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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-38624

Vaccinex, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**16-1603202**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1895 Mount Hope Avenue	
Rochester, New York	**14620**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (585) 271-2700

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	VCNX	Nasdaq Capital Market

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
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. ☐

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

As of August 11, 2022, the registrant had 42,664,051 shares of common stock, $0.0001 par value per share, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VACCINEX, INC.

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

	As of June 30, 2022	As of December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,400	$ 8,589
Prepaid expenses and other current assets	861	816
Total current assets	12,261	9,405
Property and equipment, net	254	297
Operating lease right-of-use asset	57	141
TOTAL ASSETS	$ 12,572	$ 9,843
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 265	$ 1,061
Accrued expenses	1,095	980
Current portion of long-term debt	74	74
Operating lease liability	57	141
Total current liabilities	1,491	2,256
Long-term debt	138	175
TOTAL LIABILITIES	1,629	2,431
Commitments and contingencies (Note 7)		
Stockholders' equity (deficit):		
Common stock, par value of $0.0001 per share; 100,000,000 shares authorized as of June 30, 2022, and December 31, 2021; 42,664,903 and 30,801,962 shares issued as of June 30, 2022 and December 31, 2021, respectively; 42,664,051 and 30,801,110 shares outstanding as of June 30, 2022 and December 31, 2021, respectively	4	3
Additional paid-in capital	320,789	307,281
Treasury stock, at cost; 852 shares of common stock as of June 30, 2022 and December 31, 2021, respectively	(11)	(11)
Accumulated deficit	(309,839)	(299,861)
TOTAL STOCKHOLDERS' EQUITY	10,943	7,412
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 12,572	$ 9,843

The accompanying notes are an integral part of these condensed consolidated financial statements.

VACCINEX, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ -	$ -	$ -	$ 850
Costs and expenses:				
Research and development	3,843	4,064	6,809	9,577
General and administrative	1,558	1,605	3,186	3,182
Total costs and expenses	5,401	5,669	9,995	12,759
Loss from operations	(5,401)	(5,669)	(9,995)	(11,909)
Interest expense	(1)	(351)	(2)	(683)
Other income (expense), net	19	51	19	49
Loss before provision for income taxes	(5,383)	(5,969)	(9,978)	(12,543)
Provision for income taxes	-	-	-	-
Net loss	(5,383)	(5,969)	(9,978)	(12,543)
Net loss attributable to noncontrolling interests	-	-	-	-
Net loss attributable to Vaccinex, Inc. common stockholders	$ (5,383)	$ (5,969)	$ (9,978)	$ (12,543)
Comprehensive loss	$ (5,383)	$ (5,969)	$ (9,978)	$ (12,543)
Net loss per share attributable to Vaccinex, Inc. common stockholders, basic and diluted	$ (0.13)	$ (0.21)	$ (0.25)	$ (0.47)
Weighted-average shares used in computing net loss per share attributable to Vaccinex, Inc. common stockholders, basic and diluted	42,664,051	28,577,779	40,711,167	26,897,283

The accompanying notes are an integral part of these condensed consolidated financial statements.

VACCINEX, INC.

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
(in thousands, except share data)

	Common Stock			Treasury Stock					
	Shares	Amount	Additional Paid-in Capital	Common Stock Shares	Amount	Accumulated Deficit	Total Vaccinex, Inc. Stockholders' Equity (Deficit)	Noncontrolling Interests	Total Stockholders' Equity (Deficit)
Balance as of January 1, 2021	22,388,027	$ 3	$ 250,914	852	$ (11)	$ (277,481)	$ (26,575)	$ 23,963	$ (2,612)
Issuance of Common Shares	5,937,900	—	31,863	—	—	—	31,863	—	31,863
Stock-based compensation	—	—	104	—	—	—	104	—	104
Shares issued for compensation	9,979	—	—	—	—	—	—	—	—
Exchange of VX3 Units for common shares	109,900	—	2,000	—	—	—	2,000	(2,000)	—
Net loss	—	—	—	—	—	(6,574)	(6,574)	—	(6,574)
Balance as of March 31, 2021	28,445,806	3	284,881	852	(11)	(284,055)	818	21,963	22,781
Stock-based compensation	—	—	128	—	—	—	128	—	128
Exchange of partnership units for common shares (Note 5)	2,356,156	—	21,963	—	—	—	21,963	(21,963)	—
Net loss	—	—	—	—	—	(5,969)	(5,969)	—	(5,969)
Balance as of June 30, 2021	30,801,962	$ 3	$ 306,972	852	$ (11)	$ (290,024)	$ 16,940	$ —	$ 16,940

	Common Stock			Treasury Stock					
	Shares	Amount	Additional Paid-in Capital	Common Stock Shares	Amount	Accumulated Deficit	Total Vaccinex, Inc. Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance as of January 1, 2022	30,801,962	$ 3	$ 307,281	852	$ (11)	$ (299,861)	$ 7,412	$ —	$ 7,412
Issuance of Common Shares	11,862,941	1	13,229	—	—	—	13,230	—	13,230
Stock-based compensation	—	—	141	—	—	—	141	—	141
Net loss	—	—	—	—	—	(4,595)	(4,595)	—	(4,595)
Balance as of March 31, 2022	42,664,903	4	320,651	852	(11)	(304,456)	16,188	—	16,188
Stock-based compensation	—	—	138	—	—	—	138	—	138
Net loss	—	—	—	—	—	(5,383)	(5,383)	—	(5,383)
Balance as of June 30, 2022	42,664,903	$ 4	$ 320,789	852	$ (11)	$ (309,839)	$ 10,943	$ —	$ 10,943

The accompanying notes are an integral part of these condensed consolidated financial statements.

VACCINEX, INC.

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

	Six Months Ended June 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (9,978)	$ (12,543)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	95	91
Debt related charges included in interest expense	-	371
Stock-based compensation	279	232
Changes in operating assets and liabilities:		
Accounts receivable	-	157
Prepaid expenses and other current assets	(45)	(524)
Accounts payable	(795)	(1,448)
Accrued expenses	115	(432)
Net cash used in operating activities	(10,329)	(14,096)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(52)	(22)
Net cash used in investing activities	(52)	(22)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	3,519	32,848
Redemption of convertible debt	-	(5,956)
Payments of long-term debt	(37)	-
Proceeds from private offering of common stock	9,710	-
Payments of common stock issuance costs	-	(985)
Net cash provided by financing activities	13,192	25,907
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,811	11,789
CASH AND CASH EQUIVALENTS–Beginning of period	8,589	10,596
CASH AND CASH EQUIVALENTS–End of period	$ 11,400	$ 22,385

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1. COMPANY AND NATURE OF BUSINESS

Vaccinex, Inc. (together with its subsidiaries, the "Company") was incorporated in Delaware in April 2001 and is headquartered in Rochester, New York. The Company is a clinical-stage biotechnology company engaged in the discovery and development of targeted biotherapeutics to treat serious diseases and conditions with unmet medical needs, including cancer, neurodegenerative diseases, and autoimmune disorders. Since its inception, the Company has devoted substantially all of its efforts toward product research, manufacturing and clinical development, and raising capital.

