as of December 31, 2023 and 2022, respectively.

4. Debt

Baker Bros. Notes (temporarily owned by Aditxt from December 11, 2023 through February 26, 2024)

On April 23, 2020, the Company entered into a Securities Purchase and Security Agreement (the Baker Bros. Purchase Agreement) with certain affiliates of Baker Bros. Advisors LP, as purchasers (the Baker Purchasers), and Baker Bros. Advisors LP, as designated agent, pursuant to which the Company agreed to issue and sell to the Baker Purchasers (i) convertible senior secured promissory notes (the Baker Notes) in an aggregate principal amount of up to $25.0 million and (ii) warrants to purchase shares of common stock (the Baker Warrants) in a private placement, which closed in two closings (April 24, 2020, the Baker Initial Closing, and June 9, 2020, the Baker Second Closing) As a result of the two closings, the Company issued and sold Baker Notes with an aggregate principal amount of $25.0 million and Baker Warrants exercisable for 2,731 shares of common stock. Upon the completion of the underwritten public offering in June 2020, the exercise price of the Baker Warrants was $4,575 per share. The Baker Warrants have a five-year term with a cashless exercise provision and are immediately exercisable at any time from their respective issuance date.

The Baker Notes had a five-year term, with no pre-payment ability during the first three years. Interest on the unpaid principal balance of the Baker Notes (the Baker Outstanding Balance) accrues at 10.0% per annum with interest accrued during the first year from the two respective closing dates recognized as payment-in-kind. The effective interest rate for the period was 10.0%. Accrued interest beyond the first year of the respective closing dates is to be paid in arrears on a quarterly basis in cash or recognized as payment-in-kind, at the direction of the Baker Purchasers. As discussed below, with the amendment to the Baker Bros. Purchase Agreement, interest payments were paid-in kind. Interest pertaining to the Baker Notes for the twelve months ended December 31, 2023 and 2022 was approximately $8.7 million and $3.3 million, respectively, which was added to the outstanding principal balance. The Company accounts for the Baker Notes under the fair value method as described below and, therefore, the interest associated with the Baker Notes is included in the fair value determination.

The Baker Notes were callable by the Company on 10 days' written notice beginning on the third anniversary of the initial closing date of April 24, 2020. The call price equals 100% of the Baker Outstanding Balance plus accrued and unpaid interest if the Company's common stock as measured using a 30-day volume weighted average price (VWAP) was greater than the benchmark price of $9,356.25 as stated in the Baker Bros. Purchase Agreement, or 110% of the Baker Outstanding Balance plus accrued and unpaid interest if the VWAP was less than such benchmark price. The Baker Purchasers also had the option to require the Company to repurchase all or any portion of the Baker Notes in cash upon the occurrence of certain events. In a repurchase event, as defined in the Baker Bros. Purchase Agreement, the repurchase price will equal 110% of the Baker Outstanding Balance plus accrued and unpaid interest. In the event of default or the Company's change of control, the repurchase price would equal to the sum of (x) three times of the Baker Outstanding Balance plus (y) the aggregate value of future interest that would have accrued. The Baker Notes were convertible at any time at the option of the Baker Purchasers at the conversion price of $4,575 per share prior to the First and Second Baker Amendments (as defined below).

On November 20, 2021, the Company entered into the first amendment to the Baker Bros. Purchase Agreement (the First Baker Amendment), in which each Baker Purchaser had the right to convert all or any portion of the Baker Notes into common stock at a conversion price equal to the lesser of (a) $4,575 and (b) 115% of the lowest price per share of common stock (or, as applicable with respect to any equity securities convertible into common stock, 115% of the applicable conversion price) sold in one or more equity financings until the Company has met a qualified financing threshold defined as one or more equity financings resulting in aggregate gross proceeds to the Company of at least $50 million (the Financing Threshold).

The First Baker Amendment also extended, effective upon the Company's achievement of the Financing Threshold, the affirmative covenant to achieve $100.0 million in cumulative net sales of Phexxi by June 30, 2022 to June 30, 2023. Additionally per the First Baker Amendment, if in any equity financing closing on or prior to the date the Company has met the Financing Threshold the Company issued warrants to purchase capital stock of the Company (or other similar consideration), the Company was required to issue to the Baker Purchasers an equivalent coverage of warrants (or other similar consideration) on the same terms as if the Baker Purchasers had participated in the financing in an amount equal to the then outstanding principal of Baker Notes held by the Baker Purchasers. In satisfaction of this requirement and in connection with the closing of the May 2022 Public Offering, the Company issued warrants to purchase 582,886 shares of the Company's common stock at an exercise price of $93.75 per share (the June 2022 Baker Warrants). As required by the terms of the First Baker Amendment, the June 2022 Baker Warrants have substantially the same terms as the warrants issued in the May 2022 Public Offering. Refer to Note 8 - Stockholders' Deficit for further information. The exercise price of the initial Baker Warrants and the June 2022 Baker Warrants was reset multiple times as a result of various Notes issuances in accordance with the agreement and the exercise price as of December 31, 2023 was $0.0615 per share.

On March 21, 2022, the Company entered into the second amendment to the Baker Bros. Purchase Agreement (the Second Baker Amendment), which granted each Baker Purchaser the right to convert all or any portion of the Baker Notes into common stock at a conversion price equal to the lesser of (a) $725.81 or (b) 100% of the lowest price per share of common stock (or as applicable with respect to any equity securities convertible into common stock, 100% of the applicable conversion price) sold in any equity financing until the Company has (i) met the qualified financing threshold by June 30, 2022, defined as a single underwritten financing resulting in aggregate gross proceeds to the Company of at least $20 million (Qualified Financing Threshold) and (ii) the disclosure of top-line results from the *EVOGUARD* clinical trial (the Clinical Trial Milestone) by October 31, 2022. The Second Baker Amendment also provided that the exercise price of the Baker Warrants will equal the conversion price of the Baker Notes. The Company met the Qualified Financing Threshold upon the closing of the May 2022 Public Offering, and as of September 30, 2022, the conversion price and exercise price of the Baker Warrants was reset to $93.75. The Company achieved the Clinical Trial Milestone in October 2022. Also, with the achievement of the Qualified Financing Threshold and the Clinical Trial Milestone, the affirmative covenant to achieve $100.0 million in cumulative net sales of Phexxi was extended to June 30, 2023, which was subsequently waived via the Baker Fourth Amendment as discussed below.

On September 15, 2022, the Company entered into the third amendment to the Baker Bros. Purchase Agreement (the Third Baker Amendment), pursuant to which the conversion price was amended to $26.25, subject to adjustment for certain dilutive Company equity issuance adjustments for a two-year period; an interest make-whole payment due in certain circumstances was removed; and certain change of control and liquidation payment amounts were reduced from three times the outstanding amounts of the Baker Notes to two times the outstanding amounts. In addition, the Third Baker Amendment provided that the Company may make future interest payments to the Baker Purchasers in kind or in cash, at the Company's option. On the same day, the Company also entered into a Secured Creditor Forbearance Agreement with the Baker Purchasers (Baker Forbearance Agreement), according to which the Baker Purchasers agreed to forebear the defaults that existed at that time.

On December 19, 2022, the Company entered into the First Amendment to the Forbearance Agreement (the Amendment) effective as of December 15, 2022 to amend certain provisions of the Forbearance Agreement dated September 15, 2022. The Amendment revised the Forbearance Agreement to (i) amend the Fifth Recital Clause to clarify that the Purchasers consent to any additional indebtedness *pari passu*, but not senior to that of the Purchasers, in an amount not to exceed $5.0 million, and (ii) strike and entirely replace Section 4 to clarify the terms of the Purchasers' consent to Interim Financing (as defined therein). No other revisions were made to the Forbearance Agreement.

On March 7, 2023, Baker Bros. Advisors, LP (the Designated Agent) provided a Notice of Event of Default and Reservation of Rights (the Notice of Default) relating to the Baker Bros. Purchase Agreement. The Notice of Default claimed that the Company failed to maintain the "Required Reserve Amount" as required by the Third Baker Amendment. The Designated Agent, at the direction of the Baker Purchasers, accelerated repayment of the outstanding balance payable. As a result, approximately $92.7 million, representing two times the sum of the outstanding balance and all accrued and unpaid interest thereon and all other amounts due under the Baker Bros. Purchase Agreement and other documents, was due and payable within three business days of receipt of the Notice of Default. In addition, the Company did not meet the $100.0 million cumulative net sales threshold by June 30, 2023 and as such was in default as of that date. As discussed below, all existing defaults were cured upon the signing of the Fourth Baker Amendment.

On September 8, 2023, the Company entered into the Fourth Amendment to the Baker Bros. Purchase Agreement (the Fourth Baker Amendment) with the Baker Purchasers. The Fourth Amendment amends certain provisions within the Baker Bros. Purchase Agreement including:

(i) the rescission of the Notice of Default delivered to the Company on March 7, 2023 and waiving the Events of Default named therein;

(ii) the waiver of any and all other Events of Default existing as of the Fourth Amendment date;

(iii) the removal of the conversion feature into shares of Company common stock, including the removal of any requirement to reserve shares of common stock for conversion of the Baker Notes as well as any registration rights related thereto;

(iv) the clarification that for the sole purpose of enabling an ex-U.S. license agreement for such assets, any Patents, Trademarks or Copyrights acquired after the Effective Date shall be excluded from the definition of Collateral; and,

(v) the removal of the requirement for the Company to obtain $100 million in cumulative net Phexxi sales in the specified timeframe.

The outstanding balance of the Baker Notes will continue to accrue interest at 10% per annum and, in the event of a default in the agreement or a failure to pay the Repurchase Price (as defined below) on or before September 8, 2028 (the Maturity Date), the Baker Purchasers may collect on the full principal amount then outstanding. Additionally, the Company was required to make a $1.0 million upfront payment by October 1, 2023 (which payment was made in late September 2023) as well as quarterly cash payments based upon a percentage of the Company's global net product revenue. The cash payments will be determined based upon the quarterly global net revenue of Phexxi such that if the global net revenue is less than or equal to $5.0 million, the Company will pay 3% of such global net revenues; if the global net revenue is over $5.0 million and less than or equal to $7.0 million, the Company will continue to pay 3% on net revenue up to $5.0 million and 4% on the net revenue over $5.0 million; and if the global net revenue is over $7.0 million, the Company will pay 3% on the net revenue up to $5.0 million, 4% on the net revenue over $5.0 million up to $7.0 million, and 5% on net revenue over $7.0 million. The cash payments were payable beginning in the fourth quarter of 2023. Regardless of the percentage paid, the quarterly cash payment amounts, along with the $1.0 million upfront payment, will be deducted from the Repurchase Price as Applicable Reductions.

The Fourth Amendment also granted the Company the ability to repurchase the principal amount and accrued and unpaid interest of the Baker Notes for up to a five-year period for the one-time Repurchase Price designated below:

Date of Notes' Repurchase	Repurchase Price
On or prior to September 8, 2024	$14,000,000 (less Applicable Reductions)
September 9, 2024-September 8, 2025	$16,750,000 (less Applicable Reductions)
September 9, 2025-September 8, 2026	$19,500,000 (less Applicable Reductions)
September 9, 2026-September 8, 2027	$22,250,000 (less Applicable Reductions)
September 9, 2027-September 8, 2028	$25,000,000 (less Applicable Reductions)

The Company evaluated whether any of the Embedded Features required bifurcation as a separate component. The Company elected the fair value option (FVO) under ASC 825, *Financial Instruments* (ASC 825), as the Baker Notes are qualified financial instruments and are, in whole, classified as liabilities. Under the FVO, the Company recognized the debt instrument at fair value, inclusive of the Embedded Features with changes in fair value related to changes in the Company's credit risk being recognized as a component of accumulated other comprehensive income in the consolidated balance sheets. All other changes in fair value were recognized in the consolidated statements of operations.

Due to the execution of the Fourth Baker Amendment, the Company reviewed the Baker Notes in accordance with ASC 470, *Debt* (ASC 470). Because the Baker Notes were recorded under the FVO, the Fourth Amendment was outside the scope of ASC 470-60 and as such did not qualify as a troubled debt restructuring (TDR). The Baker Notes were evaluated in accordance with ASC 470 and were determined to have failed certain qualitative factors to qualify as a modification and, therefore, were accounted for as an extinguishment. The Company removed the fair value of the old Baker Notes of $15.6 million and the related accumulated other comprehensive income of $73.2 million as of the date of extinguishment and recorded the fair value of the new Baker Notes, as measured on the date of the Baker Fourth Amendment as $12.5 million, and recognized a gain of approximately $75.3 million within the consolidated statements of operations, in the gain (loss) on issuance of financial instruments line item, upon extinguishment. The gain includes recognizing $73.2 million that had previously been a component of other comprehensive income as part of the prior quarterly revaluations using the valuation methods discussed in Note 6 – Fair Value of Financial Instruments.

As part of the consideration for the Merger, on December 11, 2023, the Baker Purchasers signed an agreement to assign the Baker Notes to Aditxt (the December Assignment Agreement). Upon this December Assignment Agreement, Aditxt assumed all terms under the Baker Notes, with Aditxt becoming the new senior secured debtholder of the Company, governed by the requirements under the Fourth Baker Amendment. As described in Note 13 – Subsequent Events, the Baker Notes were re-assigned back to the Baker Purchasers on February 26, 2024.

Due to the execution of the December Assignment Agreement, the Company reviewed the Baker Notes in accordance with ASC 470. The Baker Notes, having been effectively terminated were extinguished on December 11, 2023, resulting in removing the fair value of the old Baker Notes of $12.5 million. The temporarily assigned Baker Notes were subsequently recorded at fair value using the valuation methods discussed in Note 6 – Fair Value of Financial Instruments.

As of December 31, 2023, the Baker Notes are recorded at fair value in the consolidated balance sheet as short-term convertible notes payable with a total balance of $13.5 million, and the total outstanding balance including principal and accrued interest is $99.5 million.

Adjuvant Notes

On October 14, 2020, the Company entered into a Securities Purchase Agreement (the Adjuvant Purchase Agreement) with Adjuvant Global Health Technology Fund, L.P., and Adjuvant Global Health Technology Fund DE, L.P. (together, the Adjuvant Purchasers), pursuant to which the Company sold unsecured convertible promissory notes (the Adjuvant Notes) in aggregate principal amount of $25.0 million.

The Adjuvant Notes have a five-year term, and in connection with certain Company change of control transactions, the Adjuvant Notes may be prepaid at the option of the Company or will become payable on the date of the consummation of a change of control transaction at the option of the Adjuvant Purchasers. The Adjuvant Notes have interest accruing at 7.5% per annum on a quarterly basis in arrears to the outstanding balance of the Adjuvant Notes and are recognized as payment-in-kind. The effective interest rate for the year ended December 31, 2023 was 8.8%.

Interest expense for the Adjuvant Notes consist of the following, and is included in short-term convertible notes payable on the consolidated balance sheet as of December 31, 2023 and 2022 and in other expense, net on the consolidated statements of operations for the years ended December 31, 2023 and 2022 (in thousands):

	Years Ended December 31,	
	2023	2022
Coupon interest	$ 2,046	$ 2,048
Amortization of issuance costs	224	129
Total [4]	$ 2,270	$ 2,177

The Adjuvant Notes are convertible, subject to customary 4.99% and 19.99% beneficial ownership limitations, into shares of the Company's common stock, par value $0.0001 per share, at any time at the option of the Adjuvant Purchasers at a conversion price of $6,843.75 per share. In connection with certain Company change of control transactions, the Adjuvant Notes may be prepaid at the option of the Company or will become payable at the option of the Adjuvant Purchasers. To the extent not previously prepaid or converted, the Adjuvant Notes were originally automatically convertible into shares of the Company's common stock at a conversion price of $6,843.75 per share immediately following the earliest of the time at which the (i) 30-day value-weighted average price of the Company's common stock was $18,750 per share, or (ii) the Company achieved cumulative net sales of $100.0 million, provided such net sales were achieved prior to July 1, 2022.

On April 4, 2022, the Company entered into the first amendment to the Adjuvant Purchase Agreement (the Adjuvant Amendment). The Adjuvant Amendment extended the affirmative covenant to achieve $100.0 million in cumulative net sales of Phexxi by June 30, 2022 to June 30, 2023. The Adjuvant Amendment also provided for an adjustment to the conversion price of the Adjuvant Notes such that the conversion price (the Conversion Price) for these Notes, effective as of the May 2023 reverse stock split, will now be the lesser of (i) $678.49 and (ii) 100% of the lowest price per share of common stock (or with respect to securities convertible into common stock, 100% of the applicable conversion price) sold in any equity financing until the Company has met the Qualified Financing Threshold. Effective as of the Company's achievement of the Qualified Financing Threshold, the automatic conversion provisions in the Agreement were further amended to provide that the Adjuvant Notes will automatically convert into shares of the Company's common stock at the Conversion Price immediately following the earliest of the time at which the (i) 30-day value-weighted average price of the Company's common stock is $18,750 per share, or (ii) the Company achieves cumulative net sales of Phexxi of $100.0 million, provided such net sales were achieved prior to July 1, 2023.

The Adjuvant Notes contain various customary affirmative and negative covenants agreed to by the Company. On September 12, 2022, the Company was in default of the Adjuvant Notes due to the default with the Baker Notes under the cross-default provision. On September 15, 2022, the Company entered into a Forbearance Agreement (the Adjuvant Forbearance Agreement) with the Adjuvant Purchasers, pursuant to which the Adjuvant Purchasers agreed to forbear from exercising any of their rights and remedies during the Forbearance Period as defined in therein, but solely with respect to the specified events of default provided under the Adjuvant Forbearance Agreement.

On September 15, 2022, the Company also entered into the second amendment to the Adjuvant Purchase Agreement (the Second Adjuvant Amendment), pursuant to which the conversion price per share was reduced to $26.25, subject to adjustment for certain dilutive Company equity issuance adjustments for a two-year period. In addition, the Company entered into an exchange agreement, pursuant to which the Adjuvant Purchasers agreed to exchange 10% of the outstanding amount of the Adjuvant Notes as of September 15, 2022 (or $2.9 million) for rights to receive 109,842 shares of common stock (the Adjuvant Purchase Rights). The number of shares for each Adjuvant Purchase Right is initially fixed, but is subject to certain customary adjustments, and, until the second anniversary of issuance, adjustments for certain dilutive Company equity issuances. Refer to Note 8 - Stockholders' Deficit for discussion regarding additional issuances of purchase rights under this provision. The Adjuvant Purchase Rights expire on June 28, 2027 and do not have an exercise price per share and, therefore, will not result in cash proceeds to the Company. As of December 31, 2023, all Adjuvant Purchase Rights remain outstanding. The conversion price of the Adjuvant Notes was reset several times during 2023 along with various financing and equity transactions; as of December 31, 2023, the conversion price was $0.0615.

