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

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

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

Date of Report (Date of earliest event reported): June 25, 2021

TEMPEST THERAPEUTICS, INC.
(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35890
(Commission
File Number)

45-1472564
(IRS Employer
Identification No.)

**7000 Shoreline Court, Suite 275
South San Francisco, CA 94080**
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (415) 798-8589

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	TPST	The Nasdaq Capital Market

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

Emerging growth company

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

Explanatory Note

On June 28, 2021, Tempest Therapeutics, Inc. (the “**Company**”) filed a Current Report on Form 8-K (the “**Initial Form 8-K**”) to report the completion of the merger of Mars Merger Corp., a Delaware corporation and a wholly owned subsidiary of the Company (“**Merger Sub**”) with and into TempestTx, Inc. (formerly Tempest Therapeutics, Inc.) (“**Tempest**”), with Tempest continuing as a wholly owned subsidiary of the Company and the surviving corporation of the merger (the “**Merger**”). The Company is filing this Amendment No. 1 on Form 8-K/A to the Initial Form 8-K to (i) provide certain historical financial information of Tempest and unaudited pro forma condensed combined financial information of the Company after giving pro forma effect to the Merger as required by Items 9.01(a) and 9.01(b) of Form 8-K, and (ii) to provide disclosure required by Item 4.01 of Form 8-K regarding a change in the Company’s accountants. No other changes have been made to the Initial Form 8-K.

Item 4.01. Change in Registrant’s Certifying Accountant.

(a) Dismissal of Independent Registered Accounting Firm

Prior to the Merger, Millendo Therapeutics, Inc.’s consolidated financial statements were audited by Ernst & Young LLP (“**EY**”). For accounting purposes, the Merger is treated as a reverse recapitalization and, as such, the historical financial statements of the accounting acquirer, Tempest, which have been audited by Deloitte & Touche LLP (“**Deloitte**”), will become the historical consolidated financial statements of the Company. In a reverse recapitalization, a change of accountants is presumed to have occurred unless the same accountant audited the pre-transaction financial statements of both the legal acquirer and the accounting acquirer.

On July 1, 2021, the Audit Committee of the board of directors (the “**Board**”) of the Company Board dismissed Deloitte as the Company’s independent registered public accounting firm.

The reports of Deloitte on the Company’s financial statements for the years ended December 31, 2020 and 2019 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles, except that, the report on the Company’s financial statements for the year ended December 31, 2020 expressed an unqualified opinion and included an explanatory paragraph relating to substantial doubt about the Company’s ability to continue as a going concern. During the fiscal years ended December 31, 2020 and 2019, and the subsequent interim period through July 1, 2021, there were no disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to the satisfaction of Deloitte would have caused Deloitte to make reference thereto in its reports on the financial statements for such years.

For the fiscal years ended December 31, 2020 and 2019, there were no reportable events (as described in Item 304(a)(1)(v) of Regulation S-K), except that the Company reported material weaknesses in its internal control over financial reporting during such period. In connection with the Company’s evaluation of the effectiveness of its internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) as of December 31, 2020, the Company concluded that its internal control over financial reporting was not effective as of December 31, 2020 because the Company (i) did not have sufficient resources with appropriate knowledge and expertise to design, implement, document and operate effective internal controls over financial reporting and (ii) did not design and implement controls surrounding review of clinical trial expenses, including the evaluation of the terms of its clinical trial contracts—specifically, the Company failed to properly review and evaluate the progress of expenses incurred in its clinical trial contracts that resulted in the inaccurate accrual of clinical trial expenses. The material weaknesses did not result in any identified material misstatements to the Company’s financial statements. The Company is actively recruiting additional accounting personnel with appropriate experience, certification, education and training as a component of its plans to remediate the material weaknesses. The Company also plans to design and implement controls related to review of clinical trial expenses to properly evaluate progress of expense incurred in clinical trial contracts.

The Company requested that Deloitte furnish a letter addressed to the Securities and Exchange Commission (“SEC”) stating whether or not it agrees with the above statements. Deloitte responded with a letter dated July 1, 2021, a copy of which is filed as Exhibit 16.1 to this Form 8-K/A, stating that Deloitte is in agreement with the statements made in this Item 4.01(a).

(b) Engagement of New Independent Registered Accounting Firm

On July 1, 2021, the Audit Committee of the Company Board elected to continue to engage EY, an independent registered accounting firm, as the Company’s independent registered public accounting firm.

During the fiscal years ended December 31, 2020 and December 31, 2019, and the subsequent interim period through July 1, 2021, neither the Company, nor anyone acting on its behalf, consulted with EY regarding (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that may be rendered on the Company’s financial statements, and EY did not provide either a written report or oral advice to the Company that was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue, or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements

The audited financial statements of Tempest as of December 31, 2020 and 2019 and for the years then ended required by Item 9.01(a) were previously filed with the SEC as part of the Company’s Registration Statement on Form S-4, as amended (File No. 333-255198) and are incorporated herein by reference.

The unaudited condensed interim financial statements of Tempest as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 are attached as Exhibit 99.1 and are incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined financial information of the Company as of March 31, 2021 and for the three months ended March 31, 2021 are attached as Exhibit 99.2 and are incorporated herein by reference

(d) Exhibits.

Exhibit Number	Exhibit Description
16.1	<u>Letter dated July 1, 2021 from Deloitte & Touche LLP to the Securities and Exchange Commission.</u>
99.1	<u>Unaudited condensed interim financial statements of Tempest as of March 31, 2021 and for the three months ended March 31, 2021 and 2020</u>
99.2	<u>Unaudited pro forma condensed combined financial information of the Company as of March 31, 2021 and for the three months ended March 31, 2021</u>

SIGNATURES

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

TEMPEST THERAPEUTICS, INC.

Date: July 1, 2021

By: /s/ Stephen Brady

Name: Stephen Brady

Title: Chief Executive Officer

July 1, 2021

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-7561

Dear Sirs/Madams:

We have read Item 4.01 of Tempest Therapeutics, Inc. Form 8-K/A dated July 1, 2021, and have the following comments:

1. We are in agreement with the statements made in part (a) Dismissal of Independent Registered Public Accounting Firm.
2. We have no basis on which to agree or disagree with the statements made in part (b) Engagement of New Independent Registered Public Accounting Firm.

Yours truly,

/s/ Deloitte & Touche LLP

The following information relates to Tempest's financial results as of March 31, 2021 and the three month period then ended.

Tempest Therapeutics, Inc. Interim Financial Information

TEMPEST THERAPEUTICS, INC.**BALANCE SHEETS****(in thousands except share and per share amounts)**

	(Unaudited) March 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 27,440	\$ 18,820
Prepaid expenses and other current assets	2,429	1,005
Total current assets	<u>29,869</u>	<u>19,825</u>
PROPERTY AND EQUIPMENT—Net	1,059	1,110
OPERATING LEASE RIGHT OF USE ASSETS	1,741	1,877
OTHER NONCURRENT ASSETS	51	51
Total noncurrent assets	<u>2,851</u>	<u>3,038</u>
TOTAL ASSETS	<u><u>\$ 32,720</u></u>	<u><u>\$ 22,863</u></u>
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 897	\$ 1,071
Accrued liabilities	1,587	665
Current operating lease liability	657	712
Accrued compensation	241	695
Interest payable	92	—
Early option exercise liability	42	79
Total current liabilities	<u>3,516</u>	<u>3,222</u>
LONG TERM LIABILITIES:		
Loan payable (net of issuance costs of \$91,366)	14,909	—
Operating lease liability	1,542	1,727
Total liabilities	<u>19,967</u>	<u>4,949</u>
COMMITMENTS AND CONTINGENCIES (Note 7)		
CONVERTIBLE PREFERRED STOCK, \$0.001 PAR VALUE, 135,936,731 SHARES AUTHORIZED AT MARCH 31, 2021 AND DECEMBER 31, 2020; 114,686,731 SHARES ISSUED AND OUTSTANDING AT MARCH 31, 2021 AND DECEMBER 31, 2020; LIQUIDATION PREFERENCE OF \$110,187 AT MARCH 31, 2021 AND DECEMBER 31, 2020	<u>86,707</u>	<u>86,707</u>
STOCKHOLDERS' EQUITY (DEFICIT):		
Common stock, \$0.001 par value; 196,000,000 and 196,000,000 shares authorized; 16,510,377 and 16,374,711 issued and outstanding, 530,470 and 900,509 subject to repurchase at March 31, 2021 and December 31, 2020, respectively	16	15
Additional paid-in capital	3,149	2,953
Accumulated deficit	<u>(77,119)</u>	<u>(71,761)</u>
Total stockholders' deficit	<u>(73,954)</u>	<u>(68,793)</u>
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY	<u><u>\$ 32,720</u></u>	<u><u>\$ 22,863</u></u>

See accompanying notes to unaudited interim financial statements.

TEMPEST THERAPEUTICS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands except share and per share amounts)

	Three months ended March 31,	
	2021	2020
EXPENSES:		
Research and development	\$ 3,592	\$ 3,027
General and administrative	1,538	1,276
Total expenses	<u>5,130</u>	<u>4,303</u>
OPERATING LOSS	<u>(5,130)</u>	<u>(4,303)</u>
OTHER INCOME / (EXPENSE):		
Interest expense	(231)	—
Interest income and other income, net	3	75
Total other income / (expense)	<u>(228)</u>	<u>75</u>
PROVISION FOR INCOME TAXES	<u>—</u>	<u>—</u>
NET LOSS	<u>\$ (5,358)</u>	<u>\$ (4,228)</u>
Weighted average common shares outstanding—basic and diluted	<u>15,759,100</u>	<u>13,584,027</u>
Net loss per share attributable to common stockholders—basic and diluted	<u>\$ (0.34)</u>	<u>\$ (0.31)</u>

See accompanying notes to unaudited interim financial statements.