The Company is subject to a number of risks and uncertainties common to other early-stage biotechnology companies including, but not limited to, dependency on the successful development and commercialization of its product candidates, rapid technological change and competition, dependence on key personnel and collaborative partners, uncertainty of protection of proprietary technology and patents, clinical trial uncertainty, fluctuation in operating results and financial performance, the need to obtain additional funding, compliance with governmental regulations, technological and medical risks, management of growth and effectiveness of marketing by the Company. The Company is also subject to risks related to the ongoing COVID-19 pandemic, discussed under "COVID-19 Pandemic" below. If the Company does not successfully commercialize or partner any of its product candidates, it will be unable to generate product revenue or achieve profitability.

Going Concern

These condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has incurred significant losses and negative cash flows from operations since inception and expects to incur additional losses until such time that it can generate significant revenue from the commercialization of its product candidates. The Company had negative cash flow from operations of $10.3 million for the six months ended June 30, 2022, and an accumulated deficit of $309.8 million as of June 30, 2022. Given the Company's projected operating requirements and its existing cash and cash equivalents, the Company is projecting insufficient liquidity to sustain its operations through one year following the date that the condensed consolidated financial statements are issued. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

In response to these conditions, management is currently evaluating different strategies to obtain the required funding for future operations. Financing strategies may include, but are not limited to, the public or private sale of equity, debt financings or funds from other capital sources, such as government funding, collaborations, strategic alliances, or licensing arrangements with third parties. There can be no assurances that the Company will be able to secure additional financing, or if available, that it will be sufficient to meet its needs or on favorable terms. Because management's plans have not yet been finalized and are not within the Company's control, the implementation of such plans cannot be considered probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern.

The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

COVID-19 Pandemic

In order to mitigate the spread of COVID-19, governments have at times imposed unprecedented restrictions on business operations, travel, and gatherings, resulting in a global economic downturn and other adverse economic and societal impacts. The Company has complied with state reopening guidance and has allowed research and development staff to begin working in the laboratory when necessary and using recommended health and safety precautions. The COVID-19 pandemic has impacted the expected timing of the Company's clinical trials, the economy, the biotechnology industry, and the Company's business. For example, the Company previously anticipated initiating a trial of pepinemab in Alzheimer's disease in mid-2020 but the initial enrollment date was delayed until the first half of 2021. In addition, to mitigate the impacts of the COVID-19 pandemic, including impacts on the Company's ability to raise capital and to maintain its personnel, the Company applied for and received a PPP Loan (See Note 9). The Company may experience further disruptions as a result of the COVID-19 pandemic that could adversely impact its business, including disruption of research and development activities, plans for release of data, manufacturing, supply, and interactions with regulators and other third parties, and difficulties in raising additional capital. The extent to which the COVID-19 pandemic may impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

Through the period ended September 3, 2021, the Company's accounts included Vaccinex Products, LP, a Delaware limited partnership ("Vaccinex Products"), and VX3 (DE) LP, a Delaware limited partnership ("VX3"). Subsequently on September 3, 2021, Vaccinex Products and VX3 were dissolved when all remaining partnership interests were exchanged for shares of our common stock. Accordingly, prior to dissolution, these condensed consolidated financial statements reflect the accounts and operations of the Company for the six months ended June 30, 2021and those of its subsidiaries in which the Company had a controlling financial interest.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information (Accounting Standards Codification ("ASC") 270, Interim Reporting) and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, these financial statements do not include all of the information necessary for a full presentation of financial position, results of operations, and cash flows in conformity with GAAP. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of the Company for the periods presented. Intercompany transactions and balances have been fully eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 31, 2022.

Use of Estimates

These condensed consolidated financial statements have been prepared in conformity with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amount of expenses during the reporting period. Such management estimates include those relating to assumptions used in the valuation of stock option awards, and valuation allowances against deferred income tax assets. Actual results could differ from those estimates.

Concentration of Credit Risk, Other Risks and Uncertainties

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash equivalents are deposited in interest-bearing money market accounts. Although the Company deposits its cash with multiple financial institutions, cash balances may occasionally be in excess of the amounts insured by the Federal Deposit Insurance Corporation. Management believes the financial risk associated with these balances is minimal and has not experienced any losses to date.

The Company depends on third-party manufacturers for the manufacture of drug substance and drug product for clinical trials. The Company also relies on certain third parties for its supply chain. Disputes with these third- party manufacturers or shortages in goods or services from third-party suppliers could delay the manufacturing of the Company's product candidates and adversely impact its results of operations.

Convertible Instruments

The Company applies the accounting standards for derivatives and hedging and for distinguishing liabilities from equity when accounting for hybrid contracts that contain conversion options and other embedded features. The accounting standards require companies to bifurcate embedded features from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (i) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (ii) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (iii) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company's derivative instrument related to certain features embedded within the Company's 8% Original Issue Discount Senior Secured Convertible Debenture ("the Debenture") was extinguished in connection with the repayment of the Debenture, which is described in Note 10. The derivative was accounted for as a derivative liability and remeasured to fair value as of each balance sheet date and the related remeasurement adjustments were included in interest expense in the Company's condensed consolidated statement of operations and comprehensive loss.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("the FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *"Measurement of Credit Losses on Financial Instruments"* to improve reporting requirements specific to loans, receivables, and other financial instruments. The new standard requires that credit losses on financial assets measured at amortized cost be determined using an expected loss model, instead of the current incurred loss model, and requires that credit losses related to available-for-sale debt securities be recorded through an allowance for credit losses and limited to the amount by which carrying value exceeds fair value. The new standard also requires enhanced disclosure of credit risk associated with financial assets. The standard is effective for interim and annual periods beginning after December 15, 2022 with early adoption permitted. Based on the composition of the Company's financial assets, current market conditions and historical credit loss activity, the adoption of this standard is not expected to have a material impact on the Company's condensed consolidated financial statements.

Note 3. BALANCE SHEET COMPONENTS

Property and Equipment

Property and equipment consist of the following (in thousands):

	As of June 30, 2022	As of December 31, 2021
Leasehold improvements	$ 3,259	$ 3,213
Research equipment	3,505	3,499
Furniture and fixtures	350	350
Computer equipment	284	284
Property and equipment, gross	7,398	7,346
Less: accumulated depreciation and amortization	(7,144)	(7,049)
Property and equipment, net	$ 254	$ 297

Depreciation expense related to property and equipment was $54,000 and $95,000 for the three and six months ended June 30, 2022 and $35,000 and $91,000 for the three and six months ended June 30, 2021, respectively.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	As of June 30, 2022	As of December 31, 2021
Accrued clinical trial cost	$ 619	$ 468
Accrued payroll and related benefits	365	409
Accrued consulting and legal	87	74
Accrued other	24	29
Accrued expenses	$ 1,095	$ 980

Note 4. FAIR VALUE MEASUREMENTS OF FINANCIAL MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recorded at fair value on a nonrecurring basis in the condensed consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities, and long-term debt. Cash, accounts receivable, accounts payable, accrued liabilities, and debt, are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date of such amounts.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Fair value measurement standards also apply to certain financial assets and liabilities that are measured at fair value on a recurring basis (each reporting period). For the Company, these financial assets and liabilities include its cash equivalents deposited in money market funds and derivative instruments. The Company does not have any nonfinancial assets or liabilities that are measured at fair value on a recurring basis.