The Adjuvant Notes are accounted for in accordance with authoritative guidance for convertible debt instruments and are classified as current liabilities in the consolidated balance sheets. The aggregate proceeds of $25.0 million were initially classified as restricted cash for financial reporting purposes due to contractual stipulations that specify the types of expenses the money can be spent on and how it must be allocated. The conversion feature was required to be bifurcated as an embedded derivative because the Company did not have sufficient number of shares reserved upon conversion as of December 31, 2022; however, the fair value of such feature was immaterial as of December 31, 2022. As of June 30, 2023, the Company had a sufficient number of shares reserved and the conversion feature was reclassified to stockholders' deficit in accordance with ASC 815, *Derivatives and Hedging* (ASC 815) at that time. As of December 31, 2023 and 2022, $0.6 million and $0.9 million, respectively in proceeds remained, which are included in restricted cash on the consolidated balance sheets. See Note 6 - Fair Value of Financial Instruments for a description of the accounting treatment for the Adjuvant Purchase Rights.

Due to the execution of the Adjuvant Forbearance and the Second Adjuvant Amendment, the Company reviewed the Adjuvant Notes in accordance with ASC 470. The Company concluded that although changes in the structure of the debt met certain qualitative factors to qualify as a TDR, the effective interest rate post changes was greater than the original effective interest rate and, therefore, failed the quantitative test to be a TDR. The Adjuvant Notes were evaluated in accordance with ASC 470 and were determined to have failed certain qualitative factors to qualify as a modification and, therefore, were accounted for as an extinguishment. The Company removed the old debt from its financial records and recorded the new, revised debt and concurrently recognized a gain of approximately $2.5 million upon extinguishment, included in change in fair value of financial instruments within the consolidated statements of operations for the third quarter of 2022. As discussed above, the Company was in default of the Adjuvant Notes at September 30, 2023, due to the failure to meet the cumulative net sales requirement. However, Adjuvant forebeared such default in October 2023 and therefore the Company is no longer in default.

As of December 31, 2023, the Adjuvant Notes are recorded in the consolidated balance sheet as short-term convertible notes payable with a total balance of $28.5 million. The balance is comprised of $22.5 million in principal, net of unamortized debt issuance costs, and $6.1 million in accrued interest. As of December 31, 2022, the Adjuvant Notes were recorded in the consolidated balance sheet as short-term convertible notes payable with a total balance of $26.3 million. The balance was comprised of $22.3 million in principal, net of unamortized debt issuance costs, and $4.0 million in accrued interest.

As of December 31, 2023, and assuming the current conversion price of $0.0615 per share, the Adjuvant Notes could be converted into 464,027,724 shares of common stock.

Term Notes

January and March 2022 Notes

On January 13, 2022, the Company entered into a Securities Purchase Agreement (the January 2022 Purchase Agreement) with institutional investors (the January 2022 Notes Purchasers) pursuant to which the Company agreed to sell in a registered direct offering (i) unsecured 5.0% Senior Subordinated Notes due 2025 with an aggregate issue price of $5.9 million (the January 2022 Notes), which included an original issue discount of $0.9 million, and (ii) warrants (the January 2022 Warrants) to purchase up to 8,003 shares of the Company's common stock, $0.0001 par value per share. The January 2022 Warrants had an exercise price of $735.00 per share and were initially exercisable beginning on July 15, 2022 with a five-year term. Pursuant to the terms of the March 2022 Purchase Agreement (as defined below), the January 2022 Warrants became exercisable on March 1, 2022, as described in more detail below.

On March 1, 2022, the Company entered into a Securities Purchase Agreement (the March 2022 Purchase Agreement) with institutional investors (the March 2022 Notes Purchasers) pursuant to which the Company agreed to sell in a registered direct offering (i) unsecured 5.0% Senior Subordinated Notes due 2025 with an aggregate issue price of approximately $7.5 million (the March 2022 Notes), which included an original issue discount of approximately $2.5 million, and (ii) warrants (the March 2022 Warrants) to purchase up to 8,303 shares of the Company's common stock, $0.0001 par value per share. The March 2022 Warrants have an exercise price of $897.56 per share and are immediately exercisable with a five-year term.

The January and March 2022 Notes carried an interest rate of 5% per annum, which was subject to increase to 18% upon an event of default. The January and March 2022 Notes were able to be prepaid, in whole or in part, at the Company's option together with all accrued and unpaid interest and fees as of the date of repayment. The holders of the January and March 2022 Notes were able to require the Company to redeem their respective notes upon the occurrence of an event of default with a redemption premium of 25%. The holders of the January and March 2022 Notes were also able to require the Company to redeem their respective notes upon the occurrence of certain subsequent transactions.

Pursuant to the terms of the January and March 2022 Purchase Agreements, the Company agreed to certain restrictions on effecting variable rate transactions so long as the January and March 2022 Notes were outstanding. Also, pursuant to the terms of the January and March 2022 Purchase Agreements, the January and March 2022 Purchasers had certain rights to participate in subsequent issuances of the Company's securities, subject to certain exceptions.

The Company evaluated the January and March 2022 Notes to determine if any embedded components qualified as a derivative requiring bifurcation in accordance with ASC 815. The Company determined that the embedded put option and interest rate increase feature would both require bifurcation and separate accounting. Therefore, the Company elected to use the fair value option under ASC 825, *Financial Instruments* (ASC 825) for the January and March 2022 Notes inclusive of the embedded features.

The Company evaluated the January and March 2022 Warrants and determined that in accordance with ASC 815 the warrants should be recorded at fair value and classified as a derivative liability in the consolidated balance sheet. Both the January and March 2022 Notes and Warrants were marked-to-market at each reporting date.

Under the valuation methods as described in Note 6 - Fair Value of Financial Instruments, the Company recorded the following in the consolidated financial statements related to the January and March 2022 Notes and Warrants during the year ended December 31, 2022: (i) $0.2 million in notes at issuance; (ii) $10.6 million in warrants at issuance as a derivative liability; and (iii) a $0.9 million loss on issuance. During the year ended December 31, 2022, the Company recognized gains in fair value of financial instruments as a result of the mark-to-market adjustment on the January and March 2022 Warrants of $10.6 million.

On May 4, 2022, the January and March 2022 Notes were exchanged pursuant to the May 2022 Exchange, as defined below.

May 2022 Notes

On May 4, 2022, the Company entered into amendment and exchange agreements (the May 2022 Exchange) with the holder of issued and outstanding Series B-2 and C Preferred Stock, Seven Knots, and the January and March 2022 Notes Purchasers (collectively, the May 2022 Notes Purchasers), pursuant to which they agreed to exchange all of the January and March 2022 Notes, 2,100 shares of Series B-2 Convertible Preferred Stock, 1,700 shares of Series C Convertible Preferred Stock, and 4,266 shares of the Company's Common Stock for (i) new 5.0% Senior Subordinated Notes with an aggregate principal amount of $22.3 million (the May 2022 Notes), (ii) 1,666 new shares of Common Stock and (iii) new warrants to purchase up to 6,666 shares of Common Stock (the May 2022 Warrants). The May 2022 Warrants have an exercise price of $309.56 per share and were exercisable immediately with a five-year term. The 2,100 shares of Series B-2 Convertible Preferred Stock, 1,700 shares of Series C Convertible Preferred Stock, and 4,266 shares of the Company's Common Stock that were exchanged in the May 2022 Exchange were retired by the Company. All aforementioned exchange transactions were cashless.

The May 2022 Notes were substantially similar to the January and March 2022 Notes, except that (i) the maturity date of the May 2022 Notes was August 1, 2022 and (ii) the holders of the May 2022 Notes may require the Company to redeem or exchange up to 100% of the May 2022 Notes upon the occurrence of certain subsequent transactions (each, a Subsequent Transaction Optional Redemption). Pursuant to the terms of the May 2022 Notes and subject to certain conditions described in the May 2022 Notes, if the Company completed an underwritten public offering of at least $20 million complying with certain conditions (a Qualified Underwritten Offering) and the holder of the May 2022 Notes did not participate in the Qualified Underwritten Offering, then the holder would have forfeited their right to Subsequent Transaction Optional Redemption solely with respect to that Qualified Underwritten Offering and amounts that may have been due pursuant to the May 2022 Notes would not have been due and payable until the three-month anniversary of the Qualified Underwritten Offering.

The May 2022 Public Offering qualified as the Qualified Underwritten Offering and, in connection with the May 2022 Public Offering, the holders of the May 2022 Notes waived certain of their preemptive and redemption rights and the Company redeemed $5.9 million of the May 2022 Notes. The holders of the May 2022 Notes also waived the maturity date of the May 2022 Notes until October 31, 2022.

The May 2022 Notes contain various customary affirmative and negative covenants agreed to by the Company. The May 2022 Notes also include other customary events of default, which include the suspension of trading of shares of the Company's common stock on the Nasdaq Capital Market for a period of more than five trading days. On September 12, 2022, the Company was in default of the May Notes due to the default with the Baker Notes under the cross-default provision. As a result, the interest rate was increased to 18% for the duration of the default and the holders of the May 2022 Notes had the right to request redemption for 125% of the amounts then owed pursuant to the May 2022 Notes.

On September 15, 2022, the Company entered into exchange agreements with each of the May 2022 Notes Purchasers (the May 2022 Notes Exchange Agreements), pursuant to which the May 2022 Notes Purchasers agreed to exchange all outstanding balances of the May Notes as of September 15, 2022 using the higher interest rate and redemption premium aforementioned for purchase rights (the May Note Purchase Rights) to receive 832,237 shares of common stock. As a result, the May Notes were no longer outstanding as of December 31, 2022. The number of right shares for each May Note Purchase Right was initially fixed, but is subject to certain customary adjustments, and, until the second anniversary of issuance, adjustments for certain dilutive Company equity issuances, as further discussed in Note 8 - Stockholders' Deficit, and expire on June 28, 2027. The May 2022 Notes Purchasers also waived certain anti-dilution share adjustment provisions with respect to shares underlying the May 2022 Warrants.

The Company evaluated the May 2022 Notes and determined that in accordance with ASC 470 the notes should be accounted for as a modification of the January and March 2022 Notes. The Company further evaluated the May 2022 Notes to determine if any embedded components qualified as a derivative requiring bifurcation in accordance with ASC 815. The Company determined that the embedded put options and interest rate increase features would all require bifurcation and separate accounting. Therefore, the Company elected to use the fair value option under ASC 825, *Financial Instruments* (ASC 825) for the May 2022 Notes inclusive of the embedded features.

The Company evaluated the May 2022 Warrants and determined that, in accordance with ASC 815, the warrants should be recorded at fair value and classified as a derivative liability in the consolidated balance sheet. Both the May 2022 Notes and Warrants are marked-to-market at each reporting date before the exchange as described above.

Under the valuation methods as described in Note 6 - Fair Value of Financial Instruments, the Company recorded the following in the consolidated financial statements related to the May 2022 Notes and Warrants during the year ended December 31, 2022: (i) $22.3 million in notes at issuance; and (ii) $1.6 million in warrants at issuance as a derivative liability. During the year ended December 31, 2022, the Company recognized losses in fair value of financial instruments as a result of the mark-to-market adjustment on the May 2022 Notes of $10.3 million and gains in fair value of financial instruments as a result of the mark-to-market adjustment on the May 2022 Warrants of $1.6 million.

December 2022 and February, March, April, July, August, and September 2023 Notes

The Company entered into eight similar Securities Purchase Agreements (SPAs) between December 2022 and September 2023 with certain investors. Each of the agreements were materially similar. The variable details of each SPA, such as the principal amount of each note offering, net proceeds, and maturity date are outlined in the table below. Pursuant to each SPA, the Company agreed to sell in a registered direct offering (i) unsecured 8.0% senior subordinated notes with the maturity dates and aggregate issue prices (ii) warrants to purchase the listed number of shares of the Company's common stock, $0.0001 par value per share (including prefunded common stock Warrants as a part of the September 2023 SPA) (iii) Series D Preferred Stock (the Preferred Shares; December 2022 SPA only) (collectively, the Senior Subordinated Notes, or SSNs). The SSNs had net proceeds to the Company from and are convertible at the amounts listed below.

The SSNs interest rates are subject to increase to 12% upon an event of default and the Notes have no Company right to prepayment prior to maturity; however, the Company can redeem the respective SSNs at a redemption premium of 32.5%. The Purchasers can also require the Company to redeem their notes at the respective premium rate tied to the occurrence of certain subsequent transactions, as well as require the Company to redeem the SSNs in the event of subsequent placements (as defined). Also, pursuant to the terms of the SPAs, Purchasers have certain rights to participate in subsequent issuances of the Company's securities, subject to certain exceptions. Additionally, the conversion rate and warrant strike price are subject to adjustment upon the issuance of other securities (as defined) less than the stated conversion rate and strike price at issuance. The strike prices adjusted as discussed in the table below. Additionally, subsequent to December 31, 2023, the conversion price of the SSNs was adjusted to $0.0158 per share due to the price reset requirements in the SPA.

The Company evaluated the SSNs in accordance with ASC 480 and determined that the Notes were all liability instruments at issuance. The applicable Notes were then evaluated in accordance with the requirements of ASC 825 and the Company concluded that they were not precluded from electing the fair value option for the applicable Notes.

The Company also evaluated the Warrants in accordance with ASC 480 and determined that the Warrants issued before the Reverse Stock Split in May 2023 were required to be recorded as liabilities at fair value in the Company's consolidated balance sheets. The applicable SSNs were marked-to-market at each reporting date with changes in fair value recognized in the consolidated statement of operations, unless the change is concluded to be related to changes in the Company's credit rating, in which case the change was recognized as a component of accumulated other comprehensive income in the consolidated balance sheets. As a result of the Reverse Stock Split, the Company had sufficient shares available for issuance to cover the potential exercises; therefore, the Warrants that were previously classified as liabilities were marked-to-market and reclassified to equity in May 2023. For the Warrants issued after the Reverse Stock Split, the Company determined they were required to be recorded in equity.

On December 21, 2023, warrants to purchase up to 9,972,074 shares of the Company's common stock were exchanged for 613 shares of the Company's series F-1 convertible and redeemable preferred stock (Series F-1 Shares, as defined below). The Series F-1 Shares, some of which were also issued based on the partial value of certain purchase rights, as described above, were immediately exchanged to Aditxt series A-1 preferred stock and 22,280 Series F-1 Shares were outstanding as of December 31, 2023 and held by Aditxt. The Series F-1 Shares will be cancelled at such time that the Merger is successfully closed, as applicable.

Summary of SSNs and Warrants (December 2022 to September 2023):

						Conversion Price					
Notes	**Principal at issuance (in thousands)**	**Gross proceeds before issuance costs (in thousands)**	**Warrants at issuance (common stock)**	**Preferred Shares**	**Maturity Date**	**At Issuance**	**At 12/31/2022**	**At 3/31/2023**	**At 6/30/2023**	**At 9/30/2023**	**At 12/31/2023**
December 2022 Notes	$ 2,308	$ 1,500	369,230	70 - Series D	12/21/2025	$ 6.25	$ 6.25	$ 1.625	$ 0.8125	$ 0.0845	$ 0.0615
February 2023 Notes[(1)]	1,385	900	653,538	-	2/17/2026	$ 2.50	N/A	$ 1.625	$ 0.8125	$ 0.0845	$ 0.0615
March 2023 Notes	600	390	240,000	-	3/17/2026	$ 2.50	N/A	$ 1.625	$ 0.8125	$ 0.0845	$ 0.0615
March 2023 Notes[(2)]	538	350	258,584	-	3/20/2026	$ 2.50	N/A	$ 1.625	$ 0.8125	$ 0.0845	$ 0.0615
April 2023 Notes	769	500	615,384	-	3/6/2026	$ 1.25	N/A	N/A	$ 0.8125	$ 0.0845	$ 0.0615
July 2023 Notes	1,500	975	1,200,000	-	3/6/2026	$ 1.25	N/A	N/A	N/A	$ 0.0845	$ 0.0615
August 2023 Notes	1,000	650	799,999	-	8/4/2026	$ 1.25	N/A	N/A	N/A	$ 0.0845	$ 0.0615
September 2023 Notes[(3)]	2,885	1,875	26,997,041	-	9/26/2026	$ 0.13	N/A	N/A	N/A	$ 0.13	$ 0.0615
Total Senior Subordinate Notes	$ 10,985	$ 7,140	31,133,776								

(1) Warrants include 99,692 issued to the placement agent.
(2) Warrants include 43,200 issued to the placement agent.
(3) Warrants include 22,189,349 common warrants at $0.13 per share and 4,807,692 pre-funded warrants exercisable at $0.001 per share.

5. Balance Sheet Details

Prepaid and Other Current Assets

Prepaid and other current assets consist of the following (in thousands):

	December 31,	
	2023	**2022**
Insurance	$ 777	$ 1,387
Research & development costs	13	403
Other	405	428
Total	$ 1,195	$ 2,218

Property and Equipment, Net

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

		December 31,	
	Useful Life	**2023**	**2022**
Research equipment	5 years	$ 586	$ 653
Computer equipment and software	3 years	647	639
Office furniture	5 years	-	881
Leasehold improvements	5 years or less	-	3,388
Construction in-process	—	1,156	1,568
		2,389	7,129
Less: accumulated depreciation		(1,186)	(3,189)
Total, net		$ 1,203	$ 3,940

Depreciation and amortization expense for property and equipment is disclosed in the consolidated statements of cash flows.

Other Noncurrent Assets

Other noncurrent assets consist of the following (in thousands):

	December 31,	
	2023	**2022**
Restricted cash included in noncurrent assets	$ -	$ 800
Inventories, long-term	-	1,270
Prepaid directors & officers' insurance	-	1,717
Other	35	331
Total	$ 35	$ 4,118

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	December 31,	
	2023	2022
Clinical trial related costs	$ 2,498	$ 2,574
Accrued royalty	1,146	674
Other	583	876
Total	$ 4,227	$ 4,124

6. Fair Value of Financial Instruments

Fair Value of Financial Assets

The fair values of the Company's assets, including money market funds, investments in marketable fixed income debt securities classified as cash and cash equivalents measured on a recurring basis as of December 31, 2022, are summarized in the following tables (in thousands). There are no such instruments as of December 31, 2023.