TEMPEST THERAPEUTICS, INC.
STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(Unaudited)
(in thousands except share amounts)

THREE MONTHS ENDED MARCH 31, 2021

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series B1 Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deficit Accumulated	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
BALANCE—December 31, 2020	17,000,000	\$ 16,982	25,186,738	\$ 12,235	72,499,993	\$ 57,490	15,474,202	\$ 15	\$ 2,953	\$ (71,761)	\$ (68,793)
Exercise of options—net of repurchase liability	—	—	—	—	—	—	135,666	—	20	—	20
Vesting of early exercised stock options and restricted stock	—	—	—	—	—	—	370,039	1	56	—	57
Share-based compensation	—	—	—	—	—	—	—	—	120	—	120
Net loss	—	—	—	—	—	—	—	—	—	(5,358)	(5,358)
BALANCE—March 31, 2021	<u>17,000,000</u>	<u>\$ 16,982</u>	<u>25,186,738</u>	<u>\$ 12,235</u>	<u>72,499,993</u>	<u>\$ 57,490</u>	<u>15,979,907</u>	<u>\$ 16</u>	<u>\$ 3,149</u>	<u>\$ (77,119)</u>	<u>\$ (73,954)</u>

THREE MONTHS ENDED MARCH 31, 2020

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series B1 Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deficit Accumulated	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
BALANCE—December 31, 2019	17,000,000	\$ 16,982	25,186,738	\$ 12,235	28,749,997	\$ 22,755	12,746,248	\$ 13	\$ 2,176	\$ (52,553)	\$ (50,364)
Exercise of options—net of repurchase liability	—	—	—	—	—	—	190,432	—	27	—	27
Issuance of preferred stock for cash —net of issuance costs of \$265	—	—	—	—	43,749,996	34,735	—	—	—	—	—
Vesting of early exercised stock options and restricted stock	—	—	—	—	—	—	736,985	1	95	—	96
Share-based compensation	—	—	—	—	—	—	—	—	3	—	3
Net loss	—	—	—	—	—	—	—	—	—	(4,228)	(4,228)
BALANCE—March 31, 2020	<u>17,000,000</u>	<u>\$ 16,982</u>	<u>25,186,738</u>	<u>\$ 12,235</u>	<u>72,499,993</u>	<u>\$ 57,490</u>	<u>13,673,665</u>	<u>\$ 14</u>	<u>\$ 2,301</u>	<u>\$ (56,781)</u>	<u>\$ (54,466)</u>

See accompanying notes to unaudited interim financial statements.

TEMPEST THERAPEUTICS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2021	2020
OPERATING ACTIVITIES:		
Net loss	\$ (5,358)	\$ (4,228)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	78	94
Share-based compensation	120	3
Noncash operating lease expense	136	133
Noncash related party interest income	(1)	(2)
Noncash interest expense	4	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(347)	(203)
Accounts payable	(314)	(337)
Operating lease liability	(240)	(131)
Accrued liabilities	(446)	(806)
Interest payable	92	—
Net cash used in operating activities	<u>(6,276)</u>	<u>(5,477)</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(14)	(12)
Repayment of related party note receivable	—	44
Net cash used in investing activities	<u>(14)</u>	<u>32</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of Series B-1 convertible preferred stock	—	35,000
Payment of preferred stock issuance costs	—	(469)
Borrowings on loan payable	15,000	—
Payment of loan issuance costs	(93)	—
Exercise of stock options	3	27
Repurchase of non vested options	—	—
Net cash provided by financing activities	<u>14,910</u>	<u>34,558</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,620	29,113
CASH AND CASH EQUIVALENTS—Beginning of period	18,820	3,244
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 27,440</u>	<u>\$ 32,357</u>
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW ACTIVITIES—Cash paid for interest	<u>\$ 108</u>	<u>\$ —</u>
NON-CASH INVESTING ACTIVITIES—Property and equipment in accounts payable	<u>\$ 13</u>	<u>\$ —</u>
NON-CASH FINANCING ACTIVITIES—Vesting of early exercise stock options	<u>\$ 57</u>	<u>\$ 96</u>

See accompanying notes to unaudited interim financial statements.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS
(IN THOUSANDS EXCEPT SHARE AND PER SHARE AMOUNTS)

1. DESCRIPTION OF THE BUSINESS

Nature of Business—Tempest Therapeutics (the Company) was incorporated in the state of Delaware on February 10, 2011 originally as Next Beta, Inc., and then changed its name to Inception 2, Inc. on October 4, 2011 and then finally to Tempest Therapeutics, Inc. on August 14, 2017. The Company is a privately held, small biopharmaceutical company focused on the discovery and development of small molecule drugs to treat cancers such as hepatocellular carcinoma and colorectal cancer. The Company is headquartered in South San Francisco, California.

Liquidity and Management Plans—The accompanying financial statements have been prepared assuming the Company will continue as a going concern. In the course of its development activities, the Company has incurred significant losses since inception and expects such losses to continue for the foreseeable future. As of March 31, 2021 and December 31, 2020, the Company had cash and cash equivalents of approximately \$27.4 million and \$18.8 million, respectively, and accumulated deficit of approximately \$77.1 million and has forecasted cash needs in excess of current liquidity. The Company is continuing to develop its drug candidates, which is the primary use of funds for the Company. The Company's ability to fund continued development will require additional capital, and the Company intends to raise such capital through the issuance of additional debt or equity including in connection with potential merger opportunities, or through business development activities. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish these plans and secure sources of financing and ultimately attain profitable operations. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

On March 29, 2021, Tempest entered into an Agreement and Plan of Merger (the "Merger Agreement") with Millendo Therapeutics, Inc. Concurrent with the execution and delivery of the Merger Agreement, Tempest entered into funding agreements with certain investors named therein, pursuant to which the investors agreed to purchase, in the aggregate, \$30.0 million of Tempest common stock convertible into securities of Millendo.

On June 25, 2021, Tempest closed the Merger Agreement with Millendo Therapeutics. Pursuant to the Merger Agreement, Mars Merger Corp. (or Merger Sub), a direct, wholly owned subsidiary of Millendo merged with and into Tempest, with Tempest surviving as a wholly owned subsidiary of Millendo. Before the closing of the merger, investors in the pre-closing financing purchased Tempest's common stock totaling \$30 million. Following the closing of the merger, Millendo changed its corporate name to Tempest Therapeutics, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Unaudited Interim Financial Statements—The Company has prepared the accompanying unaudited interim financial statements on the same basis as the audited financial statements, and the unaudited interim financial statements include, in the Company's opinion, all adjustments, consisting

only of normal recurring adjustments that the Company considers necessary for a fair presentation of its financial position and results of operations for these periods. The Company's historical results are not necessarily indicative of the results to be expected in the future and the Company's operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. The unaudited interim financial statements, presented herein, do not contain the required disclosures under GAAP for annual financial statements.

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates and assumptions, including those related to research and development accruals, recoverability of long-lived assets, right-of-use assets, lease obligations, fair value of common stock stock-based compensation and income taxes uncertainties and valuation allowances. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Risks and Uncertainties—The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry, including, but not limited to, development by competitors of new technological innovations, protection of proprietary technology, dependence on key personnel, reliance on single-source vendors, availability of raw materials, patentability of the Company's products and processes and clinical efficacy and safety of the Company's products under development, compliance with government regulations and the need to obtain additional financing to fund operations. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical studies, clinical trials and regulatory approval, prior to commercialization. These efforts will require significant amounts of additional capital, adequate personnel infrastructure and extensive compliance and reporting. The Company's product candidates are still in development and, to date, none of the Company's product candidates have been approved for sale and, therefore, the Company has not generated any revenue from product sales. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained or maintained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate revenue from product sales. The Company operates in an environment of rapid technological change and substantial competition from other pharmaceutical and biotechnology companies. In addition, the Company is dependent upon the services of its employees, consultants and other third parties.

Moreover, the current COVID-19 (coronavirus) pandemic, which is impacting worldwide economic activity, poses risk that the Company or its employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. The extent to which the COVID-19 pandemic will impact the Company's business will depend on future developments that are highly uncertain and cannot be predicted at this time.

Cash and Cash Equivalents—The Company considers all highly liquid investments purchased with original maturities of 90 days or less at acquisitions to be cash equivalents. As of March 31, 2021 and December 31, 2020, the Company's cash and cash equivalents consisted of bank deposits and a money market fund.

Property and Equipment—Property and equipment is recorded at cost and depreciated over the estimated useful lives of the related assets using the straight-line method. Upon disposal of an asset, the related cost and accumulated depreciation are removed from the asset accounts and any resulting gain or loss is included in the statement of operations. Repair and maintenance costs are expensed as incurred, whereas major improvements are capitalized as additions to property and equipment. The estimated useful lives of the Company’s respective assets are as follows:

Computer equipment and software	3 years
Furniture and fixtures	7 years
Laboratory equipment	5 years
Leasehold improvements	Shorter of the useful life of the asset or the life of the lease

Impairment of Long-Lived Assets—Long-lived assets are reviewed for impairment if events or circumstances indicate the carrying amount of these assets may not be recoverable. If this review indicates that these assets will not be recoverable, based on the forecasted undiscounted future operating cash flows expected to result from the use of long-lived assets and their eventual disposition, the Company’s carrying value of the long-lived assets is reduced to fair value based on a discounted future cash flow approach or quoted market values. For the three months ended March 31, 2021 and 2020, there were no events or circumstances which required an impairment test of long-lived assets.