The following table sets forth the fair value of the Company's financial assets by level within the fair value hierarchy (in thousands):

	As of June 30, 2022			
	Fair Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash equivalents:				
Money market fund	$ 8,513	$ 8,513	$ -	$ -
Total Financial Assets	$ 8,513	$ 8,513	$ -	$ -

	As of December 31, 2021			
	Fair Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash equivalents:				
Money market fund	$ 426	$ 426	$ -	$ -
Total Financial Assets	$ 426	$ 426	$ -	$ -

The Company did not transfer any assets measured at fair value on a recurring basis to or from Level 1 and Level 2 during either of the six months ended June 30, 2022 and 2021.

Note 5. LICENSE AND SERVICES AGREEMENT

In November 2017, the Company entered into a license agreement (the "VX3 License Agreement") with VX3, which was formed by a group of Canadian investors including the Company's majority stockholder, FCMI Parent Co. ("FCMI Parent"). VX3 was created for the purpose of funding the Company's research and development activities for pepinemab, the Company's most advanced product candidate. Under the VX3 License Agreement, the Company granted VX3 the license to use, make, have made, sell, offer and import pepinemab for the treatment of Huntington's disease in the U.S. and Canada. In return, VX3 agreed to fund research and development activities with up to an aggregate of $32.0 million in milestone payments to the Company and to share any pepinemab profits and sublicensing revenue under the agreement in an amount based on a calculation set forth in the agreement. The Company also entered into a services agreement with VX3 (the "Services Agreement"), pursuant to which the Company carried out development activities for pepinemab for the treatment of Huntington's disease in the U.S. and Canada in exchange for services payments from VX3.

The Company entered into an exchange agreement on August 13, 2018 with VX3 and its partners, including FCMI Parent, which provided each VX3 partner with the right to exchange all, but not less than all, of its partnership interests in VX3 for shares of the Company's common stock. The exchange agreement also provides that FCMI Parent's exercise of its option to exchange its VX3 partnership interests for shares of Company common stock would trigger the exchange of all VX3 partnership interests for shares of Company common stock.

In March 2021, one VX3 partner exchanged its partnership interest in VX3 for 109,900 shares of the Company's common stock. This exchange resulted in a non-cash transaction, increasing additional paid in capital and decreasing noncontrolling interests by $2.0 million, respectively, in the Company's consolidated condensed financial statements for the six months ended June 30, 2021.

During the six months ended June 30, 2021, exchange transactions were effected whereby all remaining limited partnership interests in VX3 were exchanged for 1,318,797 shares of our common stock in accordance with the terms of the respective exchange agreement and Vaccinex Products and VX3 were dissolved as of September 3, 2021 and the VX3 License Agreement and Service Agreement were terminated.

Prior to the exchanges, the Company had a variable interest in VX3 through FCMI Parent, which was majority owned and controlled by the Company's chairman, and which controlled 98% of VX3's voting interest as of June 30, 2021. VX3 did not have any business operations or generate any income or expenses and was primarily a funding mechanism specifically for the benefit of the Company, as its only activities consisted of the receipt of

funding and the contribution of such funding to the Company. Therefore, the Company determined that it was the primary beneficiary of VX3 and that the operating results of VX3 should be incorporated into the Company's condensed consolidated financial statements accordingly.

For the three and six month periods ended June 30, 2021, the Company did not receive any amounts from VX3 or record any related capital contributions from noncontrolling interests on the condensed financial statements. Noncontrolling equity interests did not participate in a proportionate share of the Company's net losses for the three and six month periods ended June 30, 2021 pursuant to the aforementioned partnership, license, services and exchange agreements.

Note 6. COLLABORATION AGREEMENTS

Surface Oncology, Inc.

In November 2017, the Company entered into a research collaboration and license option agreement with Surface Oncology, Inc. ("Surface") to identify and select antibodies against two target antigens, using the Company's proprietary technology as described in the agreement. The term for each research program is nine to twelve months (not exceeding twelve months unless extended by written agreement) including time necessary for any functional assessment conducted by Surface following the commencement of the research program. Surface will provide the Company material to carry out the research activities. During the research program term, the Company also may grant Surface a non-exclusive, worldwide, limited-purpose license for each target to use the Company's research program materials for conducting the research work pursuant to the agreement. The Company recorded no revenue in the three and six months ended June 30, 2022 related to its agreement with Surface. The Company recorded revenue of $0 for the three months and $850,000 for the six months ended June 30, 2021, related to its agreement with Surface, all of which was for an exclusive product license. This agreement will expire upon the latest of the expiration of both research programs and all evaluation and testing periods.

Under the agreement, Surface may purchase exclusive options, exercisable by providing a written notice to the Company, to obtain (i) an exclusive product license to make, use, sell and import products incorporating antibodies targeting the first antigen and (ii) an exclusive research tool license to use antibodies targeting the second antigen to perform research. Surface purchased the first option and exercised the second option and the Company entered into an exclusive research tool license agreement with Surface in the third quarter of 2019.

Note 7. COMMITMENTS AND CONTINGENCIES

Sublicense Termination Payments

In 2006, the Company licensed certain technology to EUSA Pharma SAS ("EUSA"), and in 2008, this technology was sublicensed by EUSA to Glaxo Group Limited ("GSK") for development. GSK terminated its sub-license with EUSA in March 2010 and ownership of the technology reverted back to the Company. The Company may be required to pay EUSA up to $25.5 million plus ongoing royalty payments of 1% of net sales upon the occurrence of certain events involving the previously licensed technology, including a Phase 3 clinical trial, Food and Drug Administration acceptance and approval and product sales. The Company is not planning any further commercialization efforts related to the previously licensed technology, and therefore does not anticipate any of the above-described amounts will be paid.

Other Contingencies

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company records a provision for a liability when it believes that it is both probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount.

In the normal course of business, the Company may become involved in legal proceedings. The Company will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range

is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred. As of June 30, 2022 and, December 31, 2021 the Company was not involved in any material legal proceedings.

Note 8. LEASES

The Company leases its facilities from 1895 Management, Ltd., a New York corporation controlled by an entity affiliated with a director of the Company, under non-cancellable operating leases. Following entry into a lease extension agreement in August 2020, the lease agreement requires monthly rental payments of $14,511 through October 31, 2022. The Company is responsible for all maintenance, utilities, insurance and taxes related to the facility. The Company has elected the practical expedient on not separating lease components from non-lease components.