	As of December 31, 2022				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (Level 3)	Significant Unobservable Inputs (Level 3)	Total
Money market funds [1]	$ 2,612	$ -	$ -	$ -	$ 2,612
Total assets	$ 2,612	$ -	$ -	$ -	$ 2,612

(1) Included as a component of cash and cash equivalents and restricted cash on the consolidated balance sheet.

Fair Value of Financial Liabilities

The following table is a summary of the Company's convertible debt instruments as of December 31, 2023 and 2022, respectively (in thousands):

					Fair Value	
As of December 31, 2023	Principal Amount	Unamortized Issuance Costs	Accrued Interest	Net Carrying Amount	Amount	Leveling
Baker Notes[1][2]	$ 99,460	$ -	$ -	$ 99,460	$ 13,510	Level 3
Adjuvant Notes[3]	22,500	(27)	6,064	28,537	N/A	N/A
December 2022 Notes[1]	940	-	-	940	118	Level 3
February 2023 Notes [1]	905	-	-	905	118	Level 3
March 2023 Notes [1]	1,204	-	-	1,204	157	Level 3
April 2023 Notes [1]	816	-	-	816	106	Level 3
July 2023 Notes [1]	1,534	-	-	1,534	202	Level 3
August 2023 Notes [1]	1,033	-	-	1,033	136	Level 3
September 2023 Notes [1]	2,945	-	-	2,945	384	Level 3

(1) These liabilities are/were carried at fair value in the consolidated balance sheets. As such, the principal and accrued interest was included in the determination of fair value. The related debt issuance costs were expensed.

(2) The Baker Notes principal amount includes $13.7 million of interest paid-in kind as of December 31, 2023.

(3) The Adjuvant Notes are recorded in the consolidated balance sheets at their net carrying amount which includes principal and accrued interest, net of unamortized issuance costs.

As of December 31, 2022	Principal Amount	Unamortized Issuance Costs	Accrued Interest	Redemption Amount	Amount Exchanged	Net Carrying Amount	Fair Value	
							Amount	Leveling
Baker Notes[1][2]	$ 45,528	$ -	$ -	$ -	$ -	$ 45,528	$ 39,260	Level 3
Adjuvant Notes[3][4]	22,500	(252)	4,020	-	-	26,268	-	N/A
May 2022 Notes[1]	16,376	-	1,101	4,369	(21,846)	-	-	N/A
December 2022 Notes [1]	2,308	-	-			2,308	156	Level 3

(1) These liabilities are/were carried at fair value in the consolidated balance sheets. As such, the principal and accrued interest was included in the determination of fair value. The related debt issuance costs were expensed.

(2) The Baker Notes principal amount includes $5.6 million of interest paid-in kind as of December 31, 2022.

(3) The Adjuvant Notes are recorded in the consolidated balance sheets at their net carrying amount which includes principal and accrued interest, net of unamortized issuance costs.

(4) The principal amount and accrued interest of the Adjuvant Notes are net of the 10% reduction in principal and interest of $2.5 million and $0.4 million, respectively, received in exchange for the issuance of purchase rights.

The following tables summarize the Company's derivative liabilities as of December 31, 2023 and 2022 as discussed in Note 8 - Stockholders' Deficit (in thousands):

	Fair Value		
	December 31, 2023 [2]	December 31, 2022[1]	Leveling
April and June 2020 Baker Warrants	$ N/A	$ 1	Level 3
May 2022 Public Offering Warrants	N/A	303	Level 3
June 2022 Baker Warrants	N/A	170	Level 3
December 2022 Warrants	N/A	107	Level 3
Purchase Rights	1,926	1,095	Level 3
Total Derivative Liabilities	$ 1,926	$ 1,676	

(1) As of December 31, 2022, all warrants issued by the Company are subject to liability accounting due to potential settlement in cash, an insufficient number of authorized shares and other adjustment mechanics. However, warrants with an exercise price greater than $6.25 per share were considered to be significantly out of the money and therefore the value ascribed to those warrants was considered to be *de minimus* and is therefore excluded from the above table.

(2) Upon the effectuation of the reverse split on May 18, 2023, the Company has a sufficient number of authorized shares. As a result, during the second quarter of 2023, all warrants in the table above were marked-to-market on May 18, 2023, and then reclassified to equity.

Change in Fair Value of Level 3 Financial Liabilities

The following tables summarize the changes in Level 3 financial liabilities related to Term Notes, Baker Notes and SSNs measured at fair value on a recurring basis for the year ended December 31, 2023 (in thousands):

	Baker First Closing Notes	Baker Second Closing Notes	Baker Notes- Fourth Amendment	Baker Notes (Assigned to Aditxt; Note 4)	Total SSNs (Note 4)	Total
Balance at December 31, 2022	$ 23,556	$ 15,704	$ -	$ -	$ 156	$ 39,416
Balance at issuance	-	-	13,450	13,510	220	27,180
Payments	-	-	(1,154)	-	-	(1,154)
Extinguishment/conversion	(9,360)	(6,240)	(11,082)	-	(1)	(26,683)
Change in fair value presented in the Consolidated Statements of Operations	-	-	(1,214)	-	-	(1,214)
Change in fair value presented in the Consolidated Statements of Comprehensive Operations	(14,196)	(9,464)	-	-	846	(22,814)
Balance at December 31, 2023	$ -	$ -	$ -	$ 13,510	$ 1,221	$ 14,731

The following table summarizes the changes in Level 3 financial liabilities related to Term Notes, Baker Notes and December 2022 Notes measured at fair value on a recurring basis for the year ended December 31, 2022 (in thousands):

	Term Notes - January 2022 Notes	Term Notes - March 2022 Notes	Term Notes - May 2022 Notes	Baker First Closing Notes	Baker Second Closing Notes	Total Senior Subordinate Notes (Note 4)	Total
Balance at December 31, 2021	$ -	$ -	$ -	$ 49,030	$ 32,687	$ -	$ 81,717
Balance at issuance	116	149	447	-	-	156	868
Payments	-	-	(5,892)	-	-	-	(5,892)
Change in fair value presented in the Consolidated Statements of Operations	4	2	10,251	1,189	792	-	12,238
Change in fair value presented in the Consolidated Statements of Comprehensive Operations	-	-	-	(26,663)	(17,775)	-	(44,438)
Exchange of notes (noncash)	(120)	(151)	(4,806)	-	-	-	(5,077)
Balance at December 31, 2022	$ -	$ -	$ -	$ 23,556	$ 15,704	$ 156	$ 39,416

The following table summarizes the changes in Level 3 financial liabilities related to derivative liabilities measured at fair value on a recurring basis for the year ended December 31, 2023 (in thousands):

	April and June 2020 Baker Warrants	May 2022 Public Offering Common Warrants	June 2022 Baker Warrants	December 2022 Warrants	February and March 2023 Warrants	Purchase Rights	Derivative Liabilities Total
Balance at December 31, 2022	$ 1	$ 303	$ 170	$ 107	$ -	$ 1,095	$ 1,676
Balance at issuance	-	-	-	-	6	5,556	5,562
Exercises	-	(7)	-	-	-	(424)	(431)
Change in fair value presented in the Consolidated Statements of Operations	(1)	(295)	(169)	(107)	(6)	(4,301)	(4,879)
Reclassified to equity	-	(1)	(1)	-	-	-	(2)
Balance at December 31, 2023	$ -	$ -	$ -	$ -	$ -	$ 1,926	$ 1,926

The following table summarizes the changes in Level 3 financial liabilities related to derivative liabilities measured at fair value on a recurring basis for the year ended December 31, 2022 (in thousands):

	Convertible Preferred Stock Conversion Feature	Derivative Liabilities Previously Classified as Equity Instruments	January 2022 Warrants	March 2022 Warrants	May 2022 Warrants	May 2022 Public Offering Common Warrants	May 2022 Public Offering Pre-Funded Warrants	June 2022 Baker Warrants	December 2022 Warrants	Purchase Rights	Derivative Liabilities Total
Balance at December 31, 2021	$ 202	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 202
Balance at issuance	-	-	4,562	6,025	1,613	18,074	4,633	70,238	107	6,284	111,536
Exercises	-	-	-	-	-	(12,086)	(4,633)	-	-	(1,007)	(17,726)
Change in fair value presented in the Consolidated Statements of Operations	(83)	-	(4,562)	(6,025)	(1,613)	(5,685)	-	(70,068)	-	(4,182)	(92,218)
Conversion of series B-2 convertible preferred stock	(46)	-	-	-	-	-	-	-	-	-	(46)
Loss on re-valuation of derivative liabilities presented in the consolidated statement of operations.	-	1	-	-	-	-	-	-	-	-	1
May 2022 exchange transaction	(73)	-	-	-	-	-	-	-	-	-	(73)
Balance at December 31, 2022	$ -	$ 1	$ -	$ -	$ -	$ 303	$ -	$ 170	$ 107	$ 1,095	$ 1,676

Valuation Methodology

Baker Notes

Through June 30, 2022, the fair value of the Baker Notes issued, and the change in fair value of the Baker Notes at the reporting date, were determined using a Monte Carlo simulation-based model. The Monte Carlo simulation was used to take into account several embedded features and factors, including the future value of our common stock, a potential change of control event, the probability of meeting certain debt covenants, the maturity term of the Baker Notes, the probability of an event of voluntary conversion of the Baker Notes, the probability of the failure to meet the affirmative covenant to achieve $100.0 million in cumulative net sales of Phexxi by June 30, 2023, the probability of exercise of the put right and the probability of exercise of the call right.

The fair value of the Baker Notes is subject to uncertainty due to the assumptions that are used in the Monte Carlo simulation-based model. These factors include but are not limited to the future value of the Company's common stock, the probability and timing of a potential change of control event, the probability of meeting certain debt covenants, the probability of an event of voluntary conversion of the Baker Notes, exercise of the put right, and exercise of the Company's call right. The fair value of the Baker Notes is sensitive to these estimated inputs made by management that are used in the calculation.

From the third quarter of 2022 through the second quarter of 2023, the fair value of the Baker Notes issued as described in Note 4 - Debt, and subsequent changes in fair value recorded at each reporting date, was determined by estimating the fair value of the Market Value of Invested Capital ("MVIC") of the Company. This was estimated using forms of the cost and market approaches. In the Cost approach, an adjusted net asset value method was used to determine the net recoverable value of the Company, including an estimate of the fair of the Company's intellectual property. The estimated fair value of the Company's intellectual property was valued using a relief from royalty method which required management to make significant estimates and assumptions related to forecasts of future revenue, and the selection of the royalty and discount rates. The guideline public company method served as another valuation indicator. In this form of the Market approach, comparable market revenue multiples were selected and applied to the Company's forward revenue forecast to ultimately derive a MVIC indication. If the resulting fair value from these approaches was not estimated as greater than the contractual payout, the fair value of the Baker Notes became only the Company MVIC available for distribution to this first lien note holder.

Starting in the third quarter of 2023, the fair value of the Baker Notes, issued as described in Note 4 - Debt is determined using a Monte Carlo simulation-based model. The Monte Carlo simulation was used to take into account several embedded features and factors, including the exercise of the repurchase right, the Company's future revenues, meeting certain debt covenants, the maturity term of the note and dissolution. For the dissolution scenario, the cost approach, an adjusted net asset value method was used to determine the net recoverable value of the Company, including an estimate of the fair value of the Company's intellectual property. The estimated fair value of the Company's intellectual property was valued using a relief from royalty method which required management to make significant estimates and assumptions related to forecasts of future revenue, and the selection of the royalty (5.0%) and discount (15.0%) rates.

The fair value of the Baker Notes is subject to uncertainty due to the assumptions that are used in the Monte Carlo simulation-based model. These factors include but are not limited to the Company's future revenue, and the probability and timing of the exercise of the repurchase right. The fair value of the Baker Notes is sensitive to these estimated inputs made by management that are used in the calculation.

January, March and May 2022 Notes

The fair value of the January and March 2022 as well as the May 2022 Notes issued as described in Note 4 - Debt, and subsequent changes in fair value recorded at each reporting date, were determined using a probability weighted expected return method (PWERM) model. PWERM was used to take into account several factors, including the future value of the Company's common stock, a potential change of control event, the probability of meeting certain debt covenants, the maturity term of the January and March 2022 Notes, exercise of the put right and exercise of the Company's call right.

SSNs

The fair value of the SSNs issued as described in Note 4 - Debt, were determined using the methods described above in Valuation Methodology, using the residual value of the Company after the fair value of the Baker Notes. The quarterly valuation adjustments for the year ended December 31, 2023 were recorded as a $0.8 million change in fair value of financial instruments attributed to credit risk change in the consolidated comprehensive statement of operations.

Purchase Rights

The Adjuvant Purchase Rights and the May Note Purchase Rights (collectively Purchase Rights) are recorded as derivative liabilities in the consolidated balance sheets. The Purchase Rights are valued using an OPM, like a Black-Scholes Methodology with changes in the fair value being recorded in the consolidated statements of operations. The assumptions used in the OPM are considered level 3 assumptions and include, but are not limited to, the market value of invested capital, the cumulative equity value of the Company as a proxy for the exercise price and the expected term the Purchase Rights will be held prior to exercise and a risk-free interest rate.

Warrants

The warrants contain a provision, under which the holders can force settlement in cash if the Company does not have sufficient shares authorized to satisfy the warrants. As such, the warrants were recorded as derivative liabilities in the consolidated balance sheet as of December 31, 2022. In accordance with ASC 815, warrants previously classified as equity instruments were determined to be liability classified (the Reclassified Warrants) due to the Company having an insufficient number of authorized shares as of December 31, 2022; however, the impacted warrants were reclassified as equity instruments during the second quarter of 2023 as a result of the Reverse Stock Split. The Company will continue to re-evaluate the classification of its warrants at the close of each reporting period to determine their proper balance sheet classification. The warrants are valued using an OPM based on the applicable assumptions, which include the exercise price of the warrants, time to expiration, expected volatility of our peer group, risk-free interest rate, and expected dividends. The assumptions used in the OPM are considered level 3 assumptions and include, but are not limited to, the market value of invested capital, the cumulative equity value of the Company as a proxy for the exercise price, the expected term the warrants will be held prior to exercise, a risk-free interest rate and probability of change of control event. Additionally, as the warrants are re-priced under certain provisions in the agreements, at each re-pricing event, the Company must value the warrants using a Black-Scholes model immediately prior to and immediately following the re-pricing event. The incremental fair value is recorded as an increase to accumulated deficit and additional paid-in-capital, in accordance with ASC 470.

The Company recorded a $0.2 million adjustment into accumulated deficit in the consolidated statement of convertible and redeemable preferred stock and stockholders' deficit during the year ended December 31, 2023 in accordance with ASC 260, *Earnings per Share* (ASC 260), related to the down round features triggered due to reset of exercise price for equity classified warrants.

7. Commitments and Contingencies

Operating Leases

Fleet Lease

In December 2019, the Company and Enterprise FM Trust (the Lessor) entered into a Master Equity Lease Agreement whereby the Company leases vehicles to be delivered by the Lessor from time to time with various monthly costs depending on whether the vehicles are delivered for a term of 24 or 36 months, commencing on each corresponding delivery date. The leased vehicles are for use by eligible employees of the Company's commercial operations team. As of December 31, 2023, there was a total of 21 leased vehicles. The Company maintained a letter of credit as collateral in favor of the Lessor, which was included in restricted cash in the consolidated balance sheet as December 31, 2022. This letter of credit was $0.3 million, which was released by the Lessor during the first quarter of 2023. The Company determined that the leased vehicles are accounted for as operating leases under ASC 842, *Leases* (ASC 842). In September 2022, the Company extended the lease term for an additional 12 months for the vehicles with a term of 24 months. The Company determined that such extension is accounted for as a modification, for which the Company reassessed the lease classification and the incremental borrowing rate on the modification date and accounted for accordingly.

2020 Lease and the First Amendment

On October 3, 2019, the Company entered into an office lease for approximately 24,474 square feet (the High Bluff Premises) pursuant to a non-cancelable lease agreement (the 2020 Lease). The 2020 Lease commenced on April 1, 2020 with an expiry of September 30, 2025, unless terminated earlier in accordance with its terms. The Company provided the landlord with a $0.8 million security deposit in the form of a letter of credit for the High Bluff Premises.

On April 14, 2020, the Company entered into the first amendment to the 2020 Lease for an additional 8,816 rentable square feet of the same office location (the Expansion Premises), which commenced on September 1, 2020 with an expiry of September 30, 2025. The Company provided an additional $0.05 million in a letter of credit for the Expansion Premises. As of December 31, 2022, restricted cash maintained as collateral for the Company's security deposit was $0.8 million.

On March 20, 2023, the Company received a notice of default from its landlord for failing to timely pay March 2023 rent, resulting in a breach under the agreement. As a result, the Company's letter of credit in the amount of $0.8 million, in restricted cash, was recovered by the landlord. In June 2023, the Company reached a settlement with the landlord. As a result of such settlement, the Company reversed its associated remaining ROU assets of $3.3 million and lease liabilities of $4.2 million and recognized a gain of $0.2 million.

2022 Sublease

On May 27, 2022, the Company entered into a sublease agreement with AMN Healthcare, Inc. (AMN), pursuant to which the Company agreed to sublease 16,637 rentable square feet of the High Bluff Premises to AMN for a term commencing on June 15, 2022 and ending coterminous with the 2020 Lease on September 30, 2025, in exchange for the sum of approximately $0.1 million per month, subject to an annual 3.5% increase each year. Gross sublease income was $0.3 million and $0.6 million for the years ended December 31, 2023 and 2022, respectively. The sublease was terminated along with the settlement of the 2020 Lease in June 2023.

Lease Cost (in thousands)	Classification	Years Ended December 31, 2023	2022
Operating lease expense	Research and development	$ 127	$ 210
Operating lease expense	Selling and marketing	360	886
Operating lease expense	General and administrative	339	597
Total		$ 826	$ 1,693

Lease Term and Discount Rate	Years Ended December 31, 2023	2022
Weighted Average Remaining Lease Term (in years)	0.75	2.68
Weighted Average Discount Rate	12%	12%

Maturity of Operating Lease Liabilities (in thousands)	December 31, 2023
Year ending December 31, 2024	$ 47
Year ending December 31, 2025	62
Year ending December 31, 2026	5
Total lease payments	114
Less imputed interest	(9)
Total	$ 105

Other information (in thousands)	Years Ended December 31, 2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows in operating leases	$ 1,524	$ 2,639

Other Contractual Commitments

In November 2019, the Company entered into a supply and manufacturing agreement with a third-party to manufacture Phexxi, with potential to manufacture other product candidates, in accordance with all applicable current good manufacturing practice regulations. There were no purchases under the supply and manufacturing agreement for the year ended December 31, 2023 and $1.0 million for the year ended December 31, 2022.