Leases—The Company elected to early adopt Accounting Standard Update (ASU) No. 2016-02, *Leases* (ASC 842) and its associated amendments as of January 1, 2019 using the modified retrospective transition approach. There was no cumulative-effect adjustment recorded to accumulated deficit upon adoption.

Under ASC 842, the Company determines if an arrangement is a lease at inception. In addition, the Company determines whether leases meet the classification criteria of a finance or operating lease at the lease commencement date considering: (1) whether the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, (2) whether the lease contains a bargain purchase option, (3) whether the lease term is for a major part of the remaining economic life of the underlying asset, (4) whether the present value of the sum of the lease payments and residual value guaranteed by the lessee equals or exceeds substantially all of the fair value of the underlying asset, and (5) whether the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. As of December 31, 2020 and 2019, the Company’s lease population consisted only of an office lease. As of the date of adoption of ASC 842 and December 31, 2019, the Company did not have finance leases. Operating leases are included in operating lease right-of-use (“ROU”) assets and operating lease liabilities in the balance sheet.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when readily determinable. If the Company’s leases do not provide an implicit rate, an incremental borrowing rate is used based on the information available at commencement dates in determining the present value of lease payments. The determination of the Company’s incremental borrowing rate requires management judgment including the development of a synthetic credit rating and cost of debt as the Company currently does not carry any debt. The incremental borrowing rate is estimated on a collateralized basis with similar terms and economic considerations under a recovery rate approach utilizing the historical recoverability rate of secured versus unsecured senior corporate debt to reflect a recoverability-adjusted spread and overall rate on a lease by lease basis. The operating lease ROU assets also include any lease payments made and exclude lease incentives when paid by the Company or on the

Company's behalf. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company elected the practical expedient option that allows the Company to not need to reassess whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and the initial direct costs for any existing leases. The Company elected the practical expedient to adopt the policy to not separate lease and non-lease components for its real estate leases. Operating leases are included in operating lease ROU assets and operating lease liabilities on the Company's balance sheets. The Company also made an accounting policy election to recognize lease expense for leases with a term of 12 months or less on a straight-line basis over the lease term and not recognize ROU assets or lease liabilities for such leases.

The Company has a lease for its office facility, which is classified as an operating lease. This lease has a lease term of five years, which includes an option to extend the lease. The Company has determined that it is not reasonably certain to exercise the option. The lease for the office includes costs for common area maintenance expenditures which are variable and not included in lease payments measured at lease inception. Differences between lease payments as measured at lease inception and variations in monthly payments will be recognized as operating expenses in the period in which the obligation is incurred. Please refer to Note 7 Commitments and Contingencies for details.

Convertible Preferred Stock—The Company records convertible preferred stock at fair value on the dates of issuance, net of issuance costs. The convertible preferred stock is recorded outside of stockholders' deficit because the shares contain liquidation features that are not solely within the Company's control. The Company has elected not to adjust the carrying values of the convertible preferred stock to the liquidation preferences of such shares because it is uncertain whether or when an event would occur that would obligate the Company to pay the liquidation preferences to holders of shares of convertible preferred stock. Subsequent adjustments to the carrying values to the liquidation preferences will be made only when it becomes probable that such a liquidation event will occur.

Comprehensive Loss—Comprehensive loss includes net loss as well as other changes in stockholders' deficit that results from transactions and economic events other than those with stockholders. There was no other comprehensive income or loss for the three months ended March 31, 2021 and 2020.

Research and Development Expenses and Accrued Research and Development—Research and development expenses are charged to expense as incurred. Research and development expenses include certain payroll and personnel expenses, laboratory supplies, consulting costs, external contract research and development expenses. In-licensing fees and other costs to acquire technologies that are utilized in research and development, and that are not expected to have alternative future use, are expensed when incurred. Advance payments for goods or services for future research and development activities are deferred and expensed as the goods are delivered or the related services are performed.

The Company estimates preclinical studies and clinical trial expenses based on the services performed pursuant to contracts with research institutions and clinical research organizations that conduct and manage preclinical studies and clinical trials on the Company's behalf. In accruing service fees, the Company estimates the time period over which services will be performed and the level of effort to be expended in each period. These estimates are based on communications with the

third-party service providers, the Company's estimates of accrued expenses and on information available at each balance sheet date. If the actual timing of the performance of services or the level of effort varies from the estimate, the Company will adjust the accrual accordingly. The estimates are trued up to reflect the best information available at the time of the financial statement issuance. Although the Company does not expect its estimates to be materially different from amounts actually incurred, the Company's estimate of the status and timing of services performed relative to the actual status and timing of services performed may vary.

Patent Costs—Costs related to filing and pursuing patent applications are expensed as incurred, as recoverability of such expenditures is uncertain. These patent-related legal costs are reported as a component of general and administrative expense.

General and Administrative Expense—General and administrative costs are expensed as incurred and include employee-related expenses including salaries, benefits, travel and stock-based compensation for the Company's personnel in executive, finance and accounting, and other administrative functions, as well as fees paid for legal, accounting and tax services, consulting fees and facilities costs not otherwise included in research and development expense. Legal costs include general corporate legal fees and patent costs.

Fair Value Measurements—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The carrying amounts of the Company's financial instruments, including cash, prepaid and other current assets, accounts payable, accrued expenses and other liabilities approximate fair value due to their short-term maturities.

Stock-Based Compensation Expense—The Company accounts for stock-based compensation by measuring and recognizing compensation expense for all share-based payments made to employees, directors and non-employees based on estimated grant-date fair values. The Company uses the straight-line method to allocate compensation cost to reporting periods over each optionee's requisite service period, which is generally the vesting period.

The Company estimates the fair value of stock options to employees, directors and non-employees using the Black-Scholes option-valuation model. The Black-Scholes model requires the input of subjective assumptions, including expected volatility, expected dividend yield, expected term, risk-free rate of return, and the estimated fair value of the underlying common stock on the date of grant. Due to the lack of company-specific historical and implied volatility data, the Company has based its estimate of expected volatility on the historical volatility of a group of similar companies that are publicly traded. The historical volatility is calculated based on a period of time commensurate with the expected term assumption. The group of representative companies have characteristics similar to the Company, including stage of product development and focus on the life science industry. The Company uses the simplified method to calculate the expected term for options granted to employees as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term. The simplified method is based on the vesting period and the contractual term for each grant, or for each vesting tranche for awards with graded vesting. The mid-point between the vesting date and the maximum contractual expiration date is used as the expected term under this method. For awards with multiple vesting-tranches, the times from grant until the mid-points for each of the tranches may be averaged to provide an overall expected term. The risk-free interest rate

is based on a treasury instrument whose term is consistent with the expected term of the stock options. The Company uses an assumed dividend yield of zero as the Company has never paid dividends and has no current plans to pay any dividends on its common stock.

The Company accounts for forfeitures as they occur. The fair value of restricted stock awards granted to employees are valued as of the grant date using the estimated fair value of the Company's common stock.

Net Loss per Share Attributable to Common Stockholders—The Company follows the two-class method when computing net loss per share as the Company has issued shares that meet the definition of participating securities. The two-class method determines net loss per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss attributable to common stockholders is computed by adjusting net loss attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net loss per share attributable to common stockholders is computed by dividing the diluted net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period, including potential dilutive common shares. For purpose of this calculation, outstanding stock options, convertible preferred stock and warrants to purchase shares of convertible preferred stock are considered potential dilutive common shares.

Income Taxes—The Company accounts for income taxes using the asset and liability method. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

In evaluating the ability to recover its deferred income tax assets, the Company considers all available positive and negative evidence, including its operating results, ongoing tax planning and forecasts of future taxable income on a jurisdiction-by-jurisdiction basis. In the event the Company determines that it would be able to realize its deferred income tax assets in the future in excess of their net recorded amount, it would make an adjustment to the valuation allowance that would reduce the provision for income taxes. Conversely, in the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period when such determination is made. As of March 31, 2021 and December 31, 2020, the Company has recorded a full valuation allowance on its deferred tax assets.

Tax benefits related to uncertain tax positions are recognized when it is more likely than not that a tax position will be sustained during an audit. Interest and penalties related to unrecognized tax benefits are included within the provision for income tax.

Recently Issued Accounting Pronouncements—From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies and adopted by the Company as of the specified effective date.

In August 2020, the FASB issued ASU 2020-06, *Debt-Debt With Conversations and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40)*. The ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. Under the new ASU, convertible instruments will now more frequently accounted for as a single unit of account. That is, a conversion feature and the host instrument in which it is embedded now generally will be treated as a single unit of account unless the conversion feature requires bifurcation under Topic 815. The ASU is effective for fiscal years beginning after December 15, 2021 for public business entities, and for fiscal years beginning after December 15, 2023 for all other entities. Early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its financial statements and related disclosures.

3. FAIR VALUE MEASUREMENTS

The following tables present the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis (in thousands):

	March 31, 2021			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$27,440	\$ —	\$ —	\$27,440
Total assets	<u>\$27,440</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$27,440</u>

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$18,820	\$ —	\$ —	\$18,820
Total assets	<u>\$18,820</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$18,820</u>

4. TRANSACTIONS WITH RELATED PARTIES (AMOUNTS IN THOUSANDS)

Inception Sciences Service Agreements—Inception Sciences is wholly owned by Versant which is a majority shareholder of the Company. The Company has service agreements with Inception Sciences US, and Inception Sciences Canada whereby research and support services are provided to the Company. On June 30, 2020, the Company terminated these Inception Sciences service agreements. Total expenses under the service agreements consist of charges for services, equipment usage, lab supplies and other out of pocket expenses as incurred. For the three months ended March 31, 2021 and 2020, the Company incurred nil and \$741, respectively, in expenses under the Inception Sciences service agreements.