The leases do not provide an implicit rate so in determining the present value of lease payments, the Company utilized its incremental borrowing rate for the applicable lease, which was 7.0%. The Company recognizes lease expense on a straight-line basis over the remaining lease term.

As of June 30, 2022, the future minimum payments for the operating leases total $58,044 in 2022, less imputed interest of $836, for an operating lease liability of $57,208 as of June 30, 2022. As of June 30, 2021, the future minimum payments for the operating leases total $232,180, less imputed interest of $11,120, for an operating lease liability of $221,060 as of June 30, 2022. For each of the three and six months ended June 30, 2022 and 2021, cash paid for amounts included in the measurement of lease liabilities was $43,500 and $87,000.

Lease expense incurred under the operating lease for each of the three and six months ended June 30, 2022 and 2021 was $43,500 and $87,000 and is a component of general and administrative expense.

Note 9. LONG-TERM DEBT

On May 8, 2020, the Company received the PPP Loan in the amount of $1,133,600. The PPP Loan originally matured on May 8, 2022, with no principal payments required prior to the maturity date, and bearing interest at an annual rate of 1.0%, with interest payments commencing on November 8, 2020, less the amount of any potential forgiveness. On November 8, 2021, the Company was awarded loan forgiveness of $876,171 and the remaining balance of the loan was refinanced. The loan has a maturity date of May 8, 2025, bears interest of 1%, and is being repaid in monthly payments of $6,334. The Company has recorded interest expense of $1,000 and $1,000 for the three and six months ended June 30, 2022 and $3,000 and $6,000 for the three and six months ended June 30, 2021, respectively on its condensed statement of operations and comprehensive loss.

Note 10. CONVERTIBLE DEBENTURE

On July 30, 2020, the Company consummated the Convertible Debt Financing pursuant to which the Company issued its Senior Secured Convertible Debenture in the principal amount of $8,640,000 for a purchase price of $8,000,000, which reflects an original issue discount of approximately 8% (the “Debenture”), issued pursuant to the Securities Purchase Agreement, dated as of July 30, 2020, with 3i as collateral; agent (the “SPA”). The maturity date of the Debenture was August 3, 2021, and the sale of the Debenture occurred on August 3, 2020.

As of August 3, 2021, the Company repaid the Debenture in full, by making a payment of $2,755,895, representing all principal and interest due at maturity. The Company has no further obligation under the Debenture and incurred no early termination or prepayment penalties in connection with the repayment.

As a result of the repayment of the Debenture, (i) the Security Agreement dated as of July 31, 2020, between the Company and 3i, LP, as collateral agent, pursuant to which the Company granted a security interest in certain assets of the Company as collateral to secure the Debenture, (ii) the stock underlying the Debenture, and (iii) the SPA, were terminated.

Subject to the satisfaction of certain conditions, at any time, the Company could have elected to redeem all or any portion of the Debenture for an amount equal to 115% of the outstanding principal balance being redeemed plus all accrued unpaid interest on the amount being redeemed and an amount due under the Interest Make-Whole (the "Optional Redemption").

The Debenture also provided that in connection with future capital raising transactions (subject to certain exceptions), the Company must offer to use 20% of the funds raised to redeem amounts outstanding under the Debenture ("Mandatory Redemption"). Any redemption in this circumstance was to be at the election of the holder. During the three and six month periods ended June 30, 2021, the Company made payments under the Mandatory Redemption provision totaling $6,372,575 consisting of $5,955,678 for principal repayments and $416,897 for accrued and make-whole interest.

The Company incurred $50,000 in fees paid to 3i, LP ("3i") in connection with the issuance of the Debenture. These costs were primarily allocated to the debt component and recognized as additional debt discount. The Company amortized the debt discount, including the initial value of the derivative liability of $65,000, allocated fees of $50,000 and the original issuance discount of $640,000, over the term of the Debenture using the effective interest method. The annual effective interest rate was 16.54%. Total interest expense under the Senior Secured Convertible Debenture for the three and six months ended June 30, 2021 was $155,000 and $306,000, respectively.

Note 11. COMMON STOCK RESERVED FOR ISSUANCE

Common stock has been reserved for the following potential future issuances:

	As of June 30, 2022	As of December 31, 2021
Shares underlying outstanding stock options	1,734,794	1,154,563
Shares available for future stock option grants	432,115	396,324
Total shares of common stock reserved	2,166,909	1,550,887

Note 12. STOCK-BASED COMPENSATION

2011 Employee Equity Plan

In connection with the adoption of the Company's 2018 Omnibus Incentive Plan (the "2018 Plan") in August 2018, the Company ceased granting stock options under the Company's 2011 Employee Equity Plan (the "2011 Plan"). However, the 2011 Plan will continue to govern the terms and conditions of the outstanding stock options previously granted thereunder. Any shares of stock related to awards outstanding under the 2011 Plan that terminate by expiration, forfeiture, cancellation, or otherwise without the issuances of such shares will become available for grant under the 2018 Plan. Stock options granted under the 2011 Plan expire in five or ten years from the date of grant.

2018 Omnibus Incentive Plan

In August 2018, the Company's board of directors adopted, and its stockholders approved, the 2018 Plan, which allows for the granting of stock, stock options, and stock appreciation rights awards to employees, advisors and consultants. Stock options granted under the 2018 Plan may be either incentive stock options or non-statutory stock options. Incentive stock options may be granted to employees, advisors and consultants at exercise prices of no less than the fair value of the common stock on the grant date. If at the time of grant, the optionee owns stock representing more than 10% of the voting power of all classes of stock of the Company, the exercise price must be at least 110% of the fair value of the common stock on the grant date as determined by the board of directors. Non-

statutory stock options may be granted to employees, advisors and consultants at exercise prices of less than the fair market value of a share of common stock on the date the non-statutory stock option is granted but shall under no circumstances be less than adequate consideration as determined by the board of directors for such a share. The vesting period of stock option grants is determined by the board of directors, ranging from zero to eight years. Stock options granted under the 2018 Plan expire in five or ten years from the date of grant.

The Company initially reserved 425,000 shares of common stock for issuance, subject to certain adjustments, pursuant to awards under the 2018 Plan. Any shares of common stock related to awards outstanding under the 2011 Plan as of the effective date of the 2018 Plan, which thereafter terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares, will be added to, and included in, the number of shares of common stock available for grant under the 2018 Plan. In addition, effective January 1, 2020 and continuing until the expiration of the 2018 Plan, the number of shares of common stock available for issuance under the 2018 Plan will automatically increase annually by 2% of the total number of issued and outstanding shares of the Company's common stock as of December 31st of the immediately preceding year or such lesser number as the Company's board of directors may decide, which may be zero. Accordingly, on January 1, 2022, 616,022 additional shares of common stock became available for issuance under the 2018 Plan.

