UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **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: 001-40886

Cognition Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-4365359**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

2500 Westchester Ave.
Purchase, NY 10577
(Address of Principal Executive Offices)

(412) 481-2210
(Registrant's telephone number)

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

Title of Each Class	**Trading symbol**	**Name of Exchange on which registered**
Common Stock, par value $0.001 per share	**CGTX**	**The Nasdaq Stock Market LLC**

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 4, 2022, there were 22,710,736 shares of the registrant's common stock issued and outstanding.

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Cautionary Note on Forward-Looking Statements

This Quarterly Report on Form 10-Q, or Quarterly Report, contains forward-looking statements concerning our business, operations and financial performance, as well as our plans, objectives and expectations for our business operations and financial performance and condition. All statements other than statements of historical or current facts included in this Quarterly Report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "design," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "positioned," "potential," "predict," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. In addition, statements that "we believe" or similar statements reflect our beliefs and opinions on the relevant subject. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed in, or implied by these, forward-looking statements and therefore, you should not unduly rely on such statements, including, but not limited to:

- our ability to raise additional capital to fund our operations and continue the development of our current and future product candidates;
- our ability to recruit and retain key members of management and other clinical and scientific personnel;
- the clinical nature of our business and our ability to successfully advance our current and future product candidates through our ongoing future clinical trials, preclinical studies and development activities;
- our ability to generate revenue from future product sales and our ability to achieve and maintain profitability;
- the accuracy of our projections and estimates regarding our expenses, capital requirements, cash utilization, and need for additional financing;
- the expected uses of the net proceeds from our initial public offering, or IPO, in October 2021, and our existing cash and cash equivalents and the sufficiency of such resources to fund our planned operations;
- the extent to which health epidemics and other outbreaks of communicable diseases, including the COVID-19 pandemic, geopolitical turmoil, including the ongoing conflict between Ukraine and Russia or increased trade restrictions between the United States, Russia, China, and other countries, social unrest, political instability, terrorism, or other acts of war could ultimately impact our business, including our ongoing and future clinical trials, preclinical studies and development activities;
- our dependence on developmental and regulatory success and commercialization of CT1812, our lead product candidate;
- the novelty of our approach to targeting the σ-2 (sigma-2) receptor, or S2R, complex to treat age-related degenerative diseases and disorders, and the challenges we will face due to the novel nature of such approach;
- the success of competing therapies that are or become available;
- the initiation, progress, success, cost, and timing of our ongoing and future clinical trials, preclinical studies and development activities;
- our ability to obtain and maintain regulatory clearance of CT1812 for approved investigational new drug, or IND, applications and any future IND applications for any of our other product candidates;
- the timing, scope and likelihood of regulatory filings and approvals, including final regulatory approval of our product candidates;

- the performance of third parties in connection with the development of our product candidates, including third parties conducting our future clinical trials as well as third-party suppliers and manufacturers;
- our ability to attract and retain strategic collaborators with development, regulatory, and commercialization expertise;
- our ability to successfully commercialize our product candidates and develop sales and marketing capabilities, if our product candidates are approved;
- the size and growth of the potential markets for our product candidates and our ability to serve those markets;
- regulatory developments and approval pathways in the United States and foreign countries for our product candidates;
- the potential scope and value of our intellectual property and proprietary rights;
- our ability, and the ability of any future licensors, to obtain, maintain, defend, and enforce intellectual property and proprietary rights protecting our product candidates, and our ability to develop and commercialize our product candidates without infringing, misappropriating, or otherwise violating the intellectual property or proprietary rights of third parties;
- developments relating to our competitors and our industry;
- economic uncertainty resulting from actual or perceived inflation; and
- other risk and uncertainties, including those described in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, or Annual Report, filed with the Securities and Exchange Commission, or SEC, on March 30, 2022, as supplemented by our subsequent Quarterly Reports on Form 10-Q.

We have based these forward-looking statements largely on our current expectations, estimates, forecasts, and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, and financial needs. In light of the significant uncertainties in these forward-looking statements, you should not rely upon forward-looking statements as predictions of future events. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in the forward-looking statements will be achieved or occur at all. You should refer to the section titled "Risk Factors" set forth in Part I, Item 1A of our Annual Report, as supplemented by our subsequent Quarterly Reports on Form 10-Q, for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

You should read this Quarterly Report completely and with the understanding that our actual future results may be materially different from what we expect. We intend the forward-looking statements contained in this Quarterly Report to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