Related Party Notes Receivable—On November 29, 2017, three officers of the Company issued promissory notes to the Company totaling \$353 related to the early exercise of their stock options which had a total exercise cost of \$652. Two officers paid \$298 which represents 50% of the exercise cost and the other 50% totaling \$298 was recorded as notes receivable. The other officer did not pay any portion of the exercise cost and \$55 was recorded as note receivable. The three notes receivable accrue interest at 2% per year and will mature on November 29, 2022. The notes receivable vest over time until maturity in conjunction with the vesting of the early-exercised stock options.

In February 2020, one of the officers left the Company and repaid \$44 of which \$43 was the vested portion of the note receivable and \$1 was accrued interest. As of March 31, 2021 and December 31, 2020, the balance of the vested notes receivable and accrued interest was \$280 and \$260, respectively. On June 25, 2021, prior to the closing of the Merger Agreement, one of the officers' note receivable totaling \$255 was forgiven by the Company.

5. BALANCE SHEET ITEMS (AMOUNTS IN THOUSANDS)

Prepaid expenses and other current asset consist of the following as of March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Prepaid expenses	\$ 206	\$ 245
Interest receivable	1	—
Prepaid research and development costs	826	441
Notes and interest receivable	280	260
Other current assets	25	59
	<u>\$ 1,338</u>	<u>\$ 1,005</u>

Property and equipment, net, consists of the following as of March 31, 2021 and December 31, 2020:

	March 31, 2020	December 31, 2020
Computer equipment and software	\$ 90	\$ 85
Furniture and fixtures	142	135
Lab Equipment	616	600
Leasehold Improvements	746	746
Property and equipment	1,594	1,566
Less accumulated depreciation	(535)	(456)
Property and equipment—net	<u>\$ 1,059</u>	<u>\$ 1,110</u>

Accrued liabilities as of March 31, 2021 and December 31, 2020 consist of the following:

	March 31, 2021	December 31, 2020
Accrued other liabilities	\$ 820	\$ 441
Accrued clinical trial liability	317	224
	<u>\$ 1,137</u>	<u>\$ 665</u>

6. EARLY OPTION EXERCISE LIABILITY (AMOUNTS IN THOUSANDS)

The recorded amount of the early option exercise liability relates to restricted stock awards and stock options granted to certain employees and contractors that were early-exercised before they became vested. The early option exercise liability decreases as the restricted stock awards and stock options vest over time or if the Company decides to repurchase them, and the amount of decrease is recorded

in common stock and additional paid-in capital. As of March 31, 2021 and December 31, 2020, the early option exercise liability was \$41 and \$79, respectively, which represents unvested shares of 530,470 and 900,509. The unvested shares purchased by the employees are not deemed, for accounting purposes, to be issued and outstanding.

7. COMMITMENTS AND CONTINGENCIES (AMOUNTS IN THOUSANDS)

Facility Lease Agreement—In February 2019, the Company entered into a 5-year office lease agreement for a 9,780 square feet facility in South San Francisco, California. The remaining lease term of the office lease is two years and eleven months as of March 31, 2021, and the discount rate used to calculate the Company's right of use asset and lease liability is 4.25%. There are no other leases as of March 31, 2021 and December 31, 2020.

As of March 31, 2021 and December 31, 2020 and, the balance of the operating lease right of use assets were \$1,741 and \$1,877, respectively, and the related operating lease liability were \$2,199 and \$2,439, respectively, as shown in the accompanying balance sheets.

Related to the facility lease agreement, the Company entered into a letter of credit with a bank to deposit \$51 as security rent deposit for the South San Francisco office. This amount is shown as other noncurrent assets in the accompanying balance sheets as of March 31, 2021 and December 31, 2020.

Rent expense was \$161 and \$168 for the three months ended March 31, 2021 and 2020, respectively.

Future minimum annual lease payments under the Company's operating lease liabilities as of March 31, 2021 is as follows:

Year Ending	Total Commitment
2021 (excluding the three months ended March 31, 2021)	\$ 603
2022	821
2023	841
2024	141
2025	—
Total minimum lease payments	2,406
Less: imputed interest	(207)
Present value of operating lease obligations	2,199
Less: current portion	(657)
Noncurrent operating lease obligations	<u>\$ 1,542</u>

Guarantees and Indemnifications—In the normal course of business, the Company enters into agreements that contain a variety of representations and provide for general indemnification. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. As of March 31, 2021 and December 31, 2020, the Company does not have any material indemnification claims that were probable or reasonably possible and consequently has not recorded related liabilities.

Legal Proceedings—From time to time, the Company may become involved in litigation relating to claims arising from the ordinary course of business. Management believes that there are no actions pending against the Company currently, the ultimate disposition of which would have a material adverse effect on the Company’s results of operations, financial condition or cash flows.

8. LOAN PAYABLE (AMOUNTS IN THOUSANDS)

On January 15, 2021, the Company entered into a loan agreement with a lender to borrow a term loan amount of \$35,000 to be funded in three tranches. Tranche A of \$15,000 was wired to the Company on January 15, 2021. Tranche B of \$10,000 will be available through March 31, 2022 contingent upon achievement of each of the following: i) receipt of at least \$50,000 in Series C equity capital, ii) initiation of the Phase 1 combination study of TPST-1495 or monotherapy expansion study, and iii) initiation of Phase 2 trial of TPST-1120 or the 1L Triplet Collaboration study. And Tranche C of \$10,000 is available at lender’s option. The term loan matures on August 1, 2025 and has an annual floating interest rate of 7.15% which is an Index Rate plus 7%. Index Rate is the greater of (i) 30-day US LIBOR or (ii) 0.15%. Monthly principal payments of \$500 will begin on March 1, 2023. Related to this borrowing, the Company paid \$96 of debt issuance costs and the amount would be amortized as additional interest expense over the life of the loan. As of March 31, 2021, the balance of the loan payable (net of debt issuance costs) was \$14,909.

For the three months ended March 31, 2021, total interest expense was \$231.

9. CONVERTIBLE PREFERRED STOCK

As of March 31, 2021, the Company was authorized to issue up to 135,936,731 shares of preferred stock at a par value of \$0.001.

The authorized, issued and outstanding shares of the convertible preferred stock and liquidation preferences at March 31, 2021 and December 31, 2020 were as follows (in thousands except share and per share amounts):

March 31, 2021

Series	Shares Authorized	Shares Issued and Outstanding	Per Share Liquidation Preference	Aggregate Liquidation Amount	Proceeds Net of Issuance Cost	Net Carrying Value
Series A	17,000,000	17,000,000	\$ 1.00	\$ 17,000	\$16,982	\$16,982
Series B	25,186,738	25,186,738	1.00	25,187	24,943	12,235
Series B-1	93,749,993	72,499,993	0.80	58,000	57,489	57,489
	<u>135,936,731</u>	<u>114,686,731</u>		<u>\$ 100,187</u>	<u>\$99,414</u>	<u>\$86,706</u>

December 31, 2020

Series	Shares Authorized	Shares Issued and Outstanding	Per Share Liquidation Preference	Aggregate Liquidation Amount	Proceeds Net of Issuance Cost	Net Carrying Value
Series A	17,000,000	17,000,000	\$ 1.00	\$ 17,000	\$16,982	\$16,982
Series B	25,186,738	25,186,738	1.00	25,187	24,943	12,235
Series B-1	93,749,993	72,499,993	0.80	58,000	57,489	57,489
	<u>135,936,731</u>	<u>114,686,731</u>		<u>\$ 100,187</u>	<u>\$99,414</u>	<u>\$86,706</u>

In October 2011, the Company received a commitment from its venture investor for a Series A Preferred Stock financing totaling \$10 million to be taken down in two tranches of \$5 million each. Upon execution of the stock purchase agreement, the Company received the first tranche of \$5 million, which included \$2,399 in cash proceeds and the conversion of notes payable and accrued interest totaling \$2,601 for issuing 5,000,000 shares of its Series A Preferred Stock. In June 2012, the Company received cash proceeds of \$5 million related to the second tranche of the Series A Preferred Stock financing from the issuance of 5,000,000 shares of Series A Preferred Stock.

In August 2015, the Company issued an additional 2,000,000 shares of Series A Preferred Stock to its venture investor for cash proceeds of \$2 million.

In September 2016, the Company issued an additional 5,000,000 shares of Series A Preferred Stock to its venture investor for cash proceeds of \$5 million.

In February 2018, the Company issued 25,186,738 shares of Series B Preferred Stock for \$1.00 per share in connection with the closing of the Series B Preferred Stock Purchase Agreement. The Company's convertible notes of \$8.0 million and accrued interest were converted as part of the Series B offering. Investors in the Series B convertible preferred stock financing also received freestanding rights to purchase additional shares of Series B convertible preferred stock on the same terms as the first closing upon completion of certain defined milestones or waiver of the milestones by the holders of at least 67% of the outstanding convertible preferred stock, voting as a single class on an as converted basis. In August 2018, the terms of the Series B Agreement were amended. The amendment allowed for the purchase of Series B-1 shares at a price of \$0.80 per share based upon the completion of certain amended milestones. These milestones are as follows:

Second Tranche Milestones:

- Clearance by the U.S. Food and Drug Administration of the filing by the Company of an investigational new drug application (IND) for PPARa antagonist.
- Selection of an EP2/EP4 dual antagonist DC.

Third Tranche Milestones:

- Demonstration of safety/tolerability and clinical Proof of Mechanism with PPARa antagonist.
- Single additional program having a data package that is sufficient for submitting an IND.