A summary of the Company's stock option activity and related information is as follows:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Balance as of January 1, 2022	1,154,563	$ 5.55	6.9	$ -
Granted	586,366	1.21		
Exercised	-	-		$ -
Forfeited	(6,135)	4.37		
Balance as of June 30, 2022	1,734,794	$ 4.08	7.5	$ 1
Exercisable as of June 30, 2022	966,089	$ 5.85	6.2	$ 1

The weighted-average grant date fair value of stock options granted to employees and directors for the six months ended June 30, 2022 and 2021 was $0.82 per share and $1.64 per share, respectively. The aggregate grant date fair value of stock options that vested during the six months ended June 30, 2022 and 2021 was $592,166 and $295,699, respectively.

The intrinsic value of stock options vested and exercisable and expected to vest and become exercisable is calculated based on the difference between the exercise price and the fair value of the Company's common stock as of June 30, 2022 and December 31, 2021. The intrinsic value of exercised stock options is the difference between the fair value of the underlying common stock and the exercise price as of the exercise date.

As of June 30, 2022 and December 31, 2021, total unrecognized compensation cost related to stock options granted to employees was $815,984 and $621,996, respectively, which is expected to be recognized over a weighted-average period of 2.4 and 2.1 years, respectively.

The grant date fair value of employee stock options was estimated using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Six Months Ended June 30,	
	2022	2021
Expected term (in years)	6.0	6.0
Expected volatility	75%	75%
Risk-free interest rate	2.3%	0.7%
Expected dividend yield	-%	-%

Total stock-based compensation expense recognized in the condensed consolidated statements of operations and comprehensive loss is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research and development	$ 55	$ 45	$ 97	$ 73
General and administrative	83	83	182	159
Total stock-based compensation expense	$ 138	$ 128	$ 279	$ 232

Note 13.INCOME TAXES

No provision for income taxes was recorded in either of the three or six month periods ended June 30, 2022 and 2021. The Company remains in a cumulative loss position with a full valuation allowance recorded against its net deferred income tax assets as of June 30, 2022.

The Company evaluates tax positions for recognition using a more-likely-than-not recognition threshold, and those tax positions eligible for recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon the effective settlement with a taxing authority that has full knowledge of all relevant information. As of June 30, 2022 and December 31, 2021, the Company had no unrecognized income tax benefits that would affect the Company's effective tax rate if recognized.

Note 14. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following weighted-average common stock equivalents were excluded from the calculation of diluted net loss per share for the periods presented as they had an anti-dilutive effect:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Options to purchase common stock	1,598,495	1,055,116	1,375,969	940,932
Contingently issuable common stock prior to exchange of Vaccinex Products, LP units	-	1,080,857	-	1,114,058
Contingently issuable common stock prior to exchange of VX3 units	-	1,142,474	-	1,225,751

Note 15. SEGMENT AND GEOGRAPHIC INFORMATION

The Company's chief operating decision maker, its Chief Executive Officer, reviews its operating results on an aggregate basis for purposes of allocating resources and evaluating financial performance. The Company has one business activity, the discovery and development of targeted biotherapeutics to treat serious diseases and conditions with unmet medical needs, and there are no segment managers who are held accountable for operations or operating results. Accordingly, the Company operates in one reportable segment. As of June 30, 2022 and December 31, 2021, all long-lived assets are located in the United States.

Note 16. RELATED PARTY TRANSACTIONS

As discussed in Note 8, the Company leases its facility from 1895 Management, Ltd., a New York corporation controlled by an entity affiliated with the Company's chairman and major stockholder of the Company. Rent expense incurred under the operating lease was $43,500 and $87,000 for each of the three and six month periods ended June 30, 2022 and 2021.

As discussed in Note 6, in November 2017, the Company entered into a research collaboration and license option agreement with Surface to identify and select antibodies against two target antigens, using the Company's proprietary technology as described in the agreement. J. Jeffrey Goater, a former member of the Company's board of directors, served as the Chief Business Officer of Surface at that time, and currently serves as the Chairman of the Board of Surface. During the three and six month periods ended June 30, 2022, the Company did not record any revenue related to its agreement with Surface. During the six months ended June 30, 2021, the Company recorded revenue related to this agreement of $850,000, all of which was for an exclusive product license. This agreement will expire upon the latest of the expiration of both research programs and all evaluation and testing periods.

On January 27, 2022, the Company entered into a stock purchase agreement (as amended, the "Stock Purchase Agreement") pursuant to which the Company agreed to issue and sell to the investors named therein an aggregate of 5,945,943 shares of common stock, par value $0.0001 per share, of the Company (the "Common Stock") at a purchase price of $1.11 per share. On January 31, 2022, the Stock Purchase Agreement was amended, pursuant to which the Company agreed to issue and sell to additional investors, and the additional investors (together with the original investor, the "investors") agreed to purchase from the Company, on the same terms and conditions, and aggregate of 2,801,801 shares of Common Stock. The closing of the sale of shares under the Stock Purchase Agreement ("the private placement") occurred on January 31, 2022, and the Company issued an aggregate of 8,747,744 shares of Common Stock with aggregate gross proceeds to the Company of approximately $9.7 million. The Company intends to use the net proceeds from the private placement to fund the ongoing development of its lead drug candidate, pepinemab, in cancer and neurodegenerative disease and for working capital and general corporate purposes.

Several of the investors are affiliated with directors or officers of the Company: Vaccinex (Rochester), L.L.C., which is controlled by Maurice Zauderer, Ph.D., the Company's president, chief executive officer and a member of its board of directors; Friedberg Global-Macro Hedge Fund Ltd., the investment manager of which is an entity controlled by Albert D. Friedberg, chairman of the Company's board of directors; FCMI Parent Co., which is controlled by Mr. Friedberg; and Benbow Estates Ltd., which is controlled by Jacob Frieberg, one of the Company's directors.

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

References in this Quarterly Report on Form 10-Q, or this Report, to the "Company," "we," "our," or "us" mean Vaccinex, Inc. and its subsidiaries except where the context otherwise requires You should read the following discussion and analysis of financial condition and results of operations together with our condensed consolidated financial statements and related notes included elsewhere in this Report, as well as the audited financial statements, related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations and other disclosures included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, or the Annual Report.