Contingencies

From time to time the Company may be involved in various lawsuits, legal proceedings, or claims that arise in the ordinary course of business. During the year ended December 31, 2023, the Company settled a portion of its trade payables with numerous vendors, which resulted in a $2.1 million reduction in trade payables. As of December 31, 2023, there were no claims or actions pending against the Company which management believes has a probable or reasonably possible probability of an unfavorable outcome. However, the Company may receive trade payable demand letters from its vendors that could lead to potential litigation. As of December 31, 2023, approximately 90% of the Company's trade payables were greater than 90 days past due.

On December 14, 2020, a trademark dispute captioned TherapeuticsMD, Inc. v Evofem Biosciences, Inc., was filed in the US District Court for the Southern District of Florida against the Company, alleging trademark infringement of certain trademarks owned by TherapeuticsMD under federal and state law (Case No. 9:20-cv-82296). On July 18, 2022, the Company settled the lawsuit with TherapeuticsMD, with certain requirements which may need to be performed within two years.

In April 2023, the Company received a Paragraph IV certification notice letter regarding an Abbreviated New Drug Application ("ANDA") submitted to the FDA by Padagis Israel Pharmaceuticals Inc. (Padagis). The ANDA sought approval from the FDA to commercially manufacture, use, or sell a generic version of Phexxi® under 21 U.S.C. § 355(j) prior to the expiration of US Patent Nos. 10,568,855; 11,337,989; and 11,439,610 listed in the FDA's Orange Book (collectively the "Phexxi Patents").

On June 1, 2023, the Company filed a complaint for patent infringement in the US District Court for the District of New Jersey. The complaint alleges that Padagis' proposed generic version of Phexxi infringes the Phexxi Patents. The Company subsequently filed a substantively identical action in the US District Court for the District of Delaware.

On August 7, 2023, Padagis filed its Answer and Defenses to Complaint for Patent Infringement and Defendant's Counterclaims.

On September 18, 2023, Padagis withdrew the Paragraph IV certification in the previously-submitted ANDA and instead converted to a Paragraph III certification. With the pivot to Paragraph III certification, rather than challenging the Phexxi patents and seeking approval of the ANDA prior to expiration of any of these patents, Padagis is instead now asking the FDA to wait until after all the Phexxi patents expire before issuing final approval of the ANDA. The latest-expiring Phexxi patents do not expire until 2033.

Both companies requested dismissal on September 21, 2023. The case was dismissed on September 22, 2023.

Intellectual Property Rights

In 2014, the Company entered into an amended and restated license agreement (the Rush License Agreement) with Rush University Medical Center (Rush University) pursuant to which Rush University granted the Company an exclusive, worldwide license of certain patents and know-how related to its multipurpose vaginal pH modulator technology. For the U.S. patent that the Company licensed from Rush University, three Orders Granting Interim Extension (OGIEs) were received from the USPTO, extending the expiration of this patent to March 2024. Pursuant to the Rush License Agreement, the Company is obligated to pay Rush University an earned royalty based upon a percentage of net sales in the range of mid-single digits until the expiration of this patent. In September 2020, the Company entered into the first amendment to the Rush License Agreement, pursuant to which the Company is also obligated to pay a minimum annual royalty amount of $0.1 million to the extent the earned royalties do not equal or exceed $0.1 million commencing January 1, 2021. Such royalty costs, included in cost of goods sold, were $0.7 million and $1.1 million for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, approximately $1.1 million and $0.6 million were included in accrued expenses in the consolidated balance sheets.

8. Stockholders' Deficit

Warrants

In April and June 2020, pursuant to the Baker Bros. Purchase Agreement, as discussed in Note 4 - Debt, the Company issued warrants to purchase up to 2,732 shares of common stock in a private placement at an exercise price of $4,575 per share. The Second Baker Amendment provides that the exercise price of the Baker Warrants will equal the conversion price of the Baker Notes. The exercise price of the Baker warrants was multiple times in 2023 and to $0.0615 per share as of December 31, 2023.

In January 2022, pursuant to the January 2022 Securities Purchase Agreement as discussed in Note 4 - Debt, the Company issued warrants to purchase up to 8,003 shares of the Company's common stock in a registered direct offering at an exercise price of $735 per share. In March 2022, pursuant to the March 2022 Securities Purchase Agreement as discussed in Note 4 - Debt, the Company issued warrants to purchase up to 8,303 shares of common stock in a registered direct offering at an exercise price of $897.56 per share.

In May 2022, pursuant to the exchange agreement as described in Note 4 - Debt, the Company issued common warrants to purchase up to 6,666 shares of common stock at an exercise price of $309.56 per share. The warrants have a five-year term and were exercisable beginning on May 4, 2022.

In May 2022, pursuant to the May 2022 Public Offering as described below, the Company issued common warrants to purchase up to 568,000 shares of common stock at an exercise price of $93.75 per share, and pre-funded warrants to purchase up to 102,680 shares of common stock at an exercise price of $0.125 per share. The warrants have a five-year term and were exercisable beginning May 24, 2022. The common warrants contain (and the pre-funded warrants contained) customary 4.99% and 19.99% limitations on exercise provisions. The exercise price and number of shares issuable upon exercise of the common warrants is subject to adjustment for certain dilutive issuances, stock splits and similar recapitalization transactions. During the year ended December 31, 2022, all pre-funded warrants were exercised for an immaterial amount of cash and 282,518 shares of common warrants were exercised for total proceeds of $25.2 million.

In June 2022, as required by the Second Baker Amendment, the Company issued the June 2022 Baker Warrants to purchase up to 582,886 shares of the Company's common stock, $0.0001 par value per share. The June 2022 Baker Warrants have an exercise price of $93.75 per share and a five-year term and were exercisable beginning June 28, 2022. The June 2022 Baker Warrants also contain customary 4.99% and 19.99% limitations on exercise provisions. The exercise price and number of shares issuable upon exercise of the June 2022 Baker Warrants is subject to adjustment for certain dilutive issuances, stock splits and similar recapitalization transactions. The exercise price of these warrants reset multiple times in 2023 and to $0.0615 per share as of December 31, 2023.

In February, March, April, July, August, and September 2023, pursuant to the SSNs as discussed in Note 4 - Debt, the Company issued warrants to purchase up to 1,152,122 shares of the Company's common stock at an exercise price of $2.50 per share, up to 2,615,383 shares of the Company's common stock at an exercise price of $1.25 per share and up to 22,189,349 shares of the Company's common stock at an exercise price of $0.13 per share. The exercise price of these warrants reset multiple times in 2023 and to $0.0615 per share as of December 31, 2023.

On December 21, 2023, warrants to purchase up to 9,972,074 shares of the Company's common stock were exchanged for 613 shares of the Company's Series F-1 Shares.

As of December 31, 2023, warrants to purchase up to 21,053,694 shares of the Company's common stock remain outstanding at a weighted average exercise price of $2.43 per share. In accordance with ASC 815, certain warrants previously classified as equity instruments were determined to be liability classified (the Reclassified Warrants) due to the Company having an insufficient number of authorized shares as of December 31, 2022; however, the impacted warrants were reclassified back to as equity instruments during the second quarter of 2023 as a result of the May 2023 Reverse Stock Split. The Company will continue to re-evaluate the classification of its warrants at the close of each reporting period to determine the proper balance sheet classification for them. These warrants are summarized below:

Type of Warrants	Underlying common stock to be Purchased		Exercise Price	Issue Date	Exercise Period
Common Warrants	4	$	6,918.75	June 11, 2014	June 11, 2014 to June 11, 2024
Common Warrants	451	$	14,062.50	May 24, 2018	May 24, 2018 to May 24 2025
Common Warrants	888	$	11,962.50	April 11, 2019	October 11, 2019 to April 11, 2026
Common Warrants	1,480	$	11,962.50	June 10, 2019	December 10, 2019 to June 10, 2026
Common Warrants	1,639	$	0.0615	April 24, 2020	April 24, 2020 to April 24, 2025
Common Warrants	1,092	$	0.0615	June 9, 2020	June 9, 2020 to June 9, 2025
Common Warrants	8,003	$	735.00	January 31, 2022	March 1, 2022 to March 1, 2027
Common Warrants	8,303	$	897.56	March 1, 2022	March 1, 2022 to March 1, 2027
Common Warrants	6,666	$	309.56	May 4, 2022	May 4, 2022 to May 4, 2027
Common Warrants	894,194	$	0.0615	May 24, 2022	May 24, 2022 to May 24, 2027
Common Warrants	582,886	$	0.0615	June 28, 2022	May 24, 2022 to June 28, 2027
Common Warrants	49,227	$	0.0615	December 21, 2022	December 21, 2022 to December 21, 2027
Common Warrants	130,461	$	0.0615	February 17, 2023	February 17, 2023 to February 17, 2028
Common Warrants	258,584	$	0.0615	March 20, 2023	March 20, 2023 to March 20, 2028
Common Warrants	615,384	$	0.0615	April 5, 2023	April 5, 2023 to April 5, 2028
Common Warrants	164,848	$	0.0615	July 3, 2023	July 3, 2023 to July 3, 2028
Common Warrants	799,999	$	0.0615	August 4, 2023	August 4, 2023 to August 4, 2028
Common Warrants	12,721,893	$	0.0615	September 27, 2023	September 27, 2023 to September 27, 2028
Prefunded Warrants	4,807,692	$	0.0010	September 27, 2023	September 27, 2023 to September 27, 2028
Total	21,053,694				

Preferred Stock

Effective December 15, 2021, the Company amended and restated its certificate of incorporation, under which the Company is currently authorized to issue up to 5,000,000 shares of total preferred stock, including the authorized convertible and redeemable preferred stock designated for Series B-1 and B-2, Series C, Series E-1, and Series F-1, and nonconvertible and redeemable preferred stock (Series D), par value $0.0001 per share.

Convertible and Redeemable Preferred Stock

In October 2021, the Company issued 5,000 shares of Series B-1 Convertible Preferred Stock, par value $0.0001 per share, at a price of $1,000.00 per share, and 5,000 shares of Series B-2 Convertible Preferred Stock, par value $0.0001 per share, at a price of $1,000.00 per share to Keystone Capital Partners (Keystone Capital) through a registered direct offering.

The Series B-1 and B-2 Convertible Preferred Stock were convertible into shares of common stock at any time at a conversion price per share of the greater of Fixed Conversion Price or Variable Conversion Price as defined. All 5,000 shares of B-1 Convertible Preferred Stock were converted into 4,232 shares of the Company's common stock in 2021 at a conversion price of $1,181.25. Pursuant to the terms of the Series B-2 Convertible Preferred Stock, the Fixed Conversion Price was adjusted during the first quarter of 2022 for certain dilutive issuances. The adjustment period ended on April 25, 2022 and the Fixed Conversion Price was fixed at $332.50 from the sale of common stock pursuant to the Seven Knots Purchase Agreement. During March and April 2022, Keystone Capital converted their 1,200 shares of B-2 Convertible Preferred Stock into 2,347 shares of the Company's common stock at a conversion price of $587.50 per share.

On March 24, 2022, the Company, entered into an exchange agreement with the holder of its Series B-2 Convertible Preferred Stock, pursuant to which the holder agreed to exchange 1,700 shares of the Series B-2 Convertible Preferred Stock in consideration for 1,700 shares of the Company's Series C Convertible Preferred Stock, par value $0.0001 per share, $1,000.00 per share stated value. Except with respect to voting provisions, the Series C and Series B-2 Preferred Stock had substantially similar terms.

On May 4, 2022, pursuant to the May 2022 Exchange, the remaining 2,100 shares of Series B-2 Convertible Preferred Stock and 1,700 shares of Series C Convertible Preferred Stock were exchanged for Senior Subordinated Notes with an aggregate principal amount of $4.8 million and warrants to purchase up to 6,666 shares of common stock.

On August 7, 2023, the Company filed a Certificate of Designation of Series E-1 Convertible Preferred Stock (Certificate of Designation), par value $0.0001 per share (the Series E-1 Shares). An aggregate of 2,300 shares was authorized. The Series E-1 Shares are convertible into shares of common stock at a conversion price of $0.40 per share and are both counted toward quorum on the basis of and have voting rights equal to the number of shares of common stock into which the Series E-1 Shares are then convertible. The Series E-1 Shares are senior to all common stock with respect to preferences as to dividends, distributions and payments upon a dissolution event. In the event of a liquidation event, the Series E-1 Shares are entitled to receive an amount per share equal to the Black Scholes Value as of the liquidation event plus the greater of 125% of the conversion amount (as defined in the Certificate of Designation) and the amount the holder of the Series E-1 Shares would receive if the shares were converted into common stock immediately prior to the liquidation event. If the funds available for liquidation are insufficient to pay the full amount due to the holders of the Series E-1 Shares, each holder will receive a percentage payout. The Series E-1 Shares are entitled to dividends at a rate of 10% per annum or 12% upon a triggering event. Dividends are payable in shares of common stock and may, at the Company's election, be capitalized and added to the principal monthly. The Series E-1 Shares also have a provision that allows them to be converted to common stock at a conversion rate equal to the Alternate Conversion Price (as defined in the Certificate of Designation) times the number of shares subject to conversion times the 25% redemption premium in the event of a Triggering Event (as defined in the Certificate of Designation) such as in a liquidation event. The Series E-1 Shares are mandatorily redeemable in the event of bankruptcy.

On August 7, 2023, certain investors party to the December 2022 Notes and the February 2023 Notes exchanged $1.8 million total in principal and accrued interest under the outstanding convertible promissory notes for 1,800 shares of Series E-1 Shares (the August 2023 Preferred Stock Transaction). Per the Series E-1 Convertible Preferred Stock Certificate of Designation, the conversion rate can also be adjusted in several future circumstances, such as on certain dates after the exchange date and upon the issuance of additional convertible securities with a lower conversion rate or in the instance of a Triggering Event. As such, the conversion price as of December 31, 2023 was adjusted to $0.0615 per share. The Series E-1 Shares are classified as mezzanine equity within the consolidated balance sheets in accordance with ASC 480 because of a fixed 25% redemption premium upon a Triggering Event and no mandatory redemption feature. During the year ended December 31, 2023, $1.8 million was recorded as an increase to additional paid-in-capital for the preferred shares in the consolidated statement of convertible and redeemable preferred stock and stockholders' deficit related to the August 2023 Preferred Stock Transaction and a dividend of $0.1 million was recorded as an increase to the number of Series E-1 Shares outstanding.

On December 11, 2023, the Company filed a Certificate of Designation of Series F-1 Convertible Preferred Stock (F-1 Certificate of Designation), par value $0.0001 per share (the Series F-1 Shares). An aggregate of 95,000 shares was authorized. The Series F-1 Shares are convertible into shares of common stock at a conversion price of $0.0635 per share and do not have the right to vote on any matters presented to the holders of the Company's common stock. The Series F-1 Shares are senior to all common stock and subordinate to the Series E-1 Shares with respect to preferences as to dividends, distributions and payments upon a dissolution event. In the event of a liquidation event, the Series F-1 Shares are entitled to receive an amount per share equal to the Black Scholes Value as of the liquidation event plus the greater of 125% of the conversion amount (as defined in the F-1 Certificate of Designation) and the amount the holder of the Series F-1 Shares would receive if the shares were converted into common stock immediately prior to the liquidation event. If the funds available for liquidation are insufficient to pay the full amount due to the holders of the Series F-1 Shares, each holder will receive a percentage payout. The Series F-1 Shares are not entitled to dividends. The Series F-1 Shares also have a provision that allows them to be converted to common stock at a conversion rate equal to the Alternate Conversion Price (as defined in the F-1 Certificate of Designation) times the number of shares subject to conversion times the 25% redemption premium in the event of a Triggering Event (as defined in the F-1 Certificate of Designation) such as in a liquidation event. The Series F-1 Shares are mandatorily redeemable in the event of bankruptcy.

On December 21, 2023, the Company issued a total of 22,280 Series F-1 Shares to certain investors, including 613 shares exchanged for warrants to purchase up to 9,972,074 shares of the Company's common stock and 21,667 shares to exchange a partial value of the outstanding purchase rights. The holders of the Series F-1 Shares immediately exchanged their Series F-1 Shares to Aditxt's Series A-1 preferred stock, and as a result, Aditxt currently holds the Company's Series F-1 Shares. The Series F-1 Shares will be cancelled upon the consummation of the Merger.

Effective December 15, 2021, the Company amended and restated its certificate of incorporation, under which the Company is currently authorized to issue up to 5,000,000 shares of preferred stock, $0.0001 par value per share.

Nonconvertible and Redeemable Preferred Stock

On December 16, 2022, the Company filed a Certificate of Designation of Series D Non-Convertible Preferred Stock, par value $0.0001 per share (the Series D Preferred Shares). An aggregate of 70 shares was authorized; these shares were not convertible into shares of common stock, had limited voting rights equal to 1% of the total voting power of the then-outstanding shares of common stock entitled to vote, were not entitled to dividends, and were required to be redeemed by the Company once its shareholders approved a reverse split, as described in the Certificate of Designation. All 70 shares of the Series D Preferred were subsequently issued in connection with the December 2022 Securities Purchase Agreement as discussed in Note 4 - Debt. The Series D Preferred Shares, which were classified as liabilities as of December 31, 2022, were redeemed in July 2023.

Common Stock

Effective September 14, 2023, the Company further amended its amended and restated certificate of incorporation to increase the number of authorized shares of common stock to 3,000,000,000 shares.

Public Offerings

In May 2022, the Company completed an underwritten public offering (the May 2022 Public Offering), whereby the Company issued 181,320 shares of common stock and common warrants (the May Common Stock Warrants) to purchase 362,640 shares of common stock at a price to the public of $93.75. The common warrants have an exercise price of $93.75 per share, a five-year term, and were exercisable beginning on May 24, 2022. In the May 2022 Public Offering the Company also issued pre-funded warrants to purchase 102,680 shares of common stock and common warrants to purchase 205,360 shares of common stock at a price to the public of $93.63. The pre-funded warrants had an exercise price of $0.125 per share, were exercisable beginning on May 24, 2022, and were fully exercised after completion of this offering. The Company received proceeds from the May 2022 Public Offering of $18.1 million, net of $5.9 million debt repayment, underwriting discounts and offering expenses. As discussed above in *Warrants*, the May Common Stock Warrants were impacted by dilution adjustments and the strike price was reset to $0.0615 in December 2023.