The investors' rights to purchase Series B and B-1 convertible preferred stock represent a freestanding financial instrument accounted for as a liability measured at fair value at inception and remeasured at fair value each reporting date. Based on the probability vs. 100% of the milestones for the purchase of Series B-1 shares as of December 31, 2019, this resulted in a fair value of \$0 at such date. Changes in fair value are recognized in the statement of operations. The proceeds from the initial closing of the Series B convertible preferred stock of \$25.2 million were allocated to the convertible preferred stock tranche liability at its initial fair value of \$12.7 million with the remaining amount allocated to the carrying value of the Series B convertible preferred stock.

In February 2019, the Company issued 28,749,997 shares of Series B-1 preferred stock for \$0.80 per share for total cash proceeds of \$23 million.

In January 2020, the Company issued 43,749,996 shares of Series B-1 preferred stock for \$0.80 per share for total cash proceeds of \$35 million.

The significant rights, preferences, and privileges of the convertible preferred stock as of March 31, 2021 were as follows:

Dividends—The holders of the Company’s convertible preferred stock are entitled to receive noncumulative dividends of 8% per share (as adjusted for stock splits, combinations, and reorganizations) per annum on each outstanding share of Series convertible preferred stock. Such dividends shall be payable only when and if declared by the Board of Directors. As of March 31, 2021 and December 31, 2020, the Company’s Board of Directors had not declared any dividends. Dividends on convertible preferred stock shall be payable in preference to and prior to any payments of any dividends on common stock. No dividends have been declared to date.

Conversion—The Company’s preferred stock is convertible, at the option of the holder into an equal number of shares of common stock, at the option of the holder, subject to certain anti-dilution adjustments.

Each share of preferred stock is automatically converted into common stock immediately upon (i) the Company’s sale of its common stock in a firm commitment underwritten public offering pursuant to a registration statement under the Securities Act of 1933, as amended, in which per share price is at least \$3.00 (as adjusted), and the gross cash proceeds are at least \$50 million or (ii) the affirmative vote of the requisite preferred holders.

The conversion of Series B shares, either at the option of the holder or automatically, requires the prior vote or consent of the holders of at least 70% of the Series B preferred stock.

Voting Rights—The holders of preferred stock are entitled to one vote for each share of common stock into which such preferred stock could then be converted; and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of the holders of common stock.

Liquidation—The holders of preferred stock are entitled to receive liquidation preferences at an amount per share of preferred stock equal to the original price plus all declared and unpaid dividends on the preferred stock. Liquidation payments to the holders of preferred stock have priority and are made in preference to any payments to the holders of common stock. After full payment of the liquidation preference to the holders of the preferred stock, the remaining assets, if any, will be distributed ratably to the holders of the common stock and preferred stock on an as-if-converted to common stock basis.

Redemption and Balance Sheet Classification— The convertible preferred stock is recorded within mezzanine equity because while it is not mandatorily redeemable, it will become redeemable at the option of the stockholders upon the occurrence of certain deemed liquidation events that are considered not solely within the Company’s control.

10. COMMON STOCK

As of March 31, 2021, the Company was authorized to issue 196,000,000 shares of common stock at a par value of \$0.001. Of the 196,000,000 common stock shares authorized, 16,510,377 are legally issued and outstanding at March 31, 2021, with 530,470 shares subject to repurchase due to remaining vesting requirements. Common stockholders are entitled to dividends as declared by the Board of Directors, subject to rights of holders of all classes of stock outstanding having priority rights as to dividends. There have been no dividends declared to date. The holders of each share of common stock are entitled to one vote. Except for effecting or validating certain specific actions intended to protect the preferred stockholders, the holders of common stock vote together with preferred stockholders and have the right to elect one member of the Company’s Board of Directors.

The fair value of the shares of common stock has historically been determined by management and approved by the Board of Directors. Because there has been no public market for the Company's common stock, the Board of Directors has determined the fair value of the common stock by considering a number of objective and subjective factors, including contemporaneous valuations performed by an unrelated third-party specialist, important developments in the Company's operations, the prices at which the Company sold shares of convertible preferred common stock, the rights, privileges, and preferences of the Company's convertible preferred stock relative to the Company's common stock, valuations of comparable public companies, operating and financial performance, the lack of liquidity of capital stock, and general and industry-specific economic outlook. Valuations performed by the third-party valuation specialist used the methodologies, approaches, and assumptions consistent with the American Institute of Certified Public Accountants Accounting and Valuation Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation (AICPA Accounting and Valuation Guide).

The Company had reserved common stock, on an as-converted basis for future issuance as follows:

	March 31, 2021	December 31, 2020
Conversion of Series A Preferred Stock	17,000,000	17,000,000
Conversion of Series B Preferred Stock	25,186,738	25,186,738
Conversion of Series B-1 Preferred Stock	72,499,993	72,499,993
Conversion of Series B-1 Preferred Stock Warrants	187,500	—
Options available for grant under stock plan	13,447,101	15,211,101
Issuance of common stock upon exercise of stock options under stock plan	15,670,763	14,042,429
	<u>143,992,095</u>	<u>143,940,261</u>

11. STOCK COMPENSATION

In 2011 the Company adopted the 2011 Equity Incentive Plan, and in 2017, the Company adopted the 2017 Equity Incentive Plan, together "the Plans". Upon adoption of the 2017 Equity Incentive Plan, the 2011 Equity Incentive Plan was terminated. Both the Plans provide for the granting of stock awards to employees, directors and consultants of the Company. Awards issuable under the Plans include incentive stock options (ISO), nonqualified stock options (NSO), stock appreciation rights (SAR), restricted stock awards, restricted stock unit awards and other stock awards.

Options to purchase the Company's common stock may be granted at a price not less than the fair market value in the case of both NSOs and ISOs, except for an employee or non-employee with options who owns more than 10 percent of the voting power of all classes of stock of the Company, in which case the exercise price shall be no less than 110 percent of the fair market value per share on the grant date. Stock options granted under the Plans generally vest over four years and expire no later than ten (10) years from the date of grant. Vested options can be exercised at any time.

The grant date fair market value of the shares of common stock underlying stock options has historically been determined by the Company's Board of Directors. Because there has been no public market for the Company's common stock, the Board of Directors exercises reasonable judgment and considers a number of objective and subjective factors to determine the best estimate of the fair market value, which include valuations performed by an independent third-party, important developments in the Company's operations, sales of convertible preferred stock, actual operating results, financial performance, the conditions in the life sciences industry, the economy in general, the stock price performance and volatility of comparable public companies, and the lack of liquidity of the Company's common stock.

Stock option activity under the Plan is set forth below:

	Shares Available for Grant	Total Options Outstanding	Weighted-Average Exercise Price
Balance—January 1, 2021	15,211,101	14,042,429	\$ 0.17
Granted	(1,940,000)	1,940,000	0.33
Exercised	—	(135,666)	0.15
Cancelled and forfeited	176,000	(176,000)	0.19
Balance—March 31, 2021	<u>13,447,101</u>	<u>15,670,763</u>	0.19

The following table summarizes information about stock options outstanding at March 31, 2021:

	Shares	Weighted Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Options outstanding	15,670,763	8.62	\$ 0.19	\$2,165,740
Vested and expected to vest	14,539,580	8.70	\$ 0.19	\$1,973,589
Exercisable	4,132,906	7.66	\$ 0.16	\$ 696,315

Employee Stock Options—As of March 31, 2021, there was total unrecognized compensation costs related to unvested employee stock options of \$1,198. These costs are expected to be recognized over a weighted-average period of approximately 1.5 years.

The Company estimated the fair value of stock options using the Black-Scholes option pricing valuation model. The fair value of employee stock options is being amortized on the straight-line basis over the requisite service period of the awards. The fair value of employee stock options was estimated using the following assumptions for the three months ended March 31, 2021:

Expected term (in years)	6.0
Expected volatility	67%
Risk-free interest rate	1.0%
Dividends	0%

Expected Term—The expected term of options granted represents the period of time that the options are expected to be outstanding. Due to the lack of historical exercise history, the expected term of the Company's employee stock options has been determined utilizing the simplified method for awards that qualify as plain-vanilla options.

Expected Volatility—The expected stock price volatility assumption was determined by examining the historical volatilities for industry peers, as the Company did not have any trading history for the Company’s common stock. The Company will continue to analyze the historical stock price volatility and expected term assumption as more historical data for the Company’s common stock becomes available.

Risk-Free Interest Rate—The risk-free interest rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of the Company’s stock options.

Dividends—The Company has not paid any cash dividends on common stock since inception and does not anticipate paying any dividends in the foreseeable future. Consequently, an expected dividend yield of zero was used.

Non-Employee Stock Options—As of March 31, 2021, there was total unrecognized compensation costs related to unvested non-employee stock options of \$34. These costs are expected to be recognized over a weighted-average period of approximately 1.2 years.

The Company estimated the fair value of stock options using the Black-Scholes option pricing valuation model. The fair value of non-employee stock options is being amortized on the straight-line basis over the requisite service period of the awards. The fair value of non-employee stock options was estimated using the following assumptions for the three months ended March 31, 2021:

Expected term (in years)	10
Expected volatility	66%
Risk-free interest rate	1.52%
Dividends	0%

Expected Term—The expected term of options granted represents the period of time that the options are expected to be outstanding. The Company has valued its non-employee stock options using the contractual term as the expected term.

Expected Volatility—The expected stock price volatility assumption was determined by examining the historical volatilities for industry peers, as the Company did not have any trading history for the Company’s common stock. The Company will continue to analyze the historical stock price volatility and expected term assumption as more historical data for the Company’s common stock becomes available.

Risk-Free Interest Rate—The risk-free interest rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of the Company’s stock options.