COGNITION THERAPEUTICS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	As of	
	June 30, 2022 (unaudited)	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 45,771	$ 54,721
Grant receivables	3,295	1,799
Prepaid expenses and other current assets	1,677	2,005
Other receivables	—	467
Total current assets	50,743	58,992
Property and equipment, net	245	145
Right-of-use assets, operating leases	539	—
Other assets	1,285	—
Total assets	$ 52,812	$ 59,137
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	3,304	4,168
Accrued expenses	1,667	1,751
Deferred grant income, current	1,284	753
Operating lease liabilities, current	161	—
Other current liabilities	402	1,192
Total current liabilities	6,818	7,864
Operating lease liabilities, noncurrent	404	—
Deferred grant income and other liabilities, noncurrent	1,691	—
Total liabilities	8,913	7,864
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding at June 30, 2022 and December 31, 2021	—	—
Common stock, $0.001 par value, 250,000,000 shares authorized; 22,597,907 and 22,230,032 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	22	22
Additional paid-in capital	147,671	145,453
Accumulated deficit	(103,594)	(94,004)
Accumulated other comprehensive loss	(200)	(198)
Total stockholders' equity	43,899	51,273
Total liabilities and stockholders' equity	$ 52,812	$ 59,137

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

COGNITION THERAPEUTICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Expenses:				
Research and development	$ 9,098	$ 4,894	$ 15,616	$ 9,324
General and administrative	3,115	1,090	6,010	2,243
Total operating expenses	12,213	5,984	21,626	11,567
Loss from operations	(12,213)	(5,984)	(21,626)	(11,567)
Other income (expense):				
Grant income	6,385	4,646	12,289	9,338
Change in the fair value of the derivative liability	—	1,146	—	2,209
Change in the fair value of the Simple Agreements for Future Equity	—	(1,044)	—	(1,044)
Other (expense) income, net	(42)	103	(237)	248
Gain on debt extinguishment	—	—	—	443
Interest expense, net	(7)	(357)	(16)	(894)
Total other income, net	6,336	4,494	12,036	10,300
Loss before income tax	(5,877)	(1,490)	(9,590)	(1,267)
Income tax benefit	125	—	—	—
Net (loss) income	(5,752)	(1,490)	(9,590)	(1,267)
Cumulative preferred stock dividends	—	(1,339)	—	(2,467)
Net loss attributable to common stockholders	$ (5,752)	$ (2,829)	$ (9,590)	$ (3,734)
Unrealized gain (loss) on foreign currency translation	(3)	(1)	(2)	(6)
Total comprehensive (loss) income	$ (5,755)	$ (1,491)	$ (9,592)	$ (1,273)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.25)	$ (4.77)	$ (0.43)	$ (6.53)
Weighted-average common shares outstanding, basic and diluted	22,595,359	593,431	22,511,636	571,921

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

COGNITION THERAPEUTICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(unaudited)
(in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Balances as of December 31, 2021	22,230,032	$ 22	$ 145,453	$ (94,004)	$ (198)	$ 51,273
Exercise of stock options	348,552	—	303	—	—	303
Equity-based compensation	—	—	1,001	—	—	1,001
Other comprehensive loss	—	—	—	—	1	1
Net loss	—	—	—	(3,838)	—	(3,838)
Balances as of March 31, 2022	22,578,584	$ 22	$ 146,757	$ (97,842)	$ (197)	$ 48,740
Exercise of stock options	19,323	—	22	—	—	22
Equity-based compensation	—	—	892	—	—	892
Other comprehensive loss	—	—	—	—	(3)	(3)
Net loss	—	—	—	(5,752)	—	(5,752)
Balances as of June 30, 2022	22,597,907	$ 22	$ 147,671	$ (103,594)	$ (200)	$ 43,899

	Series A Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series A-2 Convertible Preferred Stock		Series B Convertible Preferred Stock		Series B-1 Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Gain	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balances as of December 31, 2020	2,819,027	$ 4,616	3,730,366	$ 5,398	3,565,063	$ 5,809	30,409,890	$39,547	—	$ —	538,793	$ 1	$ 222	$ (68,220)	$ (187)	$ (68,184)
Exercise of stock options	—	—	—	—	—	—	—	—	—	—	20,787	—	14	—	—	14
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	98	—	—	98
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(5)	(5)
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	223	—	223
Balances as of March 31, 2021	2,819,027	$ 4,616	3,730,366	$ 5,398	3,565,063	$ 5,809	30,409,890	$39,547	—	$ —	559,580	$ 1	$ 334	$ (67,997)	$ (192)	$ (67,854)
Exercise of common stock warrants	—	—	—	—	—	—	—	—	—	—	50,497	—	34	—	—	34
Equity-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	94	—	—	94
Issuance of Series B-1 Convertible Preferred Stock upon conversion of debt	—	—	—	—	—	—	—	—	10,926,089	29,391	—	—	(397)	(14,068)	—	(14,465)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1)	(1)
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,490)	—	(1,490)
Balances as of June 30, 2021	2,819,027	$ 4,616	3,730,366	$ 5,398	3,565,063	$ 5,809	30,409,890	$39,547	10,926,089	$29,391	610,077	$ 1	$ 65	$ (83,555)	$ (193)	$ (83,682)