Common Stock Purchase Agreement

On February 15, 2022, the Company entered into a common stock purchase agreement (the Stock Purchase Agreement) with Seven Knots, LLC (Seven Knots), pursuant to which Seven Knots agreed to purchase from the Company up to $50.0 million in shares of the Company's common stock. Sales made to Seven Knots were at the Company's sole discretion, and the Company controlled the timing and amount of any and all sales. The price per share was based on the market price of the Company's common stock at the time of sale as computed under the Stock Purchase Agreement. As consideration for Seven Knots' commitment to purchase shares of common stock, the Company issued 1,025 shares of common stock to Seven Knots as commitment fee shares.

Sales of common stock to Seven Knots were subject to customary 4.99% and 19.99% beneficial ownership limitations. The Stock Purchase Agreement had a termination date of the earliest of March 1, 2024, or when Seven Knots has purchased from the Company $50.0 million in shares of the Company's common stock, or as otherwise determined by the Stock Purchase Agreement at the Company's option.

Effective May 18, 2022, the Company and Seven Knots elected to terminate the Stock Purchase Agreement without any penalty or additional cost to the Company. Prior to termination, the Company issued a total of 15,714 shares of common stock under the Stock Purchase Agreement for aggregate net proceeds of $7.4 million.

Unregistered shares

On June 8, 2022, the Company entered into an agreement for services with a360 Media, LLC (a360 Media), pursuant to which a360 Media will provide professional media support and advertising services in exchange for, at a360 Media's option, either (a) $860,119 in cash, or (b) 18,547 shares of the Company's common stock at a value of $46.38 per share. On July 18, 2022, the Company and a360 Media entered into a similar agreement for professional media support and advertising services in exchange for, at a360 Media's option, either (a) $1,409,858 in cash, or (b) 12,802 shares of the Company's common stock at a value of $110.13 per share. On August 15, 2022, the Company and a360 Media entered into a similar agreement for professional media support and advertising services in exchange for, at a360 Media's option, either (a) $1,142,048 in cash, or (b) 22,558 shares of the Company's common stock at a value of $50.63 per share. Pursuant to these three agreements, the company issued an aggregate 53,908 unregistered shares of the Company's common stock to a360 Media. These shares were issued in reliance upon an exemption from registration afforded by Section 4(a)(2) promulgated under the Securities Act of 1933, as amended. The Company evaluated the a360 Media agreement and determined that in accordance with ASC 480 and ASC 718, *Compensation-Stock Compensation* (ASC 718), the common stock issued to a360 should be equity classified and recorded as a prepaid asset in the consolidated balance sheets. As the requisite service condition was met throughout 2022, the Company recognized the noncash stock-based compensation expense during the year ended December 31, 2022 and no prepaid asset related to these shares remained as of December 31, 2022.

Purchase Rights

On September 15, 2022, the Company entered into certain exchange agreements with the Adjuvant Purchasers and the May 2022 Notes Purchasers to exchange, upon request, the Purchase Rights for an aggregate of 942,080 shares of the Company's common stock. The number of right shares for each Purchase Right is initially fixed at issuance, but subject to certain customary adjustments for certain dilutive Company equity issuances until the second anniversary of issuance. These Purchase Rights expire on June 28, 2027. Refer to Note 6 - Fair Value of Financial Instruments for the accounting treatment of the Purchase Rights. In 2023, the Company subsequently signed an additional agreement with the holders of the Purchase Rights upon which the total aggregate value of the Purchase Rights is fixed at $24.7 million, to be paid in a variable number of shares based on the current exercise price.

In connection with the SSNs issuances, during the year ended December 31, 2023, the Company increased the number of outstanding Purchase Rights by 380,821,882 due to the reset of its exercise price, recorded as a loss on issuance of financial instruments in the amount of $4.3 million in the Consolidated Statements of Operations. The exercise price will also be adjusted if any other convertible instruments have price resets. In addition, the Company issued 16,534,856 shares of common stock upon the exercises of certain Purchase Rights during the year ended December 31, 2023.

On December 21, 2023, the Company issued 21,667 shares of the Series F-1 Shares in exchange for a partial value of certain purchase rights, as described above.

As of December 31, 2023, Purchase Rights of 385,312,084 shares of the Company's common stock remained outstanding.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance, on a one-for-one basis, is as follows in common equivalent shares as of December 31, 2023:

Common stock issuable upon the exercise of stock options outstanding	3,747
Common stock issuable upon the exercise of common stock warrants	21,053,694
Common stock available for future issuance under the 2019 ESPP	509
Common stock available for future issuance under the Amended and Restated 2014 Plan	5,789
Common stock available for future issuance under the Amended Inducement Plan	609
Common stock reserved for the exercise of purchase rights	385,312,084
Common stock reserved for the conversion of convertible notes	616,497,236
Common stock reserved for the conversion of series E-1 Shares	30,472,989
Common stock reserved for the conversion of Series F-1 Shares	370,731,708
Total common stock reserved for future issuance	1,424,078,365

9. Stock-based Compensation

Equity Incentive Plans

The following table summarizes stock-based compensation expense related to stock options, restricted stock awards (RSAs) and RSUs granted to employees, non-employee directors and consultants, and the 2019 ESPP (as defined below) included in the consolidated statements of operations as follows (in thousands):

	Years Ended December 31,	
	2023	**2022**
Research and development	$ 117	$ 553
Sales and marketing	188	497
General and administrative	884	2,263
Total	$ 1,189	$ 3,313

The 2012 Equity Incentive Plan (the 2012 Plan) provides for the issuance of RSAs, RSUs, or non-qualified and incentive common stock options to its employees, non-employee directors and consultants, from its authorized shares. In general, the options expire ten years from the date of grant and generally vest either (i) over a four-year period, with 25% exercisable at the end of one year from the employee's hire date and the balance vesting ratably thereafter or (ii) over a three-year period, with 25% exercisable at the grant date and the balance vesting ratably thereafter. No further awards may be issued under the 2012 Plan.

On September 15, 2014, the Company's board of directors adopted, and stockholders approved, the 2014 Equity Incentive Plan (the 2014 Plan), which was amended and restated on each of May 2018 and February 26, 2019 (the Amended and Restated 2014 Plan). Per the terms of the Amended and Restated 2014 Plan, the shares reserved will automatically increase on each January 1 through 2024, by an amount equal to the smaller of (i) 4% of the number of shares of common stock issued and outstanding on the immediately preceding December 31; or (ii) an amount determined by our board of directors. There was no increase to the shares reserved under the plan on January 1, 2023 or 2024.

On July 24, 2018, upon the recommendation by the Compensation Committee, the Company's board of directors adopted the Evofem Biosciences, Inc. 2018 Inducement Equity Incentive Plan (the Inducement Plan). Under the Inducement Plan, as amended, the number of authorized shares total 666 shares. The only persons eligible to receive awards under the Inducement Plan are individuals who satisfy the standards for inducement grant recipients under Nasdaq Marketplace Rule 5635(c)(4), generally, a person not previously an employee or director of the Company, or following a bona fide period of non-employment, as an inducement material to the individual's entering into employment with the Company.

Stock Options

The following table summarizes share option activity for the years ended December 31, 2023:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2022	5,672	$ 7,761.25	5.1	-
Granted	-	$ -	-	-
Exercised	-	$ -	-	-
Forfeited	(1,925)	$ 9,363.75	-	-
Outstanding as of December 31, 2023	3,747	$ 6,950.00	6.3	-
Options expected to vest as of December 31, 2023	3,747	$ 6,950.00	6.3	-
Options vested and exercisable as of December 31, 2023	3,153	$ 7,798.75	6.1	-

The following table summarizes certain information regarding stock options for the year ended December 31, 2022 (in thousands, except per share data). No such activities occurred during the year ended December 31, 2023.

	2022
Weighted average grant date fair value per share of options granted during the period	645.00
Cash received from options exercised during the period	-
Intrinsic value of options exercised during the period	-

As of December 31, 2023, unrecognized stock-based compensation expense for employee stock options was approximately $1.1 million, which the Company expects to recognize over a weighted-average remaining period of 1.7 years, assuming all unvested options become fully vested.

Summary of Assumptions

The fair value of noncash stock-based compensation for stock options granted to employees and non-employees was estimated on the date of grant using the Black-Scholes option pricing model based on the following weighted-average assumptions for options granted for the periods indicated.

	Year Ended December 31, 2022
Expected volatility	102.5%
Risk-free interest rate	2.0%
Expected dividend yield	—%
Expected term (years)	6.0

Expected volatility. The expected volatility assumption is based on volatilities of a peer group of similar companies whose share prices are publicly available. The peer group was developed based on companies in the biotechnology industry.

Risk-free interest rate. The risk-free interest rate assumption is based on observed interest rates appropriate for the expected term of the stock option grants.

Expected dividend yield. The expected dividend yield assumption is based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends.

Expected term. The expected term represents the period options are expected to be outstanding. Because the Company does not have historical exercise behavior, it determines the expected term assumption using the practical expedient as provided for under ASC 718, *Compensation-Stock Compensation* (ASC 718), which is the midpoint between the requisite service period and the contractual term of the option.

Restricted Stock Awards

There were no shares of performance-based RSAs granted in 2023 to the Company's executive management team.

For performance-based RSAs, (i) the fair value of the award is determined on the grant date; (ii) the Company assesses the probability of achieving each individual milestone associated with the award using reasonable assumptions based on the Company's operation performance towards each milestone; (iii) the fair value of the shares subject to the milestone is expensed over the implicit service period commencing once management believes the performance criteria is probable of being met; and (iv) the Company reassesses the probability of achieving each individual milestone at each reporting date, and (v) any change in estimate is accounted for through a cumulative adjustment in the period when the change in estimate occurs. Non-performance based RSAs are valued at the fair value on the grant date and the associated expenses will be recognized over the vesting period.

As of December 31, 2023, there was no unrecognized noncash stock-based compensation expense related to unvested RSAs.

Of the total RSAs granted during the year ended December 31, 2022, no shares vested in accordance with the Company's achievement of the Performance-based RSAs milestones. The following table summarizes RSAs activity for the year ended December 31, 2022:

	Shares (RSAs)	Weighted Average Fair Value per Share
Unvested as of December 31, 2021	—	$ —
Granted	1,258	$ 917.50
Forfeited	(1,258)	$ 917.50
Released	—	$ —
Unvested as of December 31, 2022	—	$ —

Employee Stock Purchase Plan

On May 7, 2019, the board of directors approved a 2019 Employee Stock Purchase Plan (the 2019 ESPP), which was approved by stockholders at the 2019 annual meeting held on June 5, 2019. The 2019 ESPP initially authorized the issuance of 266 shares of common stock pursuant to purchase rights were granted to employees. In addition, the number of shares available for issuance under the 2019 ESPP will increase on January 1 of each year until the first day of 2029, in an amount equal to the lesser of (i) 533 shares, (ii) 2% of the shares of common stock outstanding on the preceding December 31, or (iii) such lesser number of shares as is determined by the board of directors. This provision resulted in an additional 133 shares added to the total number of authorized shares on January 1, 2022. The 2019 ESPP is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended.

The 2019 ESPP enables eligible full-time and part-time employees to purchase shares of the Company's common stock through payroll deductions of between 1% and 15% of eligible compensation during an offering period. A new offering period begins around June 15 and December 15 of each year. At the last business day of each offering period, the accumulated contributions made during the offering period will be used to purchase shares. The purchase price is 85% of the lesser of the fair market value of the common stock on the first or the last business day of an offering period. The maximum number of shares of common stock that may be purchased by any participant during an offering period will be equal to $25,000 divided by the fair market value of the common stock on the first business day of an offering period. During the year ended December 31, 2022, there were 601 shares of common stock purchased under the 2019 ESPP. In October 2022, the Board terminated the current offering period ending December 15, 2022, refunded all employee contributions, and suspended future offering periods.

The Company did not recognize any stock-based compensation expense related to the 2019 ESPP for the year ended December 31, 2023 and $0.1 million in noncash stock-based compensation expense for the year ended December 31, 2022. There were no shares of common stock purchased under the 2019 ESPP during the year ended December 31, 2023.

The fair value of shares to be issued to employees under the 2019 ESPP is estimated using a Black-Scholes option-pricing model at the grant date, which requires the use of subjective and complex assumptions, including (i) the expected stock price volatility, (ii) the calculation of the expected term of the award, (iii) the risk-free interest rate and (iv) the expected dividend yield. The following weighted average assumptions were used in the calculation of fair value of shares under the 2019 ESPP at the grant dates for the year ended December 31, 2022.

	Year Ended December 31,
	2022
Expected volatility	177.2%
Risk-free interest rate	2.3%
Expected dividend yield	—%
Expected term (years)	0.5

10. Employee Benefits

The Company has a defined contribution 401(k) plan (401(k) Plan) for all qualifying employees. Employees are eligible to participate in the plan beginning on the first day of the month following their three-month anniversary of employment. Under the terms of the 401(k) Plan, employees may make voluntary contributions as a percentage of their compensation. The Company makes a safe-harbor contribution of three percent (3.0%) of each employee's gross earnings, subject to Internal Revenue Service limitations. In the years ended December 31, 2023 and 2022, the Company made safe-harbor contributions of approximately $0.2 million and $0.6 million, respectively.

11. Income Taxes

The Company is subject to taxation in the US and various states jurisdictions. Tax years since inception remain open to examination by the major taxing jurisdictions. The Company's consolidated pretax income (loss) for the years ended December 31, 2023 and 2022 were generated by domestic as follows (in thousands). There are no consolidated pretax losses generated by foreign operations for the periods indicated.

	2023	2022
US	$ 52,996	$ (76,654)
Total	$ 52,996	$ (76,654)

The income tax provision for the years ended December 31, 2023 and 2022 consisted of the following (in thousands):

	2023	2022
US	$ -	$ -
State	(17)	(44)
Total current tax provision	(17)	(44)
Total deferred tax provision	-	-
Total	$ (17)	$ (44)

The reconciliation between the Company's effective tax rate on income (loss) before income tax and the statutory tax rate for the years ended December 31, 2023 and 2022 was as follows:

	2023	2022
Statutory rate	21.00%	21.00%
State income tax, net of federal benefit	(0.39)%	2.12%
Nondeductible expenses	0.23%	(0.41)%
Equity-based expenses	3.04%	(1.82)%
Change in fair value of purchase rights	(1.93)%	22.60%
Change in fair value of financial instruments	(27.17)%	(20.00)%
Return to provision	0.18%	(0.47)%
Tax credits	(0.44)%	1.41%
Uncertain tax positions	0.12%	(0.39)%
Change in valuation allowance	5.37%	(24.11)%
Effective tax rate	(0.01)%	(0.07)%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax assets arising from its taxable subsidiaries consisted of the following components as of December 31, 2023 and 2022 (in thousands):

	2023	2022
Deferred tax assets:		
Net loss carryforwards	$ 130,746	$ 126,056
Fixed assets and intangibles	246	338
Research and development capitalization	4,067	4,951
Research and development credits	6,320	6,136
Stock-based compensation	2,513	3,367
Other	1,098	2,247
Total deferred tax assets	144,990	143,095
Deferred tax liabilities		
Lease assets	(22)	(1,011)
Fixed assets	(156)	(113)
Other	(27)	(29)
Less: valuation allowance	(144,785)	(141,942)
Net deferred tax assets	$ -	$ -

In assessing the ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will be realized. Generally, the ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based on historical performance and future expectations, management has determined a valuation allowance is needed in respect to its ending deferred tax assets.

As of December 31, 2023, the Company had net operating loss (NOL) carryforwards for federal income tax purposes of approximately $569.4 million, which will begin to expire in 2029 if not utilized. As of December 31, 2023, the Company had NOL carryforwards in various states of approximately $226.8 million. The state carryforwards have varying expiration dates beginning in 2029.

As of December 31, 2023, the Company had federal and state research and development (R&D) tax credit carryforwards of approximately $6.4 million and $2.5 million, respectively. The federal R&D tax credits begin to expire in 2031, unless utilized, and the state credits do not expire.

For the tax years beginning on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminates the option to currently deduct research and development expenses and requires taxpayers to capitalize and amortize them over five years for research activities performed in the US and 15 years for research activities performed outside the US pursuant to IRC Section 174. Although Congress is considering legislation that would repeal or defer this capitalization and amortization requirement, it is not certain that this provision will be repealed or otherwise modified. If the requirement is not repealed or replaced, it will decrease our tax deduction for research and development expense in future years.

The following table summarized the activity related to the Company's gross unrecognized tax benefits as of December 31, 2023 and 2022 (in thousands):

	2023	2022
Balance at the beginning of the year	$ 2,988	$ 2,679
Adjustments related to prior year tax positions	55	5
Increases related to current year tax positions	8	304
Decreases due to statute of limitation expiration	-	-
Balance at end of year	$ 3,051	$ 2,988

The Company recognizes a tax benefit from an uncertain tax position when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits, and uncertain income tax positions must meet a more likely than not recognition threshold to be recognized. The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the consolidated statements of operations. There were no accrued interest and penalties associated with unrecognized tax benefits as of December 31, 2023. The Company does not anticipate a significant change in its uncertain tax benefits over the next 12 months.

Management believes it is more likely than not that all significant tax positions taken to date would be sustained by the relevant taxing authorities. Furthermore, the Company has not recognized any tax benefits to date because the Company has established a full valuation allowance for its deferred tax assets due to uncertainties as to their ultimate realization.

Pursuant to Internal Revenue Code (IRC) sections 382 and 383, use of the Company's NOLs and R&D credit carryforwards may be limited if a cumulative change in ownership of more than 50.0% (by value) occurs within a rolling three-year period. The Company completed a formal Section 382 analysis through the period ending December 31, 2019, and determined it experienced ownership changes in 2010 and 2018. Accordingly, the Company has reduced its deferred tax asset for NOLs and R&D tax credits by the estimated impact of IRC sections 382 and 383 as of December 31, 2019. Any future ownership changes could further impact the utilization of the NOLs and R&D tax credits, however given the full valuation allowance this would not result in an impact to the Company's tax expense.

12. Out of Period Adjustments

In connection with the preparation of the Annual Report on Form 10-K for the year ended December 31, 2023, the Company discovered an error related to the classification of Purchase Rights in the interim condensed consolidated financial statements for the three and six months ended June 30, 2023 and the three and nine months ended September 30, 2023 (the Interim Periods). The Annual Report on Form 10-K for the year ended December 31, 2022 and the three months ended March 31, 2023 were not impacted by the error.