Dividends—The Company has not paid any cash dividends on common stock since inception and does not anticipate paying any dividends in the foreseeable future. Consequently, an expected dividend yield of zero was used.

Stock-Based Compensation Expense—The following table summarizes the components of stock-based compensation expense recognized in the Company’s statement of operations for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
Share Based Compensation:		
Research and development	\$ 77	\$ 55
General and administrative	43	(52)
	<u>\$120</u>	<u>\$ 3</u>

Early Exercise Liability—Stock options may be exercised, and restricted stock may be purchased prior to the time that the awards have vested, provided that such shares shall remain subject to repurchase until such time as they have vested. The right to repurchase these shares generally lapses over three to four years. As of March 31, 2021 and December 31, 2020, there were 530,470 and 900,509 unvested shares representing an early exercise liability of \$41 and \$79, respectively. The unvested shares purchased by the employees are not deemed, for accounting purposes, to be issued and outstanding.

12. RETIREMENT PLAN

The Company participates in a qualified 401(k) Plan sponsored by its professional service organization. The retirement plan is a defined contribution plan covering eligible employees. Participants may contribute a portion of their annual compensation limited to a maximum annual amount set by the Internal Revenue Service. There was no contribution from the Company for the three months ended March 31, 2021 and 2020.

13. NET LOSS PER SHARE

The following table sets forth the computation of the Company’s basis in diluted net loss per share for the three months ended March 31, 2021 and 2020 (in thousands except share and per share amounts):

	Three months ended March 31,	
	2021	2020
Numerator:		
Net loss	\$ (5,358)	\$ (4,228)
Denominator:		
Weighted-average common shares outstanding	16,387,974	16,052,427
Less: Weighted-average unvested restricted shares and shares subject to repurchase	(628,874)	(2,468,400)
Weighted-average shares used to computing basic and diluted net loss per share	<u>15,759,100</u>	<u>13,584,027</u>
Net loss per share attributable to common stockholders—basic and diluted	<u>\$ (0.34)</u>	<u>\$ (0.31)</u>

As of March 31, 2021 and 2020, the Company’s potentially dilutive securities included preferred stock, unvested restricted stock, stock warrants and stock options, which have been excluded from the computation of diluted net loss per share attributable to common stockholders as the effect would be anti-dilutive. Based on the amounts outstanding as of March 31, 2021 and 2020, the Company excluded the following potential common shares from the computation of diluted net loss per share attributable to common stockholders because including them would have had an anti-dilutive effect:

	March 31, 2021	December 31, 2020
Series A Preferred Stock	17,000,000	17,000,000
Series B Preferred Stock	25,186,738	25,186,738
Series B-1 Preferred Stock	72,499,993	72,499,993
Series B-1 Preferred Stock Warrants	187,500	—
Options to purchase common stock	15,670,763	14,042,429
Unvested restricted common stock	530,470	900,509
	<u>131,075,464</u>	<u>129,629,669</u>

14. SUBSEQUENT EVENTS

Concurrent with the execution and delivery of the Merger Agreement on March 29, 2021, Tempest entered into funding agreements with certain investors, pursuant to which the investors agreed to purchase, in the aggregate, \$30 million of Tempest's common stock for a per share purchase price of \$0.85. The closing of this pre-closing financing was conditioned upon the closing of the merger.

On June 25, 2021, Tempest closed the Merger Agreement with Millendo Therapeutics. Pursuant to the Merger Agreement, Mars Merger Corp. (or Merger Sub), a direct, wholly owned subsidiary of Millendo merged with and into Tempest, with Tempest surviving as a wholly owned subsidiary of Millendo. Following the closing of the merger, Millendo changed its corporate name to Tempest Therapeutics, Inc.

Before the closing of the merger, investors in the pre-closing financing purchased Tempest's common stock totaling \$30 million.

In connection with the merger, a reverse stock split of Millendo's common stock was effectuated at a ratio of 1 to 15. In addition, each share of the Tempest's common stock outstanding, including shares of the Tempest's common stock that were issued pursuant to the pre-closing financing converted into the right to receive a number of shares of Millendo's common stock based on agreed upon ratio by the parties ("the Exchange Ratio"). The Exchange Ratio was 0.0322 shares of Millendo's common stock for each share of the Tempest's common stock.

The Company has evaluated subsequent events occurring through July 1, 2021, the date when these financial statements are available to be issued.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On March 29, 2021, Millendo Therapeutics, Inc., a Delaware corporation (“Millendo”), Tempest Therapeutics, Inc., a Delaware corporation (“Tempest”), and Mars Merger Sub, a Delaware corporation and a wholly-owned subsidiary of Millendo (“Merger Sub”) entered into an agreement and plan of merger (the “Merger Agreement”). On June 25, 2021 Merger Sub merged with and into Tempest, with Tempest becoming a wholly-owned subsidiary of Millendo and the surviving corporation of the merger (the “Merger”). At the effective time of the Merger, or the Effective Time, Millendo changed its name to Tempest Therapeutics, Inc. (“Public Tempest”).

At the Effective Time, each share of Tempest’s common stock outstanding immediately prior to the Effective Time, including shares of Tempest’s common stock that are issued pursuant to the Pre-Closing Financing were converted into the right to receive a number of shares of Millendo’s common stock based on agreed upon ratio by the parties (“the Exchange Ratio”). The Exchange Ratio was 0.0322 shares of Millendo’s common stock for each share of Tempest’s common stock, The Exchange Ratio also gives effect to the proposed Millendo Reverse Stock Split of 1 to 15. Each share of Tempest’s convertible preferred stock outstanding immediately prior to the Effective Time was converted into shares of Tempest’s common stock in accordance with its terms, which then converted into the right to receive shares of Millendo’s common stock along with all other shares of Tempest’s common stock as described above. Under the Exchange Ratio formula in the Merger Agreement, the former Tempest equity holders immediately before the Effective Time owned 81.5% of the outstanding capital stock of Millendo on a fully-diluted basis, and the stockholders of Millendo immediately before the Effective Time owned 18.5% of the outstanding capital stock of Millendo on a fully-diluted basis.

A reverse stock split of Millendo’s common stock was effectuated prior to the Closing at a ratio of 1 to 15 (“Millendo Reverse Stock Split”)

Concurrently with the execution and delivery of the Merger Agreement, certain parties had entered into agreements with Tempest, pursuant to which they had agreed, subject to terms and conditions of such agreements, to purchase prior to the consummation of the Merger shares of Tempest common stock for an aggregate purchase price of approximately \$28.1 million, net of issuance costs of \$1.9 million. On June 24, 2021 Tempest issued 35,305,882 shares of its common stock pursuant to this agreement.

The following unaudited pro forma condensed combined financial information gives effect to the (i) Merger and (ii) the Pre-Closing Financing, including the effect to Millendo Reverse Stock Split.

In the unaudited pro forma combined financial statements, the Merger has been accounted for as a reverse recapitalization under U.S. GAAP because the assets of Millendo at the Effective Date are expected to be primarily cash and non-operating assets. Tempest was determined to be the accounting acquirer based upon the terms of the Merger and other factors including: (1) Tempest stockholders will own a substantial majority of the voting rights of the combined company; (2) Tempest will designate a majority (six of seven) of the initial members of the board of directors of the combined company; and (3) Tempest’s senior management will hold all key positions in senior management of the combined company.

As a result of Tempest being treated as the accounting acquirer, Tempest’s assets and liabilities were recorded at their precombination carrying amounts and the historical consolidated operations that are reflected in the unaudited pro forma condensed combined financial information will be those of Tempest. Millendo’s assets and liabilities were measured and recognized at their fair values as of the effective date of the Merger, and combined with the assets, liabilities, and results of operations of Tempest after the consummation of the Merger. As a result, upon consummation of the Merger, the historical consolidated financial statements of Tempest became the historical consolidated financial statements of the combined company.

The unaudited pro forma combined balance sheet data as of March 31, 2021 assumes that the Merger took place on March 31, 2021 and combines the Millendo and Tempest historical balance sheets as of March 31, 2021. The unaudited pro forma condensed combined statements of operations assumes that the Merger took place on January 1, 2020 and combines the historical results of Millendo and Tempest for the three months ended 31 March, 2021 and year ended December 31, 2020.

The historical financial statements of Millendo and Tempest have been adjusted to give pro forma effect to reflect the accounting for the transaction in accordance with U.S. GAAP. The adjustments presented on the unaudited pro forma condensed combined financial statements have been identified and presented to provide relevant information necessary for an accurate understanding of the combined company upon consummation of the Merger.

The unaudited pro forma condensed combined financial information is based on assumptions and adjustments that are described in the accompanying notes. The unaudited pro forma condensed combined financial information is for illustrative purposes only. The financial results may have been different had the companies always been combined. The unaudited pro forma condensed combined financial information should not be relied upon as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined company will experience. The actual amounts recorded as of the completion of the Merger may differ materially from the information presented in these unaudited pro forma combined financial information as a result, if any, of the amount of capital raised by Tempest between the signing of the Merger Agreement and Closing, the amount of cash used by Millendo's operations between the signing of the Merger Agreement and the Closing, the timing of Closing of the Merger, and other changes in Millendo's assets and liabilities that occur prior to the completion of the Merger.