Cautionary Note Regarding Forward-Looking Statements

The following discussion and other parts of this Report contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations and intentions. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "intends" or "continue," or the negative of these terms or other comparable terminology. Forward-looking statements include, but are not limited to, statements about:

- our ability to continue as a going concern;
- the impacts of the COVID-19 pandemic on the expected timing and progress of our clinical trials, as well as other impacts of the COVID-19 pandemic on the economy, our industry, and our business, financial condition and results of operations, including our ability to raise capital;
- the sufficiency of the financing arrangements we have entered into, that is intended to fund our payroll and certain other operations for a limited period of time and our ability to service our outstanding debt obligations;
- our estimates regarding our expenses, future revenues, anticipated capital requirements and our needs for additional financing;
- the impact of inflation on our expenses and business;
- the implementation of our business model and strategic plans for our business and technology;
- the timing and success of the commencement, progress and receipt of data from any of our preclinical and clinical trials;
- our expectations regarding the potential safety, efficacy or clinical utility of our product candidates;
- the expected results of any clinical trial and the impact on the likelihood or timing of any regulatory approval;
- the difficulties in obtaining and maintaining regulatory approval of our product candidates;
- the rate and degree of market acceptance of any of our product candidates;
- the success of competing therapies and products that are or become available;
- regulatory developments in the United States and foreign countries;
- current and future legislation regarding the healthcare system;
- the scope of protection we establish and maintain for intellectual property rights covering our technology;
- developments relating to our competitors and our industry;
- our failure to recruit or retain key scientific or management personnel or to retain our executive officers;
- the performance of third parties, including collaborators, contract research organizations and third-party manufacturers;

- the development of our commercialization capabilities, including the need to develop or obtain additional capabilities; and
- our use of the proceeds from the offerings of our common stock.

Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. These statements are only current predictions and are subject to known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the risk factors identified in the "Risk Factors" section of this Report, and in Part I, Item 1A of the Annual Report, as well as in our other filings with the Securities and Exchange Commission, or SEC. The forward-looking statements speak only as of the date they were made. Except as required by law, after the date of this Report, we are under no duty to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise. We qualify all of our forward-looking statements by the foregoing cautionary statements.

Company Overview

We are a clinical-stage biotechnology company engaged in the discovery and development of targeted biotherapeutics to treat serious diseases and conditions with unmet medical needs, including cancer, neurodegenerative diseases, and autoimmune disorders. We believe we are the leader in the field of semaphorin 4D, or SEMA4D, biology and that we are the only company targeting SEMA4D as a potential treatment for cancer, neurodegenerative diseases, or autoimmune disorders. SEMA4D is an extracellular signaling molecule that regulates the migration of immune and inflammatory cells to sites of injury, cancer, or infection. We are leveraging our SEMA4D antibody platform and our extensive knowledge of SEMA4D biology to develop our lead product candidate, pepinemab, an antibody that we believe utilizes novel mechanisms of action. We are focused on developing pepinemab for the treatment of head and neck cancer (or "HNSCC"), Huntington's disease, and Alzheimer's disease. Additionally, third party investigators are studying pepinemab in integrated biomarker "window of opportunity" studies in head and neck cancer and melanoma. We have developed multiple proprietary platform technologies and are developing product candidates to address serious diseases or conditions that have a substantial impact on day-to-day functioning and for which treatment is not addressed adequately by available therapies. We employ our proprietary platform technologies, including through our work with our academic collaborators, to identify potential product candidates for sustained expansion of our internal product pipeline and to facilitate strategic development and commercial partnerships.

Our lead platform technologies include our SEMA4D antibody platform and our ActivMAb antibody discovery platform. Our lead product candidate, pepinemab, is currently in clinical development for the treatment of HNSCC, Huntington's disease, and Alzheimer's disease, through our efforts or through investigator-sponsored trials, or ISTs. We believe our multiple platform technologies position us well for continued pipeline expansion and partnership opportunities going forward.

We have generated a limited amount of service revenue from collaboration agreements but have not generated any revenue from product sales to date. We continue to incur significant development and other expenses related to our ongoing operations. As a result, we are not and have never been profitable and have incurred losses in each period since our inception. We reported a net loss of $5.4 million and $6.0 million for the three months ended June 30, 2022 and 2021, respectively, and a net loss of $9.9 and $12.5 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and December 31, 2021, we had cash and cash equivalents of $11.4 million and $8.6 million, respectively. We expect to continue to incur significant losses for the foreseeable future, and we expect these losses to increase as we continue our research and development of, and seek regulatory approvals for, our product candidates. We may also encounter unforeseen expenses, difficulties, complications, delays and other unknown factors, including as a result of the COVID-19 pandemic and inflation, which may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues, if any.

Our recurring net losses and negative cash flows from operations raised substantial doubt regarding our ability to continue as a going concern within one year after the issuance of our condensed consolidated financial statements. Until we can generate sufficient revenue from the commercialization of our product candidates, we expect to finance our operations through the public or private sale of equity, debt financings or other capital sources, such as government funding, collaborations, strategic alliances or licensing arrangements with third parties. For example, we have (i) entered into an Open Market Sale Agreement with Jefferies LLC, or Jefferies, and filed a related prospectus supplement pursuant to which we are able to issue and sell up $113.0 million of shares of our common stock through Jefferies as sales agent, and (ii) in January 2022 entered into a stock purchase agreement pursuant to which we agreed to issue and sell to the investors named therein an aggregate of 8,747,744 shares of our common stock, par value $0.0001 per share, at a purchase price of $1.11 per share with aggregate gross proceeds to us of approximately $9.7 million. During the six months ended June 30, 2022, 3,115,197 shares of our common stock were sold through the Open Market Sales Agreement for proceeds of $3,518,760, net of commission. Our cash and cash equivalents were $11.4 million and total current assets were $12.6 million at June 30, 2022, which will be insufficient to fund our planned operations through one year of the date that these condensed consolidated financial statements are available for issuance. See Note 1 of our unaudited condensed consolidated financial statements. There can be no assurances that we will be able to secure additional financing when needed, or if available, that it will be sufficient to meet our needs or on favorable terms.

In order to mitigate the spread of COVID-19, governments have at times imposed unprecedented restrictions on business operations, travel, and gatherings, resulting in a global economic downturn and other adverse economic and societal impacts, which has had an adverse impact on our strategic plans, certain of our clinical trial operations, and our ability to raise additional capital necessary to continue as a going concern. We had anticipated initiating a phase 1/2a trial of pepinemab in Alzheimer's disease in mid-2020 and commenced activating clinical sites to screen and enroll patients in the second quarter of 2021, which efforts continued into the second half of 2021 and are ongoing. In addition, as discussed above, to mitigate the impacts of the COVID-19 pandemic, including impacts on our ability to raise capital and to maintain its personnel, we applied for and received the PPP Loan. We may experience further disruptions as a result of the COVID-19 pandemic that could adversely impact our business, including disruption of research and clinical development activities, plans for release of data, manufacturing, supply, and interactions with regulators and other third parties, and further difficulties in raising additional capital. The extent to which the COVID-19 pandemic may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

Financial Overview

Revenue

To date, we have not generated any revenue from product sales. Our ability to generate revenue and become profitable depends on our ability to successfully obtain marketing approval of and commercialize our product candidates. We do not expect to generate product revenue in the foreseeable future as we continue our development of, and seek regulatory approvals for, our product candidates, and potentially commercialize approved products, if any.