The Purchase Rights were appropriately classified as a derivative liability as of December 31, 2022 and March 31, 2023. When the Company completed the Reverse Stock Split in May 2023, all derivative liabilities were reclassified to equity as the common stock reservation requirement deficit that had previously prevented several instruments from being classified as equity was remedied. However, the Purchase Rights should have remained liability classified due to a subsequent agreement signed with the holders of the Purchase Rights upon which the Purchase Rights have a fixed value, to be paid in a variable number of shares based on the current exercise price, which requires liability treatment per ASC 480. Upon discovery, the Company reclassified the previously recorded carrying value of the Purchase Rights back to derivative liability in the fourth quarter of 2023 and subsequently marked the instruments to fair value as of December 31, 2023 (see Note 6 – Fair Value of Financial Instruments for more information about the current balances and valuation methodology).

Adjustments have been retrospectively made to the comparative periods as of and for the six months ended June 30, 2023 and nine months ended September 30, 2023 to reflect the adjustments described herein and will be presented in subsequent interim filings. The correction of this classification error does not have any impact on the Company's revenues, operating expenses, cash balance, or liquidity. The net impact of the adjustment on the Condensed Consolidated Balance Sheet as of June 30, 2023 was an reclassification to increase derivative liabilities and decrease additional paid-in capital. There was no impact to the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2023. The net impact of the adjustment on the Condensed Consolidated Balance Sheet as of September 30, 2023 was an increase of $5.4 million to derivative liabilities, a reduction of additional paid-in capital of $5.8 million, an increase to accumulated other comprehensive income (loss) of $0.9 million and an increase to accumulated deficit of $0.4 million.

13. Subsequent Events

On February 26, 2024, Aditxt and the Baker Purchasers entered into an Assignment Agreement (the February Assignment Agreement), pursuant to which the Company consented to the assignment of all remaining amounts due under the Baker Notes back to the original Holders, the Baker Purchasers.

On February 29, 2024, the Company entered into the third amendment to the Merger Agreement to (i) Amend and restate Section 6.10 in its entirety as follows: "Parent Equity Investment. On or prior to (a) April 1, 2024, Parent shall purchase 2,000 shares of the Company's Series F-1 Shares, par value $0.0001 per share for an aggregate purchase price of $2.0 million (the Initial Parent Equity Investment) and (b) April 30, 2024, Parent shall purchase 1,500 shares of F-1 Preferred Stock for an aggregate purchase price of $1.5 million (the Subsequent Parent Equity Investment). (ii) the provision in Section 6.16 was deleted in its entirety, (iii) the date to file a Joint Proxy Statement was extended to April 30, 2024, (iv) a new Section 7.2(i) was added as follows "(i) *Repurchase Price*. No defaults shall have occurred and be continuing under the Loan Documents and the Outstanding Balance (as defined in the Securities Purchase Agreement) plus all accrued and unpaid interest thereon, in an amount not to exceed the Repurchase Price (as defined in the Securities Purchase Agreement) shall have been paid in full." and (v), Section 8.1(f) is amended and restated to allow for termination of the Merger Agreement by the Company if (a) the Initial Parent Equity Investment has not been made by April 1, 2024, or (b) the Subsequent Parent Equity Investment has not been made by April 30, 2024.

Exhibit IV

Pro Forma Financial Statements

Aditxt Inc.

Unaudited Pro Forma Consolidated
Financial Statements
(In U.S. dollars)
June 30, 2024

Aditxt Inc.

Pro Forma Consolidated Statement of Financial Position

(Unaudited)

(In thousands of U.S. dollars)

As at June 30, 2024

	Aditxt	Evofem	Appili (Note 3)	Pro Forma adjustments	Notes	Pro Forma consolidated
ASSETS	**$**	**$**	**$**	**$**		**$**
CURRENT ASSETS:						
Cash	91	-	220	12,104	5(a)	12,415
Restricted Cash	-	692	-	-		692
Accounts receivable, net	407	4,617	1,287	-		6,311
Inventory	566	1,060	-	-		1,626
Prepaid expenses	443	845	85	-		1,373
Other receivable	-	-	19	-		19
TOTAL CURRENT ASSETS	1,507	7,214	1,611	12,104		22,436
Fixed assets, net	1,864	1,187	20	-		3,071
Intangible assets, net	8	-	-	6,275	5(b)	6,283
Deposits	107	-	-	-		107
Right of use asset - long term	1,611	114	-	-		1,725
Other assets	-	36	-	-		36
Goodwill	-	-	-	134,849	5(c)	134,849
Investment in Evofem / Appili	23,277	-	-	(23,277)	5(d)	-
TOTAL ASSETS	28,374	8,551	1,631	129,951		168,507

The accompanying notes are an integral part to these unaudited pro forma consolidated financial statements.

Aditxt Inc.

Pro Forma Consolidated Statement of Financial Position

(Unaudited)

(In thousands of U.S. dollars)

As at June 30, 2024

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	**Aditxt**	**Evofem**	**Appili (Note 3)**	**Pro Forma Adjustments**	**Notes**	**Pro Forma Consolidated**
CURRENT LIABILITIES:	**$**	**$**	**$**	**$**		**$**
Accounts payable and accrued expenses	13,139	24,065	3,305	2,600	5(e)	43,109
Notes payable - related party	467	-	-	-		467
Notes payable, net of discount	5,946	397	-	-		6,343
Financing on fixed assets	148	-	-	-		148
Deferred rent	131	-	-	-		131
Convertible notes payable carried at fair value	-	13,239	-	(13,239)	5(e)	-
Convertible notes payable - Adjuvant	-	29,646	-	(29,646)	5(e)	-
Derivative liabilities	-	942	-	(942)	5(e)	-
Other current liabilities	-	3,776	-	-		3,776
Other current liabilities - related party	-	1,000	-	(1,000)	5(e)	-
Corporate taxes payable	-	-	31	-		31
Long-term debt - current	-	-	6,723	-		6,723
Lease liability - current	735	113	-	-		848
TOTAL CURRENT LIABILITIES	20,566	73,178	10,059	(42,227)		61,576
Settlement liability	720	-	-	-		720
Long-term debt – non-current	-	-	621	-		621
Lease liability - long term	745	1	-	-		746
TOTAL LIABILITIES	22,031	73,179	10,680	(42,227)		63,663
Convertible and redeemable preferred stock	-	4,687	-	76,786	5(f)	81,473
STOCKHOLDERS' EQUITY (DEFICIT)						
Common stock	2	8	-	(8)	5(g)	2
Treasury stock	(202)	-	-	-		(202)
Additional paid-in capital	156,790	823,709	44,719	(847,942)	5(g)	177,276
Accumulated other comprehensive income (loss)	-	(781)	260	521	5(g)	-
Accumulated deficit	(150,024)	(892,251)	(54,028)	942,821	5(g)	(153,482)
	6,566	(69,315)	(9,049)	95,392		23,594
NON-CONTROLLING INTEREST	(223)	-	-	-		(223)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	6,343	(69,315)	(9,049)	95,392		23,371
TOTAL LIABILITIES, CONVERTIBLE AND REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	28,374	8,551	1,631	129,951		168,507

The accompanying notes are an integral part to these unaudited pro forma consolidated financial statements.

Aditxt Inc.

Pro Forma Consolidated Statement of Earnings

(Unaudited)

(In thousands of U.S. dollars, except shares and earnings per share)

For the six months ended June 30, 2024

	Aditxt	Evofem	Appili (Note 3)	Pro Forma Adjustments	Notes	Pro Forma Consolidated
REVENUE	**$**	**$**	**$**	**$**		**$**
Sales	124	7,763	8	-		7,895
Cost of goods sold	89	1,453	-	-		1,542
Gross profit	35	6,310	8	-		6,339
OPERATING EXPENSES						
Research and development	9,699	864	2,669	-		13,231
Sales and marketing	65	4,588	15	-		4,668
General and administrative expenses	7,783	5,091	1,164	-		14,038
Total operating expenses	17,547	10,543	3,848	-		31,937
NET LOSS FROM OPERATIONS	(17,512)	(4,233)	(3,840)	-		(25,584)
OTHER INCOME/(EXPENSE)						
Interest expense	(3,581)	-	-	-		(3,581)
Interest income	1	10	1	-		12
Other expense, net	-	(1,174)	(135)	-		(1,309)
Amortization of debt discount	(1,192)	-	-	-		(1,192)
Amortization of intangible assets	-	-	-	(293)	5(h)	(293)
Loss on issuance of financial instruments	-	(3,300)	-	3,300	5(h)	-
Gain on debt extinguishment	-	1,120	-	(1,120)	5(h)	-
Change in fair value of financial instruments	-	4,127	-	(4,127)	5(h)	-
Financing costs	-	-	(1,188)	-		(1,188)
Government assistance	-	-	3,190	-		3,190
Loss on note exchange agreement	(209)	-	-	-		(209)
Total other income/(expense)	(4,981)	783	1,868	(2,240)		(4,570)
Net loss before income taxes	(22,493)	(3,450)	(1,972)	(2,240)		(30,154)
Income tax expense	-	(8)	(7)	-		(15)
NET LOSS	(22,493)	(3,458)	(1,979)	(2,240)		(30,169)
NON-CONTROLLING INTEREST LOSS	(213)	-	-	-		(213)
NET LOSS ATTRIBUTABLE TO ADITXT, INC. & SUBSIDIARIES	(22,279)	(3,458)	(1,979)	(2,240)		(29,956)
Deemed Dividend	-	(94)	-	94	5(h)	-
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	(22,279)	(3,552)	(1,979)	(2,146)		(29,956)
NET LOSS per share:						
Basic	$(13.05)					$(14.69)
Diluted	$(13.05)					$(14.69)
Weighted average number of shares: Basic	1,707,155					2,040,031
Diluted	1,707,155					2,040,031

The accompanying notes are an integral part to these unaudited pro forma consolidated financial statements.

Aditxt Inc.

Pro Forma Consolidated Statement of Earnings
(Unaudited)
(In thousands of U.S. dollars, except shares and earnings per share)
For the six months ended June 30, 2024

1 Description of Transactions

Acquisition of Appili Therapeutics Inc. by Aditxt Inc.:

On December 12, 2023, Aditxt Inc. ("Aditxt"), through its wholly owned subsidiary, Adivir, Inc. (“Adivir”), entered into an agreement to acquire all of the outstanding Class A common shares of Appili Therapeutics Inc. (“Appili”) by way of a court approved plan of arrangement, then contemplated to be under the Canada Business Corporations Act, and a definitive arrangement agreement entered between Appili and Adivir (the “Appili Transaction”). Upon closing of the Appili Transaction, Appili will become an indirect, wholly owned subsidiary of Aditxt. As part of the acquisition terms, Appili shareholders will receive 0.002745004 of a share of Aditxt common stock (the “Share Consideration”) and US$0.0467 in cash for each Appili share held (the “Cash Consideration” and together with Share Consideration collectively, the “Appili Transaction Consideration”), representing total consideration of approximately $6,582 based on closing price of the Aditxt shares on July 5, 2024. The consideration for acquiring Appili also included the assumption of Appili’s existing liabilities.

Acquisition of Evofem Biosciences by Aditxt:

On December 11, 2023, Aditxt, through a definitive agreement, entered into an Agreement and Plan of Merger, as amended and restated, with Evofem Biosciences, Inc. ("Evofem") whereby Evofem will merge with a merger sub with Evofem surviving as as a wholly owned subsidiary of Aditxt (the “Evofem Transaction” and together with the Appili Transaction collectively, “the Transactions”)). The consideration for acquiring Evofem includes the issuance or exchange of convertible preferred stock of $91,610, and cash consideration of $1,800 to Evofem’s common stockholders, along with paying off Evofem’s senior secured notes amounting to $13,045 and the assumption of Evofem's existing liabilities.

On July 12, 2024 (the “Closing Date”), in conjunction with the signing of the Amended and Restated Merger Agreement (the “A&R Merger Agreement”), the Company completed the Initial Parent Equity Investment (as defined under the A&R Merger Agreement) and entered into a Securities Purchase (the “Series F-1 Securities Purchase Agreement”) with Evofem, pursuant to which the Company purchased 500 shares of Evofem’s Series F-1 Convertible Preferred Stock par value $0.0001 per share (“Evofem F-1 Preferred Stock”) for an aggregate purchase price of $500. In connection with the Series F-1 Securities Purchase Agreement, the Company and Evofem entered into a Registration Rights Agreement (the “Registration Rights Agreement”), pursuant to which Evofem agreed to file with the SEC a registration statement covering the resale of the shares of its common stock issuable upon conversion of the Evofem Series F-1 Preferred Stock within 300 days of the Closing Date and to have such registration statement declared effective by the SEC the earlier of the (i) 90th calendar day after the Closing Date and (ii) 2nd Business Day after the date EvoFem is notified (orally or in writing, whichever is earlier) by the SEC that such registration statement will not be reviewed or will not be subject to further review.

1 Description of Transactions (continued)

Pursuant to the A&R Merger Agreement, the Company is also obligated to purchase: (i) an additional 500 shares of Evofem Series F-1 Preferred Stock for an additional aggregate purchase price of $500,000 on or prior to August 9, 2024; (ii) an additional 2,000 shares of Evofem Series F-1 Preferred Stock for an additional purchase price of $2 million on the earlier of September 30, 2024 or 5 business days of the closing of a public offering by the Company resulting in aggregate net proceeds to the Company of no less than $20 million; and (iii) an additional 1,000 shares of Evofem Series F-1 Preferred Stock for an additional purchase price of $1 million on or prior to October 31, 2024.

On August 9, 2024, Aditxt completed the Second Parent Equity Investment (as defined under the A&R Merger Agreement) and entered into a Securities Purchase Agreement with Evofem, pursuant to which the Company purchased 500 shares of Evofem F-1 Preferred Stock for an aggregate purchase price of $500,000.

On October 2, 2024, Aditxt entered into the Third Amendment to the A&R Merger Agreement with Evofem to amend the Third Parent Equity Investment (as defined under the A&R Merger Agreement) to require Aditxt to purchase 720 shares of Evofem F-1 Preferred Stock for an aggregate purchase price of $720,000. Additionally, the Fourth Parent Equity Investment definition was updated to require Aditxt to purchase 2,280 shares of Evofem F-1 Preferred Stock for an aggregate purchase price of $2,280,000 on or prior to October 31, 2024. The Third Parent Equity Investment was completed on October 2, 2024.

2 Basis of preparation

The accompanying unaudited Pro Forma Consolidated Financial Statements of Aditxt, have been prepared to give effect to the acquisitions of Evofem and Appili under the acquisition method of accounting in accordance with ASC Topic 805 – Business Combinations ("ASC 805"). The unaudited Pro Forma Consolidated Statement of Financial Position gives effect to the transactions as if they had occurred on June 30, 2024. The unaudited Pro Forma Consolidated Statement of Earnings for the six months ended June 30, 2024, gives effect to the transactions as if they had occurred on January 1, 2023. The unaudited Pro Forma Consolidated Statement of Financial Position combines the unaudited interim condensed consolidated statement of financial position of Aditxt as at June 30, 2024, with the unaudited interim condensed consolidated statement of financial position of Evofem as at June 30, 2024, and the adjusted unaudited interim condensed consolidated statement of financial position of Appili as at June 30, 2024 (see Note 3).

2 Basis of preparation (continued)

The unaudited Pro Forma Consolidated Financial Statements are based on, and should be read in conjunction with:

- the audited consolidated financial statements of Aditxt as at and for the year ended December 31, 2023 ("Aditxt's 2023 Annual Consolidated Financial Statements") prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States ("US GAAP);

- the audited consolidated financial statements of Evofem as at and for the year ended December 31, 2023 ("Evofem's 2023 Annual Consolidated Financial Statements") prepared in U.S. dollars and in accordance with US GAAP;

- the unaudited interim condensed consolidated financial statements of Aditxt as at and for the six months ended June 30, 2024 ("Aditxt's 2024 Interim Condensed Consolidated Financial Statements") prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States ("US GAAP);

- the unaudited interim condensed consolidated financial statements of Evofem as at and for the six months ended June 30, 2024 ("Evofem's 2024 Interim Condensed Consolidated Financial Statements") prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States ("US GAAP);

- the audited consolidated financial statements of Appili as at and for the year ended March 31, 2024 (Appili's 2024 Annual Consolidated Financial Statements") prepared in Canadian Dollars ("CAD") and in accordance with Internation Financial Reporting Standards ("IFRS"); and

- the unaudited interim condensed consolidated financial statements of Appili as at and for the three months ended June 30, 2024 ("Appili 2024 Interim Condensed Consolidated Financial Statements") prepared in CAD and in accordance with IFRS.

For the purposes of preparing the unaudited Pro Forma Consolidated Financial Statements, adjustments have been made to align the financial information to US GAAP and convert to U.S. dollars (see note 3).

The unaudited Pro Forma Consolidated Financial Statements have been presented for illustrative purposes only. The pro forma information is not necessarily indicative of what the combined company's financial position or financial performance would have been had the transactions been completed as at the dates indicated above, nor does it purport to project the future financial position or operating results of the combined company. The unaudited Pro Forma Consolidated Financial Statements do not reflect potential cost savings, operating synergies, and revenue enhancements that may be realized from the transactions. The actual financial position and results of operations of Aditxt for any period following the closing of the transactions may vary from the amounts set forth in the unaudited Pro Forma Consolidated Financial Statements, and such variations could be material.

(In thousands of U.S. dollars)

2 Basis of preparation (continued)

The pro forma adjustments are based upon available information and certain assumptions believed to be reasonable under the circumstances. The purchase price allocation and the corresponding fair value adjustments are provisional and subject to refinement as more detailed analyses are completed and additional information about the fair value of assets acquired and liabilities assumed becomes available. Aditxt will finalize all amounts as it obtains the necessary information to complete the measurement process, which will be no later than one year from the closing of the transactions. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing the unaudited Pro Forma Consolidated Financial Statements. Differences between these preliminary estimates and the final acquisition accounting may occur, and these differences could be material to the accompanying unaudited Pro Forma Consolidated Financial Statements and Aditxt's future financial performance and financial position.

3 IFRS to US GAAP Reconciliation

For the purposes of preparing the unaudited Pro Forma Interim Consolidated Financial Statements, adjustments have been made to align the financial information of Appili to US GAAP and convert to U.S. dollars as detailed below.