The unaudited pro forma condensed combined financial statements, including the notes thereto, should be read in conjunction with the separate historical consolidated financial statements of Millendo and Tempest and the section titled "*Millendo Management's Discussion and Analysis of Financial Condition and Results of Operations*" in the documents that are incorporated by reference in this proxy statement/prospectus/information statement and the section of this proxy statement/prospectus/information statement titled "*Tempest Management's Discussion and Analysis of Financial Condition and Results of Operations*." Millendo's historical unaudited consolidated financial statements for the three months ended March 31, 2021 incorporated by reference in this proxy statement/prospectus/information statement. Tempest's historical unaudited financial statements for the three months ended March 31, 2021 appear elsewhere in this proxy statement/prospectus/information statement.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2021
(in thousands, except share and per share data)

	<u>Tempest</u>	<u>Millendo</u>	<u>Transaction Accounting Adjustments</u>	<u>Note 4</u>	<u>Pro Forma Combined Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$27,440	\$26,802	\$ 28,060	A	\$ 82,302
Restricted cash	—	45	—		45
Marketable securities	—	439	—		439
Prepaid expenses and other current assets	1,339	1,808	(310)	D	2,837
Deferred offering costs	1,090	—	(1,090)	G	—
Refundable tax credit	—	300	—		300
Total current assets	<u>29,869</u>	<u>29,394</u>	<u>26,660</u>		<u>85,923</u>
Operating lease right-of-use assets	1,741	2,014	210	E	3,965
Property and equipment, net	1,059	231	—		1,290
Other non-current assets	51	68	—		119
Total assets	<u>\$32,720</u>	<u>\$31,707</u>	<u>\$ 26,870</u>		<u>\$ 91,297</u>
LIABILITIES, CONVERTIBLE PREFERRED STOCK & STOCKHOLDERS' EQUITY (DEFICIT)					

	Tempest	Millendo	Transaction Accounting Adjustments	Note 4	Pro Forma Combined Total
Current liabilities:					
Accounts payable	\$ 897	\$ 811	\$ —		\$ 1,708
Accrued liabilities	1,587	2,230	7,905	B, C, D	11,722
Current portion of operating lease liabilities	657	742	—		1,399
Accrued compensation	241	579	—		820
Current portion of debt	—	235	—		235
Interest payable	92	—	—		92
Early option exercise liability	42	—	—		42
Total current liabilities	3,516	4,597	7,905		16,018
Operating lease liabilities, net of current portion	1,542	1,482	—		3,024
Debt, net of current portion	14,909	—	—		14,909
Total liabilities	19,967	6,079	7,905		33,951
Stockholders' equity (deficit):					
Convertible preferred stock	86,707	—	(86,707)	F	—
Common stock	16	19	(10)	G	25
Additional paid-in capital	3,149	278,113	(141,707)	G	139,555
Accumulated deficit	(77,119)	(253,449)	247,666	G	(82,902)
Accumulated other comprehensive income	—	277	(277)	G	—
Total stockholders' equity (deficit)	(73,954)	24,960	105,672		56,678
Equity attributable to noncontrolling interests	—	668	—		668
Total stockholders' equity (deficit)	(73,954)	25,628	105,672		57,346
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	\$ 32,720	\$ 31,707	\$ 26,870		\$ 91,297

Unaudited Pro Forma Condensed Combined Statements of Operations
Year the Three Months ended March 31, 2021
(in thousands, except share and per share data)

	Tempest	Millendo	Transaction Accounting Adjustments	Note 4	Pro Forma Combined
Operating expenses:					
Research and development	\$ 3,592	\$ 2,152	—		\$ 5,744
General and administrative	1,538	6,410	(1,156)	H	6,792
Total operating expenses	5,130	8,562	(1,156)		12,536
Loss from operations	(5,130)	(8,562)	1,156		(12,536)
Other income (expense):					
Interest expense	(231)	—	—		(231)
Interest income/(expense)	3	(1)	—		2
Other income	—	174	—		174
Total other income (expense)	(228)	173	—		(55)

	Tempest	Millendo	Transaction Accounting Adjustments	Note 4	Pro Forma Combined
Net loss	\$ (5,358)	\$ (8,389)	\$ 1,156		\$ (12,591)
Weighted average common stock outstanding—basic and diluted	15,759,100	19,023,293	—	J	6,605,424
Net loss per share attributable to common stockholders—basic and diluted	\$ (0.34)	\$ (0.44)	—		\$ (0.91)

Unaudited Pro Forma Condensed Combined Statements of Operations
Year Ended December 31, 2020
(in thousands, except share and per share data)

	Tempest	Millendo	Transaction Accounting Adjustments	Note 4	Pro Forma Combined
Operating expenses:					
Research and development	\$ 14,389	\$ 20,374	—		\$ 34,763
General and administrative	4,909	15,598	228	I	20,735
Total operating expenses	19,298	35,972	228		55,498
Loss from operations	(19,298)	(35,972)	(228)		(55,498)
Other income (expense):			—		
Interest income	90	155	—		245
Other expense	—	(589)	—		(589)
Total other income (expense)	90	(434)	—		(344)
Net loss	\$ (19,208)	\$ (36,406)	\$ (228)		\$ (55,842)
Weighted average common stock outstanding—basic and diluted	14,539,178	18,862,537	—	J	6,474,374
Net loss per share attributable to common stockholders—basic and diluted	\$ (1.32)	\$ (1.93)	—		\$ (8.63)

1. Description of the Transactions

Merger

On March 29, 2021, Millendo, Tempest and Merger Sub entered into the Merger Agreement. At the Effective Time of the Merger, each share of Tempest common stock outstanding immediately prior to the Effective Time, including shares of Tempest's convertible preferred stock that was converted into common stock as described above, were converted into the right to receive a number of shares of Millendo's common stock equal to the Exchange Ratio of 0.0322 shares of Millendo's Common Stock for each share of Tempest's Common Stock. Under the Exchange Ratio formula in the Merger Agreement, the former Tempest equity holders immediately before the Effective Time owned 81.5% of the outstanding capital stock of Millendo on a fully-diluted basis, and the stockholders of Millendo immediately before the Effective Time owned 18.5% of the outstanding capital stock of Millendo on a fully-diluted basis..

In addition, as of the Effective time, each Millendo stock option that is outstanding and unexercised immediately prior to the effective time of the Merger, remained outstanding in accordance with its terms including certain Millendo stock options that were accelerated and vested in accordance with its terms on Closing.

As of the Effective Time, each option to purchase shares of Tempest's common stock (a "Tempest Option") that was outstanding and unexercised immediately prior to the Effective Time granted under the Tempest 2011 and 2017 Equity Incentive Plans ("Tempest Plan"), or otherwise, whether or not vested, were, along with the Tempest Plan, assumed by Millendo and became an option to purchase solely that number of shares of Millendo's common stock equal to the product obtained by multiplying (i) the number of shares of Tempest's common stock that were subject to such Tempest Option immediately prior to the Effective Time by (ii) the Exchange Ratio, and rounding the resulting number down to the nearest whole number of shares of Millendo's common stock. The per share exercise price for Millendo's common stock issuable upon exercise of each Tempest Option assumed by Millendo was determined by dividing (a) the per share exercise price of Tempest's common stock subject to such Tempest Option, as in effect immediately prior to the Effective Time, by (b) the Exchange Ratio, and rounding the resulting exercise price up to the nearest whole cent. Any restriction on the exercise of any Tempest Option assumed by Millendo continued in full force and effect and the term, exercisability, vesting schedule and other provisions of such Tempest Option otherwise remained unchanged.

Furthermore, each warrant to purchase Tempest's common stock ("Tempest Warrant") that was outstanding and unexercised immediately prior to the Effective Time, whether or not vested, was converted into and became a warrant to purchase (and Millendo assumed each such Tempest Warrant in accordance with its terms) solely that number of shares of Millendo's common stock equal to the product obtained by multiplying (i) the number of shares of Tempest Common Stock that were subject to such Tempest Warrant immediately prior to the Effective Time by (ii) the Exchange Ratio, and rounding the resulting number down to the nearest whole number of shares of Millendo's common stock. The per share exercise price for Millendo's common stock issuable upon exercise of each Tempest Warrant assumed by Millendo was determined by dividing (a) the per share exercise price of Tempest's common stock subject to such Millendo Warrant, as in effect immediately prior to the Effective Time, by (b) the Exchange Ratio, and rounding the resulting exercise price up to the nearest whole cent. Any restriction on the exercise of any Tempest Warrant assumed by Millendo continued in full force and effect and the term, exercisability, vesting schedule and other provisions of such Tempest Warrant otherwise remained unchanged.

Pre-Closing Financing

Concurrently with the execution and delivery of the Merger Agreement, certain parties had entered into agreements with Tempest pursuant to which they had agreed, subject to the terms and conditions of such agreements, to purchase prior to the consummation of the Merger shares of Tempest common stock for an aggregate purchase price of approximately \$28.1 million, net of issuance costs of \$1.9 million. The consummation of the transactions contemplated by such agreements was conditioned on the satisfaction or waiver of the conditions set forth in the Merger Agreement. Shares of Tempest common stock issued pursuant to this financing transaction were be converted into shares of Millendo common stock in the Merger in accordance with the Exchange Ratio.

2. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of SEC Regulation S-X. The unaudited pro forma condensed combined balance sheet as of March 31, 2021 was prepared using the historical balance sheets of Tempest and Millendo as of March 31, 2021 and gives effect to the Merger as if it occurred on March 31, 2021. The unaudited pro forma combined statements of operations for the three months ended 31 March, 2021 and year ended December 31, 2020 give effect to the Merger as if it occurred on January 1, 2020 and were prepared using the historical consolidated statement of operations and comprehensive income of Millendo and Tempest for the three months ended 31 March, 2021 and year ended December 31, 2020.

For accounting purposes, Tempest is considered to be the acquiring company and the Merger is expected to be accounted for as a reverse recapitalization of Millendo by Tempest because on the Merger date, the pre combination assets of Millendo are expected to be primarily cash and other non-operating assets.