Operating Expenses

Research and Development. Research and development expenses consist primarily of costs for our clinical trials and activities related to regulatory filings, employee compensation-related costs, supply expenses, equipment depreciation and amortization, consulting and other miscellaneous costs. The following table sets forth the components of our research and development expenses and the amount as a percentage of total research and development expenses for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
	(in thousands)	%	(in thousands)	%	(in thousands)	%	(in thousands)	%
Clinical trial costs	$ 2,153	56%	$ 2,215	54%	$ 3,553	52%	$ 5,905	62%
Wages, benefits, and related costs	1,129	29%	1,081	27%	2,155	32%	2,123	22%
Preclinical supplies and equipment depreciation	419	11%	498	12%	814	12%	1,001	10%
Consulting, non-clinical trial services, and other	142	4%	270	7%	287	4%	548	6%
Total research and development expenses	$ 3,843		$ 4,064		$ 6,809		$ 9,577	

We expense research and development costs as incurred. We record costs for certain development activities, such as clinical trials, based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment. We do not allocate employee-related costs, depreciation, rental and other indirect costs to specific research and development programs because these costs are deployed across multiple product programs under research and development.

Our current research and development activities primarily relate to clinical development in the following indications:

- **Cancer Studies.** We and others have shown that SEMA4D, the target of pepinemab, is highly expressed in head and neck cancer where it impedes recruitment and activation of cytotoxic T cells that can attack the tumor while also inducing differentiation of myeloid derived suppressor cells that inhibit any remaining tumoricidal immune activity. Head and neck cancer is, therefore, a cancer in which immunotherapy with pepinemab in combination with a checkpoint inhibitor such as KEYTRUDA could be uniquely effective. We have entered into a collaboration with Merck, who is supplying KEYTRUDA, for first-line treatment of up to 65 patients with recurrent or metastatic head and neck cancer. Pepinemab is also being evaluated by third parties in investigator-sponsored trials, or ISTs, and in multiple “window of opportunity” studies in additional cancer indications.
- **Alzheimer’s Disease.** Given the impact of the COVID-19 pandemic in 2020 and 2021, we delayed plans to initiate a clinical trial of pepinemab in Alzheimer’s disease until mid-2021. We have now initiated a randomized, double-blind, phase 1/2a study in 40 patients with mild AD.
- **Huntington’s Disease.** We evaluated pepinemab for the treatment of HD in our Phase 2 SIGNAL trial. Topline data for this trial, consisting of 265 subjects, was reported in late September 2020. Although the study did not meet its prespecified primary endpoints, it provided important new information, including evidence of cognitive benefit and a reduction in brain atrophy in patients with manifest disease symptoms. An improved study design would focus on patients with early signs of cognitive or functional deficits since they appeared to derive the greatest treatment benefit. The Company is evaluating its development strategy in terms of business opportunity and other near-term clinical activities.

Results of Operations

The following table set forth our results of operations for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ -	$ -	$ -	$ 850
Costs and expenses:				
Research and development	3,843	4,064	6,809	9,577
General and administrative	1,558	1,605	3,186	3,182
Total costs and expenses	5,401	5,669	9,995	12,759
Loss from operations	(5,401)	(5,669)	(9,995)	(11,909)
Interest expense	(1)	(351)	(2)	(683)
Other (expense) income, net	19	51	19	49
Loss before provision for income taxes	(5,383)	(5,969)	(9,978)	(12,543)
Provision for income taxes	-	-	-	-
Net loss attributable to Vaccinex, Inc.	$ (5,383)	$ (5,969)	$ (9,978)	$ (12,543)

Comparison of the Three Months Ended June 30, 2022 and 2021

Revenue

The Company did not record any revenue in the three months ended June 30, 2022 or 2021.

Operating Expenses

	Three Months Ended June 30,			
	2022	2021	$ Change	% Change
	(in thousands)			
Research and development	$ 3,843	$ 4,064	$ (221)	(5)%
General and administrative	1,558	1,605	(47)	(3)%
Total operating expenses	$ 5,401	$ 5,669	$ (268)	(5)%

Research and Development. Research and development expenses in the three months ended June 30, 2022 decreased by $0.2 million, or 5%, compared to the three months ended June 30, 2021. This decrease was primarily attributable to reduced clinical trial costs as a result of the completion of the SIGNAL-HD and CLASSICAL-Lung studies, partially offset by setup expenses for the SIGNAL-AD and HNSCC clinical trials.

General and Administrative. General and administrative expenses consist primarily of the necessary costs associated with maintaining the Company's daily operations and administration of the Company's business. Through our management we have made an effort to keep our general and administrative expenses consistent year to year. Despite the current inflationary environment, our general and administrative costs in the three months ended June 30, 2022 decreased by $47,000, or 3%, compared to the three months ended June 30, 2021.

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenue

The Company did not record any revenue during the six months ended June 30, 2022. The Company recorded $850,000 in revenue during the six months ended June 30, 2021, all of which was due to a product license fee from our collaboration agreement with Surface Oncology.

Operating Expenses

	Six Months Ended June 30,			
	2022	2021	$ Change	% Change
	(in thousands)			
Research and development	$ 6,809	$ 9,577	$ (2,768)	(29)%
General and administrative	3,186	3,182	4	0%
Total operating expenses	$ 9,995	$ 12,759	$ (2,764)	(22)%

Research and Development. Research and development expenses in the six months ended June 30, 2022 decreased by $2.8 million, or 29%, compared to the six months ended June 30, 2021. This decrease was primarily attributable to reduced clinical trial costs as a result of the completion of the SIGNAL-HD and CLASSICAL-Lung studies, partially offset by setup expenses for the SIGNAL-AD and HNSCC clinical trials, as well as due to a large drug production that was completed in the first half of 2021 with no comparable cost in the first half of 2022.

General and Administrative. General and administrative expenses consist primarily of the necessary costs associated with maintaining the Company's daily operations and administration of the Company's business. Through our management we have made an effort to keep our general and administrative expenses consistent year to year. Despite the current inflationary environment, our general and administrative costs in the six months ended June 30, 2022 were relatively flat, as compared to the six months ended June 30, 2021.

Liquidity and Capital Resources

To date, we have not generated any revenue from product sales. Our recurring net losses and negative cash flows from operations raised substantial doubt regarding our ability to continue as a going concern within one year after the issuance of our unaudited condensed consolidated financial statements. See Note 1 of our unaudited condensed consolidated financial statements. Since our inception in 2001, we have relied on public and private sales of equity and debt financing to fund our operations, in addition to capital contributions from noncontrolling interests and limited-service revenue from collaboration agreements.

In January 2022 we completed a private placement of our 8,747,744 shares of our common stock and received $9.7 million. We have entered into an Open Market Sale Agreement with Jefferies pursuant to which we may sell up to $113.0 million of shares of our common stock through Jefferies. During the first quarter of 2022, 3,115,197 shares were sold through the Open Market Sale Agreement for proceeds of $3.5 million, net of commission. During the first quarter of 2021, 5,937,900 shares were sold through the Open Market Sale Agreement for proceeds of $31.9 million, net of commission. No shares were sold through the Open Market Sale Agreement in the second quarter of 2022 or 2021.