As the ending date of the fiscal period for Appili differs from that of Aditxt, adjustments were made to combine the historical results of Appili for the year ended March 31, 2024, with the three months period ended June 30, 2024, resulting in a recreated statement of earnings for the six months ended June 30, 2024, as summarized below:

Appili Therapeutics Inc	**As reported on June 30, 2024**	**US GAAP Adjustments**	Notes	**As at June 30, 2024**	**Currency Translation Adjustments**	Notes	**As at June 30, 2024**
Consolidated Balance Sheet	**(IFRS)**			**(US GAAP)**			**(US GAAP)**
	(CAD)			**(CAD)**			**(U.S. Dollars)**
	$			**$**			**$**
Assets							
Current Assets							
Cash	301			301	(81)	(b)	220
Accounts receivable	1,762			1,762	(475)	(b)	1,287
Other receivable	26			26	(7)	(b)	19
Prepaid expenses	117			117	(32)	(b)	85
	2,206	-		2,206	(595)		1,611
Non-Current Assets							
Fixed assets, net	27			27	(7)	(b)	20
Total Assets	2,233	-		2,233	(602)		1,631

(In thousands of U.S. dollars)

3 IFRS to US GAAP Reconciliation (continued)

Appili Therapeutics Inc	**As reported on June 30, 2024**	**US GAAP Adjustments**	Notes	**As at June 30, 2024**	**Currency Translation Adjustments**	Notes	**As at June 30, 2024**
Consolidated Balance Sheet	**(IFRS) (CAD)**			**(US GAAP) (CAD)**			**(US GAAP) (U.S. Dollars)**
	$			**$**			**$**
Liabilities							
Current Liabilities							
Accounts payable and accrued expenses	4,524			4,524	(1,219)	(b)	3,305
Long-term debt - current	9,202			9,202	(2,479)	(b)	6,723
Corporate taxes payable	43			43	(12)	(b)	31
	13,769	-		13,769	(3,710)		10,059
Non-Current liabilities							
Long-term debt - non-current	850			850	(229)	(b)	621
Total Liabilities	14,619	-		14,619	(3,939)		10,680
Shareholder's Equity							
Additional paid-in capital	-			-	44,719	(c)	44,719
Accumulated deficit	(12,386)			(12,386)	(41,642)	(c)	(54,028)
Currency translation adjustments	-				260	(d)	260
Total Shareholder's Equity	(12,386)	-		(12,386)	3,337		(9,049)
Total Liabilities and Shareholder's Equity	2,233	-		2,233	(602)		1,631

(In thousands of U.S. dollars)

3 IFRS to US GAAP Reconciliation (continued)

Appili Therapeutics Inc	6 months ended June 30, 2024 (Recreated) (IFRS) (CAD)	US GAAP Adjustments	Notes	6 months ended June 30, 2024 (US GAAP) (CAD)	Currency translation adjustments	Notes	6 months ended June 30, 2024 (US GAAP) (U.S. Dollars)
Income	**$**			**$**			**$**
Sales	11	-		11	(3)	(e)	8
Interest income	1	-		1	-	(e)	1
	12	-		12	(3)		9
Expenses							
Research and development	3,611	15	(a)	3,626	(957)	(e)	2,669
Sales and marketing	20	-		20	(5)	(e)	15
General and administrative expenses	1,582	-		1,582	(418)	(e)	1,164
Financing costs	1,614	-		1,614	(426)	(e)	1,188
Government assistance	(4,319)	(15)	(a)	(4,334)	1,144	(e)	(3,190)
Other income	183	-		183	(48)	(e)	135
	2,691	-		2,691	(710)		1,981
Loss before income taxes	(2,679)	-		(2,679)	707		(1,972)
Income tax expense	9	-		9	(2)	(e)	7
Net loss	(2,688)	-		(2,688)	709		(1,979)

(a) Reflects a presentation conforming adjustment to reclassify recognition of government grant funding relating to research and development activities on conversion from IFRS to US GAAP.

(b) Reflects a currency translation adjustment from CAD to US dollars using the closing exchange rate on June 30, 2024, of 0.7306.

(c) Reflects a currency translation adjustment from CAD to US dollars using the closing historical exchange rate for equity transactions and subsequently carried at historic values.

(d) Reflects a presentation currency translation difference adjustment arising on translation of CAD to US dollars using historical rates.

(e) Reflects a currency translation adjustment from CAD to US dollars using the average exchange rate for the six months ended June 30, 2024, of 0.7360.

(In thousands of U.S. dollars)

4 Preliminary Purchase Price Allocation

The following is a preliminary fair value estimate of the assets acquired and liabilities assumed by Aditxt in connection with Appili Transaction and Evofem Transaction, reconciled to the purchase price. For any items without a corresponding reference below, book value is assumed to reasonably approximate fair value based on currently available information.

	Notes	Evofem	Appili
Assets acquired		**$**	**$**
Cash		-	220
Restricted cash		692	-
Accounts receivable		4,617	1,287
Inventory		1,060	-
Prepaid expenses		845	85
Other receivable		-	19
Intangible assets	(a)	-	7,037
Fixed assets		1,187	20
Right-of-use assets		114	-
Other assets		36	-
Total Assets		8,551	8,668
Liabilities assumed			
Accounts payable and accrued expenses		24,065	3,305
Notes payable, net of discount		397	-
Other current liabilities		3,776	-
Corporate taxes payable		-	31
Long-term debt		-	7,344
Lease liabilities		113	-
		28,351	10,680
Fair value of identifiable net liabilities acquired		(19,800)	(2,012)
Goodwill arising on acquisition:			
Cash consideration		1,800	6,096
Shares issued		-	486
Convertible preferred shares issued		91,610	-
Notes assumed		13,045	-
Consideration paid		106,455	6,582
Add: fair value of identifiable net liabilities acquired		19,800	2,012
Goodwill arising from transaction	(b)	126,255	8,594

4 Preliminary Purchase Price Allocation (continued)

(a) A preliminary fair value estimate of $7,037 has been allocated to identifiable intangible assets acquired for the Appili Transaction. Intangibles assets acquired include licences and intellectual property rights to the research and development activities of Appili, with a useful life of 15 years.

(b) A preliminary estimate of $126,255 and $8,594 has been allocated to the goodwill for the Evofem Transaction and the Appili Transaction, respectively. Goodwill is calculated as the excess of the preliminary estimate of the acquisition date fair value of the consideration transferred, over the preliminary estimate of the fair values assigned to the identifiable assets acquired and liabilities assumed.

5 Pro Forma Adjustments in Connection with the Transactions

The following summarizes the pro forma adjustments in connection with the Appili Transaction and the Evofem Transaction to give effect to the transactions as if they had occurred on January 1, 2023, for the purposes of the unaudited Pro Forma Interim Consolidated Statement of Earnings and on June 30, 2024, for the purposes of the unaudited Pro Forma Interim Consolidated Statement of Financial Position. The pro forma adjustments were based on preliminary estimates and assumptions that are subject to change.

(a) Cash

Reflects the pro forma adjustment to cash representing the sources and uses of cash to close the Transactions as if the Transactions had occurred on June 30, 2024. Sources and uses of cash include the $6,096 decrease for the preliminary purchase price paid for the Appili Transaction, $1,800 decrease for the preliminary purchase price paid for the Evofem Transaction, and an increase of $20,000 in proceeds from the issuance of common stock of Aditxt, net of issuance costs.

(b) Intangible Assets

An increase of $7,037 to the carrying value of Appili intangible assets to adjust it to its preliminary estimated fair value and an increase of $762 to the accumulated amortization. Intangibles assets acquired include licences and intellectual property rights to research and development activities of Appili.

(c) Goodwill

Reflects an increase of $126,255 and $8,594 of goodwill as a result of the preliminary purchase price allocation of Evofem Transaction and Appili Transaction, respectively. Goodwill is not amortized and is not currently assumed to be deductible for tax purposes. Goodwill could materially change based on changes in estimates in the fair value of the assets acquired, and liabilities assumed.

5 Pro Forma Adjustments in Connection with the Transactions (continued)

(d) Investment in Evofem

Reflects a decrease of $23,277 in Investment in Evofem for the elimination of cost of investment in Evofem on consolidation.

(e) Current Liabilities

Accounts payable and accrued expenses: Reflects an increase of $2,600 for transaction costs associated with Evofem Transaction and Appili Transaction.

Convertible notes payable carried at fair value: Reflects a decrease of $13,239 to reflect the settlement of the notes in conjunction with the close of the transaction.

Convertible notes payable – Adjuvant: Reflects a decrease of $29,646 to reflect the settlement of the notes in conjunction with the close of the transaction.

Derivative liabilities: Reflects a decrease of $942 to reflect the settlement of the liability in conjunction with the close of the transaction.

Other current liabilities – related party: On or about May 2, 2024, in connection with a certain Reinstatement and Fourth Amendment to Merger Agreement dated as of May 2, 2024, Aditxt initiated a wire transfer to Evofem to an account previously designated by Evofem in the amount of $1,000, which is disclosed in the Investment in Evofem balance on Aditxt's consolidated balance sheets. The decrease to this line item is related to eliminating this amount upon consolidation.

(f) Mezzanine Equity

Convertible and redeemable preferred stock: Reflects an increase of $70,751 for the issuance of convertible preferred stock for the Evofem Transaction and $4,687 decrease on elimination of convertible preferred stock of Evofem on consolidation.

(g) Total Equity

Common stock: Reflects the elimination of $8 for the common stock of Evofem.

Additional paid-in capital: Reflects an increase of $20,486 for the issuance of common stock in connection with the Appili Transaction, a $44,719 decrease on elimination of Appili paid-in-capital and a $823,709 decrease on elimination of Evofem paid-in-capital on consolidation.

Accumulated other comprehensive income (loss) adjustment: Reflects a decrease of $260 on elimination of currency translation adjustment on consolidation of Appili and an increase of $781 upon elimination of comprehensive loss of Evofem.

5 Pro Forma Adjustments in Connection with the Transactions (continued)

Accumulated deficit: Reflects a $892,251 and $54,028 decrease in accumulated deficit to eliminate historical retained loss of Evofem and Appili, respectively, $586 increase in amortization expense for intangible assets relating to Appili, and $2,600 increase for transaction costs associated with the Appili Transaction and Evofem Transaction.

(h) The unaudited Pro Forma Consolidated Statement of Earnings is also adjusted as follows:

- Increase amortization expense by $293 for amortization of the intangible assets recorded at fair value for the six months ended June 30, 2024.

- Decrease to loss on issuance of financial instruments of $3,300 for the six months ended June 30, 2024 to remove the impact of issuances of purchase rights due to a down-round related to instruments that would have been extinguished as a requirement of the Evofem closing.

- Decrease to gain on debt extinguishment of $1,120 for the six months ended June 30, 2024 to remove the impact of the debt extinguishment related to an instrument that would have been extinguished as a requirement of the Evofem closing.

- Decrease to change in fair value of financial instruments of $4,127 for the six months ended June 30, 2024 to remove the impact of fair value adjustments related to instruments that would have been extinguished as a requirement of the Evofem closing.

- Elimination of $94 related to the Evofem deemed dividend on instruments that would have been extinguished as a requirement of the Evofem closing.

Aditxt Inc.

Unaudited Pro Forma Consolidated
Financial Statements
(In U.S. dollars)
December 31, 2023

Aditxt Inc.

Pro Forma Consolidated Statement of Financial Position
(Unaudited)
(In thousands of U.S. dollars)
As at December 31, 2023

	Aditxt	Evofem	Appili (Note 3)	Pro Forma adjustments	Notes	Pro Forma consolidated
ASSETS	**$**	**$**	**$**	**$**		**$**
CURRENT ASSETS:						
Cash	97	-	456	12,104	5(a)	12,657
Restricted Cash	-	580	-	-		580
Accounts receivable, net	408	5,738	800	-		6,946
Inventory	746	1,697	-	-		2,443
Prepaid expenses	217	1,195	173	-		1,585
Subscription receivable	5,445	-	-	-		5,445
Other receivable	-	-	33	-		33
TOTAL CURRENT ASSETS	6,913	9,210	1,462	12,104		29,689
Fixed assets, net	1,898	1,203	26	-		3,127
Intangible assets, net	9	-	-	6,568	5(b)	6,577
Deposits	106	-	-	-		106
Right of use asset - long term	2,200	106	-	-		2,306
Other assets	-	35	-	-		35
Goodwill	-	-	-	130,152	5(c)	130,152
Investment in Evofem	22,277	-	-	(22,277)	5(d)	-
Deposit on acquisition	11,174	-	-	(11,174)	5(d)	-
TOTAL ASSETS	44,577	10,554	1,488	115,373		171,992

The accompanying notes are an integral part to these unaudited pro forma consolidated financial statements.

Aditxt Inc.

Pro Forma Consolidated Statement of Financial Position

(Unaudited)

(In thousands of U.S. dollars)

As at December 31, 2023

LIABILITIES AND STOCKHOLDERS' EQUITY	**Aditxt**	**Evofem**	**Appili (Note 3)**	**Pro Forma Adjustments**	**Notes**	**Pro Forma Consolidated**
CURRENT LIABILITIES:	**$**	**$**	**$**	**$**		**$**
Accounts payable and accrued expenses	8,555	23,856	2,835	3,052	5(e)	38,298
Notes payable - related party	375	-	-	-		375
Notes payable, net of discount	15,653	-	-	-		15,653
Financing on fixed assets	148	-	-	-		148
Deferred rent	159	-	-	-		159
Convertible notes payable carried at fair value	-	14,731	-	(14,731)	5(e)	-
Convertible notes payable - Adjuvant	-	28,537	-	(28,537)	5(e)	-
Derivative liabilities	-	1,926	-	(1,926)	5(e)	-
Other current liabilities	-	3,316	-	-		3,316
Corporate taxes payable	-	-	29	-		29
Long-term debt - current	-	-	314	-		314
Lease liability - current	1,000	97	-	-		1,097
TOTAL CURRENT LIABILITIES	25,890	72,463	3,178	(42,142)		59,389
Settlement liability	1,600	-	-	-		1,600
Long-term debt – non-current	-	-	5,740	-		5,740
Lease liability - long term	1,042	8	-	-		1,050
TOTAL LIABILITIES	28,532	72,471	8,918	(42,142)		67,779
Convertible and redeemable preferred stock	-	4,593	-	66,158	5(f)	70,751
STOCKHOLDERS' EQUITY (DEFICIT)						
Common stock	1	2	-	(2)	5(g)	1
Treasury stock	(202)	-	-	-		(202)
Additional paid-in capital	143,998	823,036	44,621	(847,171)	5(g)	164,484
Accumulated other comprehensive loss	-	(849)	(5)	854	5(g)	-
Accumulated deficit	(127,742)	(888,699)	(52,046)	937,676	5(g)	(130,811)
	16,055	(66,510)	(7,430)	91,357		33,472
NON-CONTROLLING INTEREST	(10)	-	-	-		(10)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	16,045	(66,510)	(7,430)	91,357		33,462
TOTAL LIABILITIES, CONVERTIBLE AND REDEEMABLE PREFFERED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	44,577	10,554	1,488	115,373		171,992

The accompanying notes are an integral part to these unaudited pro forma consolidated financial statements.

Aditxt Inc.

Consolidated Pro Forma Statement of Earnings
(Unaudited)
(In thousands of U.S. dollars, except earnings per share)
For the year ended December 31, 2023

	Aditxt	Evofem	Appili (Note 3)	Pro Forma Adjustments	Notes	Pro Forma Consolidated
REVENUE	**$**	**$**	**$**	**$**		**$**
Sales	645	18,218	852	-		19,715
Cost of goods sold	757	6,512	-	-		7,269
Gross profit (loss)	(112)	11,706	852	-		12,446
OPERATING EXPENSES						
Research and development	7,074	2,939	4,101	-		14,114
Sales and marketing	269	11,664	184	-		12,117
General and administrative expenses	18,607	14,950	2,424	2600		38,581
Total operating expenses	25,950	29,553	6,709	2600		64,812
NET LOSS FROM OPERATIONS	(26,062)	(17,847)	(5,857)	(2,600)		(52,366)
OTHER INCOME/(EXPENSE)						
Interest expense	(4,195)	-	-	-		(4,195)
Interest income	10	31	17	-		58
Other expense/(income)	-	(2,628)	147	-		(2,481)
Amortization of debt discount	(2,195)	-	-	-		(2,195)
Amortization of intangible assets	-	-	-	(469)	5(b)	(469)
Loss on issuance of financial instruments	-	(6,776)	-	6,776	5(b)	-
Gain on debt extinguishment	-	75,337	-	(75,337)	5(b)	-
Change in fair value of financial instruments	-	4,879	-	(4,879)	5(b)	-
Financing costs	-	-	(1,254)	-		(1,254)
Government assistance	-	-	3,047	-		3,047
Gain on note exchange agreement	52	-	-	-		52
Total other income/(expense)	(6,328)	70,843	1,957	(73,909)		(7,437)
Net income/(loss) before income taxes	(32,390)	52,996	(3,900)	(76,509)		(59,803)
Income tax expense	-	(17)	(50)	-		(67)
NET INCOME/(LOSS)	(32,390)	52,979	(3,950)	(76,509)		(59,870)
NON-CONTROLLING INTEREST LOSS	(10)	-	-	-		(10)
NET INCOME/(LOSS) ATTRIBUTABLE TO ADITXT, INC. & SUBSIDIARIES	(32,380)	52,979	(3,950)	(76,509)		(59,860)
Deemed Dividend	(320)	(2,984)	-	2.984		(320)
NET INCOME/(LOSS) ATTRIBUTABLE TO COMMON STOCKHOLDERS	(32,700)	49,995	(3,950)	(73,525)		(60,180)
NET INCOME/(LOSS) per share:						
Basic	(108)					(95)
Diluted	(108)					(95)
Weighted average number of shares:						
Basic	302,356					635,232
Diluted	302,356					635,232

The accompanying notes are an integral part to these unaudited pro forma consolidated financial statements.

Aditxt Inc.

Pro Forma Consolidated Statement of Earnings
(Unaudited)
(In thousands of U.S. dollars, except shares and earnings per share)
For the six months ended June 30, 2024

1 Description of Transactions

Acquisition of Appili Therapeutics Inc. by Aditxt Inc.:

On December 12, 2023, Aditxt Inc. ("Aditxt"), through its wholly owned subsidiary, Adivir, Inc. (“Adivir”), entered into an agreement to acquire all of the outstanding Class A common shares of Appili Therapeutics Inc. (“Appili”) by way of a court approved plan of arrangement, then contemplated to be under the Canada Business Corporations Act, and a definitive arrangement agreement entered between Appili and Adivir (the “Appili Transaction”). Upon closing of the Appili Transaction, Appili will become an indirect, wholly owned subsidiary of Aditxt. As part of the acquisition terms, Appili shareholders will receive 0.002745004 of a share of Aditxt common stock (the “Share Consideration”) and US$0.0467 in cash for each Appili share held (the “Cash Consideration” and together with Share Consideration collectively, the “Appili Transaction Consideration”), representing total consideration of approximately $6,582 based on closing price of the Aditxt shares on July 5, 2024. The consideration for acquiring Appili also included the assumption of Appili’s existing liabilities.