For purposes of these pro forma financial statements, this purchase price consideration consists of the following:

Number of shares of the combined company to be owned by Millendo stockholders (1)	1,269,535
Multiplied by the assumed price per share of Millendo common stock (2)	\$ 15.9
Fair value of shares of combined company to be owned by Millendo stockholders	\$20,185,606
Fair value of assumed Millendo equity awards based on precombination service (3)	146,683
Fair value of assumed Millendo warrants	3,553
Purchase price	<u>\$20,335,842</u>

- (1) Reflects the number of shares of common stock of the combined company that Millendo equity holders owned as of the Closing pursuant to the Merger Agreement. This amount is calculated, for purposes of this unaudited pro forma condensed combined financial information, based on shares of Millendo's common stock outstanding as of June 25, 2021.
- (2) Reflects the assumed price per share of Millendo common stock, which is the closing trading price of Millendo's common stock on June 25, 2021.
- (3) Reflects the estimated acquisition-date fair value of the assumed Millendo's equity awards attributable to precombination service.

Under reverse recapitalization accounting, the assets and liabilities of Millendo were recorded, as of the completion of the Merger, at their fair value. No goodwill or intangible assets was recognized and any excess consideration transferred over the fair value of the net assets of Millendo following determination of the actual purchase consideration for Millendo was reflected as a reduction to additional paid-in capital. Consequently, the consolidated financial statements of Tempest reflect the operations of the acquirer for accounting purposes together with a deemed issuance of shares, equivalent to the shares held by the former stockholders of the legal acquirer and a recapitalization of the equity of the accounting acquirer. The accompanying unaudited proforma condensed combined financial information is derived from the historical financial statements of Millendo and Tempest, and include adjustments to give pro forma effect to reflect the accounting for the transaction in accordance with U.S. GAAP. The historical financial statements of Tempest became the historical financial statements of the combined company.

The unaudited pro forma condensed combined financial information does not include the impact of any revenue, cost or other operating synergies that may result from the Merger or any related restructuring costs that may be contemplated and gives effect to the proposed Millendo Reverse Stock Split.

3. Shares of Millendo Common Stock Issued to Tempest Stockholders upon Closing of the Merger

Prior to the Merger, all outstanding shares of Tempest's convertible preferred stock were converted into Tempest common stock, which were exchanged for shares of Millendo common stock based on the Exchange Ratio determined in accordance with the Merger Agreement. The Exchange Ratio for purposes of the unaudited pro forma condensed combined financial information was derived on a fully-diluted basis as of June 25, 2021 using a stipulated value of Tempest of approximately \$158.4 million (including the Pre-Closing Financing discussed above) and of Millendo of approximately \$36.0 million. The number of shares of common stock that Millendo issued to Tempest's common and preferred stockholders as of June 25, 2021 (ignoring rounding of fractional shares) is determined as follows:

Shares of Tempest's common stock	51,953,342
Shares of Tempest's convertible preferred stock	114,686,731
	166,640,073
Exchange Ratio	0.0322
Estimated shares of Millendo common stock expected to be issued to Tempest stockholders upon Closing	<u>5,365,810</u>

The exchange ratio is calculated based on the reverse stock split of 1 to 15 of Millendo common stock.

4. Proforma Adjustments

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses." Release No. 33-10786 replaces the existing pro forma adjustment criteria with simplified requirements to depict the accounting for the transaction ("Transaction Accounting Adjustments") and present the reasonably estimable synergies and other transaction effects that have occurred or are reasonably expected to occur ("Management's Adjustments"). Millendo has elected not to present Management's Adjustments and will only be presenting Transaction Accounting Adjustments in the following unaudited pro forma condensed combined financial information.

Based on Tempest management's review of Millendo's summary of significant accounting policies, the nature and amount of any adjustments to the historical financial statements of Millendo to conform to the accounting policies of Tempest are not expected to be significant. The pro forma adjustments, based on preliminary estimates that could change materially as additional information is obtained, are as follows:

- A. To reflect \$28.1 million, net of issuance costs of \$1.9 million, in proceeds received by Tempest, in connection with the consummation the Pre-Closing Financing. The Merger was contingent upon the Pre-Closing Financing, which closed on June 24, 2021.
- B. To reflect preliminary estimated transaction costs of \$2.7 million in connection with the Merger, such as adviser fees, legal, and accounting expenses that are expected to be incurred by Tempest as an increase in accrued liabilities and a reduction to additional paid-in capital in the unaudited proforma condensed combined balance sheet.
- C. To reflect preliminary estimated transaction costs of \$4.2 million in connection with the Merger, such as adviser fees, legal, directors and officers liability insurance, and accounting expenses, that are expected to be incurred by Millendo as an increase in accrued liabilities and accumulated deficit in the unaudited proforma condensed combined balance sheet.
- D. Compensation expense of \$1.4 million related to severance, retention and transaction bonuses resulting from preexisting employment agreements that will be payable in connection with the Merger is reflected as an increase to accumulated deficit and accrued liabilities amounting to \$1.1 million and decrease in prepaid expenses amounting to \$0.3 million in the unaudited pro forma condensed combined balance sheet. The pro forma adjustments exclude certain termination benefits incurred in connection with Millendo's January 2021 corporate restructuring plan.

- E. To reflect the adjustments to account for operating lease liabilities and right-of-use assets at their fair values as of March 31, 2021 in the unaudited pro forma condensed combined balance sheet.
- F. To reflect the conversion of 114,686,731 shares of Tempest's convertible preferred stock into shares of Tempest's common stock immediately prior to the Merger.
- G. To record (i) the conversion of Tempest's convertible preferred stock into 114,686,731 shares of common stock, (ii) issuance of 35,305,882 shares in connection with the consummation the Pre-Closing Financing (iii) the accrual of transaction costs associated with the Merger, (iv) the payment of severance and retention bonuses in connection with the Merger, (v) post combination compensation expense of \$0.2 million related to Millendo options recognized upon the Closing, (vi) the adjustment of deferred offering costs of \$1.1 million against additional paid-in capital upon the Closing (vii) the elimination of Millendo's historical equity, including 19,043,034 outstanding shares of common stock at their par value of \$0.001 million, \$0.3 million of accumulated other comprehensive income and \$278.1 million additional paid-in capital, (viii) the exchange of outstanding Tempest's common stock into 5,365,810 shares of Millendo's common stock based on the assumed Exchange Ratio for purposes of these pro forma condensed combined financial information, and (ix) the effect of the reverse recapitalization of Millendo for a total of \$25.0 million, which is the net assets of Millendo as of March 31, 2021.

(amounts in thousands, except amounts)	Common Stock				Additional Paid-In- Capital	Accumulated Deficit	Accumulated other comprehensive income	Total Stockholders' Equity
	Tempest		Millendo					
	Shares	Amount	Shares	Amount				
Conversion of outstanding Tempest's convertible preferred stock into common stock	114,686,731	115	—	—	86,592	—	—	86,707
Payment of D&O insurance tail	—	—	—	—	—	(2,000)	—	(2,000)
Payment of transaction costs	—	—	—	—	(2,660)	(2,200)	—	(4,860)
Payment of severance and retention bonuses	—	—	—	—	—	(1,355)	—	(1,355)
Deferred offering cost	—	—	—	—	(1,090)	—	—	(1,090)
Post combination stock-based compensation costs	—	—	—	—	228	(228)	—	—
Elimination of Millendo's historical equity carrying value	—	—	(1,269,535)	(1)	(278,113)	253,449	(277)	(24,942)
Exchange of outstanding Tempest's common stock into Millendo's common stock based on the assumed Exchange Ratio	(166,640,073)	(165)	5,365,810	5	160	—	—	—
Reverse recapitalization of Milleodo	—	—	1,269,535	1	24,941	—	—	24,942
Pre-Closing Financing	35,305,882	35	—	—	28,025	—	—	28,060
Fair value remeasurement of right-of-use assets	—	—	—	—	210	—	—	210
Pro forma adjustment	<u>(16,647,460)</u>	<u>(15)</u>	<u>5,365,810</u>	<u>5</u>	<u>(141,707)</u>	<u>247,666</u>	<u>(277)</u>	<u>105,672</u>

- H. Represents an adjustment to eliminate transaction costs of \$1.2 million incurred by Millendo in connection with the merger and recorded as expense in the historical consolidated statements of operations and comprehensive loss for the three months ended March 31, 2021. This is a non-recurring item.
- I. To reflect the post combination compensation expense of \$0.2 million related to Millendo's options recognized upon the Closing for the purposes of the unaudited pro forma condensed combined statement of operations. This is a non-recurring item.
- J. The pro forma combined basic and diluted earnings per share have been adjusted to reflect the pro forma net loss for the three months ended 31 March, 2021 and year ended December 31, 2020. In addition, the weighted average shares outstanding for the period have been adjusted to give effect to the issuance of Millendo's common stock in connection with the Merger as of June 25, 2021. As the combined company is in a net loss position, any adjustment for potentially dilutive shares would be anti-dilutive, and as such basic and diluted loss per share are the same. The following table presents the calculation of the pro forma weighted average number of common stock outstanding after giving effect to the proposed reverse stock split:

	Three Months Ended March 31, 2021	Year Ended December 31, 2020
Weighted average Tempest shares outstanding	15,759,100	14,539,178
Weighted average shares of Tempest redeemable convertible preferred stock	114,686,731	112,169,608
Shares issued upon Pre-Closing Financing	35,305,882	35,305,882
	165,751,713	162,014,668
Weighted average Tempest shares outstanding adjusted for the Exchange Ratio	5,337,205	5,216,872
Weighted average Millendo shares outstanding	1,268,219	1,257,502
Pro forma combined weighted average number of shares of common stock—basic and diluted	6,605,424	6,474,374