In addition, on May 8, 2020, we received the PPP Loan in the amount of $1.1 million. During October 2021 through our intermediary lenders, the SBA communicated that it would grant forgiveness of $876,171 of the $1.1 million PPP Loan. The remaining balance of $257,429, along with applicable interest, will be amortized over the remaining term of the loan. We have extended the term of the PPP Loan to 5 years, as is currently permitted by the SBA, resulting in a maturity date of May 8, 2025.

In August 2020, we entered into a Securities Purchase Agreement, or the SPA, with 3i, as collateral agent and purchaser. Pursuant to the SPA, on August 3, 2020, we issued our Debenture in the principal amount of $8.64 million for gross proceeds of $8.0 million, which reflects an original issue discount of approximately 8%.

In August 2021, the Company made a payment of $2,755,895, representing all principal and interest due at maturity. The Company has no further obligation under the Debenture and incurred no early termination or prepayment penalties in connection with the repayment.

Operating Capital Requirements

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third-party research services and amounts due to vendors for research supplies. As of June 30, 2022 and December 31, 2021, our principal source of liquidity was cash and cash equivalents in the amount of $11.4 million and $8.6 million, respectively.

Since our inception in 2001, we have incurred significant net losses and negative cash flows from operations. For the three months ended June 30, 2022 and 2021, we reported a net loss of $5.4 million and $6.0 million, respectively, and $9.9 million and $12.5 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and December 31, 2021, we had an accumulated deficit of $309.8 million and $299.9 million, respectively. We anticipate that we will continue to generate losses for the foreseeable future, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our product candidates. We are subject to risks associated with the development of new biopharmaceutical products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors, including as a result of the COVID-19 pandemic, which may adversely affect our business.

Until we can generate a sufficient amount of revenue from the commercialization of our product candidates, we expect to finance our operations through the public or private sale of equity, debt financings, or other capital sources, such as government funding, collaborations, strategic alliances or licensing arrangements with third parties. We intend to use the net proceeds from our private placements, the agreements with Jefferies, and the funding we received and expect to receive in 2022 from the Alzheimer's Association and the ADDF to fund the ongoing development of pepinemab and for working capital and general corporate purposes.

Financing strategies we may pursue include, but are not limited to, the public or private sale of equity, debt financings or funds from other capital sources, such as government funding, collaborations, strategic alliances or licensing arrangements with third parties. There can be no assurances additional capital will be available to secure additional financing, or if available, that it will be sufficient to meet our needs on favorable terms. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development of one or more of our product candidates. If we raise additional funds through the public or private sale of equity or debt financings, it could result in dilution to our existing stockholders or increased fixed payment obligations and these securities may have rights senior to those of our common stock and could contain covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license our intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30,	
	2022	2021
	(in thousands)	
Cash used in operating activities	$ (10,329)	$ (14,096)
Cash used in investing activities	(52)	(22)
Cash provided by financing activities	13,192	25,907

Operating Activities. We have historically experienced negative cash flows as we have developed our product candidates and continued to expand our business. Our net cash used in operating activities primarily results from our net loss adjusted for non-cash expenses and changes in working capital components as we have continued our research and development and is influenced by the timing of cash payments for research related expenses. Our primary uses of cash from operating activities are compensation and related-expenses, employee-related expenditures, third-party research services and amounts due to vendors for research supplies. Our cash flows from operating activities will continue to be affected principally by the extent to which we increase spending on personnel, research and development and other operating activities as our business grows.

During the six months ended June 30, 2022 and 2021, operating activities used $10.3 million and $14.0 million, respectively, in cash, primarily as a result of our continued efforts of discovery and development of targeted biotherapeutics to treat serious diseases and conditions with unmet medical needs without any product revenue, resulting in a net loss of $9.9 million and $12.5 million, respectively.

Investing Activities. The investing activities during the six months ended June 30, 2022 and 2021, were due to purchases of property and equipment.

Financing Activities. During the six months ended June 30, 2022, financing activities provided a net of $13.2 million, of which $9.7 million was due to the private placement of common stock and $3.5 million, net of underwriting commissions and discounts was due to the issuance of the Company's common stock pursuant to the Open Market Sale Agreement. During the six months ended June 30, 2021, financing activities provided a net of $25.9 million, of which $31.9 million, net of underwriting commissions and discounts was due to the issuance of the Company's common stock pursuant to the Open Market Sale Agreement reduced by payments made under the Mandatory Redemption provision of the Debenture of $6.0 million.

JOBS Act Accounting Election

We are an "emerging growth company" within the meaning of the Jumpstart Our Business Startups Act or the JOBS Act. Section 107(b) of the JOBS Act provides that an emerging growth company can leverage the extended transition period, provided in Section 102(b) of the JOBS Act, for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. We have elected to use this extended transition period and, as a result, our condensed consolidated financial statements may not be comparable to companies that comply with public company effective dates of such accounting standards.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

There have been no material changes to our critical accounting policies and significant judgments as compared to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Impact of Recent Accounting Pronouncements

For a discussion on the impact of recent accounting pronouncements on our business, see Note 2 to our unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

With the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), our management evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of June 30, 2022, the end of the period covered by this Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2022, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1A. Risk Factors

An investment in our stock involves a high degree of risk. You should carefully consider the risks set forth in this section, and in Part I, Item 1A of the Annual Report on Form 10-K for the fiscal year ended December 31, 2021, and all of the other information set forth in this Report, the Annual Report, and in the other reports we file with the SEC. If any of the risks contained in those reports actually occur, our business, results of operation, financial condition, and liquidity could be harmed, the value of our securities could decline, and you could lose all or part of your investment. There have been no material changes from risk factors disclosed in the Annual Report. See the discussion of the Company's risk factors under Part I, Item 1A. of the Annual Report.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit No.	Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

* Filed or furnished herewith, as applicable.

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 thereunto duly authorized.

Vaccinex, Inc.
(Registrant)

August 15, 2022 By: /s/ Maurice Zauderer
Maurice Zauderer, Ph.D.
President & Chief Executive Officer
(Principal Executive Officer)

August 15, 2022 By: /s/ Scott E. Royer
Scott E. Royer, CFA, MBA
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Maurice Zauderer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended June 30, 2022 of Vaccinex, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 15, 2022

By: /s/ Maurice Zauderer

Maurice Zauderer, Ph.D.

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott E. Royer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended June 30, 2022 of Vaccinex, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 15, 2022

By: /s/ Scott E. Royer

Scott E. Royer

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Vaccinex, Inc., (the "Company") on Form 10-Q for the three months ended June 30, 2022 (the "Report"), I, Maurice Zauderer, Ph.D., President and Chief Executive Officer of the Company and Scott E. Royer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2022

By: /s/ Maurice Zauderer

Maurice Zauderer, Ph.D.
President and Chief Executive Officer

Dated: August 15, 2022

By: /s/ Scott E. Royer

Scott E. Royer
Chief Financial Officer