Acquisition of Evofem Biosciences by Aditxt:

On December 11, 2023, Aditxt, through a definitive agreement, entered into an Agreement and Plan of Merger, as amended and restated, with Evofem Biosciences, Inc. ("Evofem") whereby Evofem will merge with a merger sub with Evofem surviving as as a wholly owned subsidiary of Aditxt (the “Evofem Transaction” and together with the Appili Transaction collectively, “the Transactions”)). The consideration for acquiring Evofem includes the issuance or exchange of convertible preferred stock of $91,610, and cash consideration of $1,800 to Evofem’s common stockholders, along with paying off Evofem’s senior secured notes amounting to $13,045 and the assumption of Evofem's existing liabilities.

On July 12, 2024 (the “Closing Date”), in conjunction with the signing of the Amended and Restated Merger Agreement (the “A&R Merger Agreement”), the Company completed the Initial Parent Equity Investment (as defined under the A&R Merger Agreement) and entered into a Securities Purchase (the “Series F-1 Securities Purchase Agreement”) with Evofem, pursuant to which the Company purchased 500 shares of Evofem’s Series F-1 Convertible Preferred Stock par value $0.0001 per share (“Evofem F-1 Preferred Stock”) for an aggregate purchase price of $500. In connection with the Series F-1 Securities Purchase Agreement, the Company and Evofem entered into a Registration Rights Agreement (the “Registration Rights Agreement”), pursuant to which Evofem agreed to file with the SEC a registration statement covering the resale of the shares of its common stock issuable upon conversion of the Evofem Series F-1 Preferred Stock within 300 days of the Closing Date and to have such registration statement declared effective by the SEC the earlier of the (i) 90th calendar day after the Closing Date and (ii) 2nd Business Day after the date EvoFem is notified (orally or in writing, whichever is earlier) by the SEC that such registration statement will not be reviewed or will not be subject to further review.

1 Description of Transactions (continued)

Pursuant to the A&R Merger Agreement, the Company is also obligated to purchase: (i) an additional 500 shares of Evofem Series F-1 Preferred Stock for an additional aggregate purchase price of $500,000 on or prior to August 9, 2024; (ii) an additional 2,000 shares of Evofem Series F-1 Preferred Stock for an additional purchase price of $2 million on the earlier of September 30, 2024 or 5 business days of the closing of a public offering by the Company resulting in aggregate net proceeds to the Company of no less than $20 million; and (iii) an additional 1,000 shares of Evofem Series F-1 Preferred Stock for an additional purchase price of $1 million on or prior to October 31, 2024.

On August 9, 2024, Aditxt completed the Second Parent Equity Investment (as defined under the A&R Merger Agreement) and entered into a Securities Purchase Agreement with Evofem, pursuant to which the Company purchased 500 shares of Evofem F-1 Preferred Stock for an aggregate purchase price of $500,000.

On October 2, 2024, Aditxt entered into the Third Amendment to the A&R Merger Agreement with Evofem to amend the Third Parent Equity Investment (as defined under the A&R Merger Agreement) to require Aditxt to purchase 720 shares to Evofem F-1 Preferred Stock for an aggregate purchase price of $720,000. Additionally, the Fourth Parent Equity Investment definition was updated to require Aditxt to purchase 2,280 shares of Evofem F-1 Preferred Stock for an aggregate purchase price of $2,280,000 on or prior to October 31, 2024. The Third Parent Equity Investment was completed on October 2, 2024.

2 Basis of preparation

The accompanying unaudited Pro Forma Consolidated Financial Statements of Aditxt, have been prepared to give effect to the acquisitions of Evofem and Appili under the acquisition method of accounting in accordance with ASC Topic 805 – Business Combinations ("ASC 805"). The unaudited Pro Forma Consolidated Statement of Financial Position gives effect to the transactions as if they had occurred on December 31, 2023. The unaudited Pro Forma Consolidated Statement of Earnings for the year ended December 31, 2023, gives effect to the transactions as if they had occurred on January 1, 2023. The unaudited Pro Forma Consolidated Statement of Financial Position combines the audited Consolidated Statement of Financial Position of Aditxt as at December 31, 2023, with the audited Consolidated Statement of Financial Position of Evofem as at December 31, 2023, and the adjusted unaudited interim condensed consolidated financial statements of Appili as at December 31, 2023 (see note 3).

2 Basis of preparation (continued)

The unaudited Pro Forma Consolidated Financial Statements are based on, and should be read in conjunction with:

- the audited consolidated financial statements of Aditxt as at and for the year ended December 31, 2023 ("Aditxt's 2023 Annual Consolidated Financial Statements") prepared in U.S. dollars and in accordance with accounting principles generally accepted in the United States ("US GAAP");

- the audited consolidated financial statements of Evofem as at and for the year ended December 31, 2023 ("Evofem's 2023 Annual Consolidated Financial Statements") prepared in U.S. dollars and in accordance with US GAAP;

- the audited consolidated financial statements of Appili as at and for the year ended March 31, 2023 (Appili's 2023 Annual Consolidated Financial Statements") prepared in Canadian Dollars ("CAD") and in accordance with Internation Financial Reporting Standards ("IFRS"); and

- the unaudited interim condensed consolidated financial statements for the nine months ended December 31, 2023 ("Appili 2023 Interim Condensed Consolidated Financial Statements") prepared in CAD and in accordance with IFRS.

For the purposes of preparing the unaudited Pro Forma Consolidated Financial Statements, adjustments have been made to align the financial information to US GAAP and convert to U.S. dollars (see note 3).

The unaudited Pro Forma Consolidated Financial Statements have been presented for illustrative purposes only. The pro forma information is not necessarily indicative of what the combined company's financial position or financial performance would have been had the transactions been completed as at the dates indicated above, nor does it purport to project the future financial position or operating results of the combined company. The unaudited Pro Forma Consolidated Financial Statements do not reflect potential cost savings, operating synergies, and revenue enhancements that may be realized from the transactions. The actual financial position and results of operations of Aditxt for any period following the closing of the transactions may vary from the amounts set forth in the unaudited Pro Forma Consolidated Financial Statements, and such variations could be material.

The pro forma adjustments are based upon available information and certain assumptions believed to be reasonable under the circumstances. The purchase price allocation and the corresponding fair value adjustments are provisional and subject to refinement as more detailed analyses are completed and additional information about the fair value of assets acquired and liabilities assumed becomes available. Aditxt will finalize all amounts as it obtains the necessary information to complete the measurement process, which will be no later than one year from the closing of the transactions. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing the unaudited Pro Forma Consolidated Financial Statements. Differences between these preliminary estimates and the final acquisition accounting may occur, and these differences could be material to the accompanying unaudited Pro Forma Consolidated

(In thousands of U.S. dollars)

3 IFRS to US GAAP Reconciliation (continued)

Financial Statements and Aditxt's future financial performance and financial position. 3 IFRS to US GAAP Reconciliation

For the purposes of preparing the unaudited Pro Forma Consolidated Financial Statements, adjustments have been made to align the financial information of Appili to US GAAP and convert to U.S. dollars as detailed below.

As the ending date of the fiscal period for Appili differs from that of Aditxt, adjustments were made to combine the historical results of Appili for the nine months period ended December 31, 2023, with the three months period ended March 31, 2023, resulting in a recreated statement of earnings for the twelve months ended December 31, 2023, as summarized below.

Appili Therapeutics Inc	**As reported on December 31, 2023**	**US GAAP Adjustments**	Notes	**As at December 31, 2023**	**Currency Translation Adjustments**	Notes	**As at December 31, 2023**
Consolidated Balance Sheet	**(IFRS)**			**(US GAAP)**			**(US GAAP)**
	(CAD)			**(CAD)**			**(U.S. Dollars)**
	$			**$**			**$**
Assets							
Current Assets							
Cash	603			603	(147)	(c)	456
Accounts receivable	1,058			1,058	(258)	(c)	800
Other receivable	44			44	(11)	(c)	33
Prepaid expenses	229			229	(56)	(c)	173
	1,934	-		1,934	(472)		1,462
Non-Current Assets							
Fixed assets, net	34			34	(8)	(c)	26
Total Assets	1,968	-		1,968	(480)		1,488

(In thousands of U.S. dollars)

3. IFRS to US GAAP Reconciliation (continued)

Appili Therapeutics Inc	**As reported on December 31, 2023**	**US GAAP Adjustments**	Notes	**As at December 31, 2023**	**Currency Translation Adjustments**	Notes	**As at December 31, 2023**
Consolidated Balance Sheet	**(IFRS)**			**(US GAAP)**			**(US GAAP)**
	(CAD)			**(CAD)**			**(U.S. Dollars)**
	$			**$**			**$**
Liabilities							
Current Liabilities							
Accounts payable and accrued expenses	3,749			3,749	(914)	(c)	2,835
Long-term debt - current	420	(5)	(a)	415	(101)	(c)	314
Corporate taxes payable	39			39	(10)	(c)	29
	4,208	(5)		4,203	(1,025)		3,178
Non-Current liabilities							
Long-term debt - non-current	7,592			7,592	(1,852)	(c)	5,740
Total Liabilities	11,800	(5)		11,795	(2,877)		8,918
Shareholder's Equity							
Additional paid-in capital	58,158			58,158	(13,537)	(d)	44,621
Accumulated deficit	(67,990)	5	(a)	(67,985)	15,939	(d)	(52,046)
Currency translation adjustments					(5)	(e)	(5)
Total Shareholder's Equity	(9,832)	5		(9,827)	2,397		(7,430)
Total Liabilities and Shareholder's Equity	1,968	-		1,968	(480)		1,488

(In thousands of U.S. dollars)

3 IFRS to US GAAP Reconciliation (continued)

Appili Therapeutics Inc	12 months ended December 31, 2023 (Recreated) (IFRS) (CAD)	US GAAP Adjustments	Notes	12 months ended December 31, 2023 (US GAAP) (CAD)	Currency translation adjustments	Notes	12 months ended December 31, 2023 (US GAAP) (U.S. Dollars)
Income	$			$			$
Sales	1,150	-		1,150	(298)	(f)	852
Interest income	23	-		23	(6)	(f)	17
	1,173	-		1,173	(304)		869
Expenses							
Research and development	5,495	40	(b)	5,535	(1,434)	(f)	4,101
Sales and marketing	249	-		249	(65)	(f)	184
General and administrative expenses	3,272	-		3,272	(848)	(f)	2,424
Financing costs	1,698	(5)	(a)	1,693	(439)	(f)	1,254
Government assistance	(4,072)	(40)	(b)	(4,112)	1,065	(f)	(3,047)
Other income	(198)	-		(198)	51	(f)	(147)
	6,444	(5)		6,439	(1,670)		4,769
Loss before income taxes	(5,271)	5		(5,266)	1,366		(3,900)
Income tax expense	68	-		68	(18)	(f)	50
Net loss	(5,339)	5		(5,334)	1,384		(3,950)

(a) Reflects an adjustment to the accretion of a loan payable on conversion from IFRS to US GAAP.

(b) Reflects a presentation conforming adjustment to reclassify recognition of government grant funding relating to research and development activities on conversion from IFRS to US GAAP.

(c) Reflects a currency translation adjustment from CAD to US dollars using the closing exchange rate on December 31, 2023, of 0.7561.

(d) Reflects a currency translation adjustment from CAD to US dollars using the closing historical exchange rate for equity transactions and subsequently carried at historic values.

(e) Reflects a presentation currency translation difference adjustment arising on translation of CAD to US dollars using historical rates.

(f) Reflects a currency translation adjustment from CAD to US dollars using the average exchange rate for the year ended December 31, 2023, of 0.7409.

(In thousands of U.S. dollars)

4 Preliminary Purchase Price Allocation

The following is a preliminary fair value estimate of the assets acquired, and liabilities assumed by Aditxt in connection with Appili Transaction and Evofem Transaction, reconciled to the purchase price. For any items without a corresponding reference below, book value is assumed to reasonably approximate fair value based on currently available information.

	Notes	Evofem	Appili
Assets acquired		**$**	**$**
Cash		-	456
Restricted cash		580	-
Accounts receivable		5,738	800
Inventory		1,697	-
Prepaid expenses		1,195	173
Other receivable		-	33
Intangible assets	(a)	-	7,037
Fixed assets		1,203	26
Right-of-use assets		106	-
Other assets		35	-
Total Assets		10,554	8,525
Liabilities assumed			
Accounts payable and accrued expenses		23,856	2,835
Other current liabilities		3,315	-
Corporate taxes payable		-	29
Long-term debt		-	6,054
Lease liabilities		105	-
		27,276	8,918
Fair value of identifiable net liabilities acquired		(16,722)	(393)
Goodwill arising on acquisition:			
Cash consideration		1,800	6,096
Shares issued		-	486
Convertible preferred shares issued		91,610	-
Notes assumed		13,045	-
Consideration paid		106,455	6,582
Add: fair value of identifiable net liabilities acquired		16,722	393
Goodwill arising from transaction	(b)	123,177	6,975

4 Preliminary Purchase Price Allocation (continued)

(a) A preliminary fair value estimate of $7,037 has been allocated to identifiable intangible assets acquired for the Appili Transaction. Intangibles assets acquired include licences and intellectual property rights to the research and development activities of Appili, with a useful life of 15 years.

(b) A preliminary estimate of $123,177 and $6,975 has been allocated to the goodwill for the Evofem Transaction and the Appili Transaction, respectively. Goodwill is calculated as the excess of the preliminary estimate of the acquisition date fair value of the consideration transferred, over the preliminary estimate of the fair values assigned to the identifiable assets acquired and liabilities assumed.

5 Pro Forma Adjustments in Connection with the Transactions

The following summarizes the pro forma adjustments in connection with the Appili Transaction and the Evofem Transaction to give effect to the transactions as if they had occurred on January 1, 2023, for the purposes of the unaudited Pro Forma Consolidated Statement of Earnings and on December 31, 2023, for the purposes of the unaudited Pro Forma Consolidated Statement of Financial Position. The pro forma adjustments were based on preliminary estimates and assumptions that are subject to change.

(a) Cash

Reflects the pro forma adjustment to cash representing the sources and uses of cash to close the Transactions as if the Transactions had occurred on December 31, 2023. Sources and uses of cash include the $6,096 decrease for the preliminary purchase price paid for the Appili Transaction, $1,800 decrease for the preliminary purchase price paid for the Evofem Transaction and an increase of $20,000 in proceeds from the issuance of common stock of Aditxt, net of issuance costs.

(b) Intangible Assets

An increase of $7,037 to the carrying value of Appili intangible assets to adjust it to its preliminary estimated fair value. Intangibles assets acquired include licences and intellectual property rights to research and development activities of Appili.

The unaudited Pro Forma Consolidated Statement of Earnings is also adjusted to increase amortization expense by $469 for amortization of the intangible assets recorded at fair value.

(c) Goodwill

Reflects an increase of $123,177 and $6,975 of goodwill as a result of the preliminary purchase price allocation of Evofem Transaction and Appili Transaction, respectively. Goodwill is not amortized and is not currently assumed to be deductible for tax purposes. Goodwill could materially change based on changes in estimates in the fair value of the assets acquired, and liabilities assumed.

5 Pro Forma Adjustments in Connection with the Transactions (continued)

(d) Investment in Evofem and Deposit on acquisition

Reflects a decrease of $22,277 in Investment in Evofem and $11,367 decrease in Deposit on acquisition for the elimination of cost of investment in Evofem on consolidation.

The unaudited Pro Forma Consolidated Statement of Earnings is also adjusted to eliminate the amortization of $193 relating to the discount recognized on the notes assumed on acquisition of Evofem.

(e) Current Liabilities

Accounts payable and accrued expenses: Reflects an increase of $2,600 for transaction costs associated with Evofem Transaction and Appili Transaction and $452 related to interest payable on notes.

Convertible notes payable carried at fair value: Reflects a decrease of $14,731 to reflect the settlement of the notes in conjunction with the close of the transaction.

Convertible notes payable – Adjuvant: Reflects a decrease of $28,537 to reflect the settlement of the notes in conjunction with the close of the transaction.

Derivative liabilities: Reflects a decrease of $1,926 to reflect the settlement of the liabilities in conjunction with the close of the transaction.

(f) Mezzanine Equity

Convertible preferred stock: Reflects an increase of $66,158 for the issuance of convertible preferred stock for the Evofem Transaction and $4,593 decrease on elimination of convertible preferred stock of Evofem on consolidation.

(g) Total Equity

Common stock: Reflects the elimination of $2 for the common stock of Evofem.

Additional paid-in capital: Reflects an increase of $20,719 for the issuance of common stock in connection with the Appili Transaction, a $44,621 decrease on elimination of Appili paid-in-capital and a $823,036 decrease on elimination of Evofem paid-in-capital on consolidation.

Accumulated other comprehensive loss: Reflects an increase of $5 on elimination of currency translation adjustment on consolidation of Appili and an increase of $849 upon elimination of comprehensive loss of Evofem.

5 Pro Forma Adjustments in Connection with the Transactions (continued)

Accumulated deficit: Reflects a $889,548 and $52,046 decrease in accumulated deficit to eliminate historical retained loss of Evofem and Appili, respectively, and a $469 increase in amortization expense for intangible assets relating to Appili and $2,600 increase for transaction costs associated with the Appili Transaction and Evofem Transaction.

(h) The unaudited Pro Forma Consolidated Statement of Earnings is also adjusted as follows:

- Increase amortization expense by $469 for amortization of the intangible assets recorded at fair value for the twelve months ended December 31, 2023.

- Decrease to loss on issuance of financial instruments of $6,776 for the twelve months ended December 31, 2023 to remove the impact of issuance of purchase rights due to a down-round related to instruments that would have been extinguished as a requirement of Evofem closing.

- Decrease to gain on debt extinguishment of $75,337 for the twelve months ended December 31, 2023 to remove the impact of the debt extinguishment related to an instrument that would have been extinguished as a requirement of Evofem closing.

- Decrease to change in fair value of financial instruments of $4,879 for the twelve months ended December 31, 2023 to remove the impact of fair value adjustments related to instruments that would have been extinguished as a requirement of Evofem closing.