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

COGNITION THERAPEUTICS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Six Months Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (9,590)	$ (1,267)
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	38	47
Equity-based compensation	1,893	192
Amortization of right-of-use assets	77	—
Amortization of debt issuance costs	—	31
Amortization of debt discount	—	352
Change in the fair value of the derivative liability	—	(2,209)
Change in the fair value of the Simple Agreements for Future Equity	—	1,044
Gain on debt extinguishment	—	(443)
Changes in operating assets and liabilities:		
Grant receivables	(1,496)	(1,700)
Prepaid expenses and other assets	(957)	(270)
Other receivables	467	289
Accounts payable	(864)	420
Accrued expenses	(84)	1,320
Deferred grant income, current and other liabilities	2,222	512
Operating lease liabilities	(51)	—
Net cash used in operating activities	(8,345)	(1,682)
Cash flows from investing activities:		
Payments for property and equipment	(138)	—
Net cash used in investing activities	(138)	—
Cash flows from financing activities:		
Proceeds from the exercise of common stock options	325	14
Payments on loan payable	(790)	—
Proceeds from issuance of Simple Agreements for Future Equity	—	8,942
Proceeds from exercise of stock warrants	—	34
Deferred offering costs	—	(1,189)
Net cash (used in) provided by financing activities	(465)	7,801
Effect of exchange rate changes on cash and cash equivalents	(2)	(8)
Net (decrease) increase in cash and cash equivalents	(8,950)	6,111
Cash and cash equivalents		
Cash and cash equivalents – beginning of period	54,721	5,189
Cash and cash equivalents – end of period	$ 45,771	$ 11,300
Supplemental disclosures of non-cash financing activities:		
Issuance of Series B-1 Convertible Preferred Stock upon conversion of debt	$ —	$ 29,391
Deferred offering costs included in accounts payable	$ —	$ 1,252

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

Cognition Therapeutics, Inc. and Subsidiary

Notes to Consolidated Financial Statements
(unaudited)
(in thousands, except share and per share amounts)

1. Description of Business and Financial Condition

Cognition Therapeutics, Inc. (the "Company") was incorporated as a Delaware corporation on August 21, 2007. The Company is a biopharmaceutical company developing disease modifying therapies for central nervous system ("CNS") disorders. The Company's pipeline candidates were discovered using proprietary biology and chemistry platforms designed to identify novel drug targets and disease-modifying therapies that address dysregulated pathways specifically associated with neurodegenerative diseases. The Company was founded on the unique combination of biological expertise around these targets, including proprietary assays that emphasize functional responses, and proprietary medicinal chemistry intended to produce novel, high-quality small-molecule drug candidates.

On July 14, 2015, the Company formed Cognition Therapeutics PTY LTD, as its wholly owned subsidiary (the "Subsidiary"), primarily for the purpose of conducting research and development efforts at facilities located in Australia. Assets and liabilities of the Subsidiary, which uses the Australian dollar as its local functional currency, are translated to United States (U.S.) dollars at year-end exchange rates. Income statement accounts are translated using the average exchange rates prevailing during the month in which income and expenses are generated. Translation adjustments are recorded to accumulated other comprehensive income (loss) ("AOCI") within stockholders' equity (deficit). Gains and losses from foreign currency transactions are included in net loss as a part of other income, net.

On October 13, 2021, the Company closed its initial public offering ("IPO") of 3,768,116 shares of the Company's common stock at a public offering price of $12.00 per share. The gross proceeds from the IPO, excluding the over-allotment exercise, were $45,217 and the net proceeds were approximately $37,909, after deducting underwriting discounts and commissions and other offering related expenses payable by the Company. Upon completion of the IPO, all of the Company's then outstanding preferred stock was automatically converted into an aggregate of 15,906,537 shares of common stock and an aggregate amount of $8,942 of simple agreements for future equity ("SAFEs") was automatically converted into an aggregate of 931,485 shares of common stock.

On November 10, 2021, the representative of the underwriters for the IPO provided notice to the Company that it had elected to exercise its over-allotment option in full to purchase 565,217 shares of the Company's common stock. The representative's exercise of the over-allotment option closed on November 12, 2021, resulting in gross proceeds of $6,783 and net proceeds to the Company of approximately $6,308, after deducting underwriting discounts and commissions and other offering related expenses.

The Company held cash and cash equivalents of $45,771 at June 30, 2022. The Company expects that its cash and cash equivalents, including the net proceeds from its IPO, will enable it to fund its operating expenses and capital expenditure requirements through at least the one year period subsequent to the filing date of this Quarterly Report on Form 10-Q. However, additional funding will be necessary beyond this point to fund the Company's future preclinical and clinical activities. The Company expects to finance its future cash needs through a combination of grant awards, equity or debt financings, collaboration agreements, strategic alliances and licensing arrangements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements as of June 30, 2022, and for the three and six months ended June 30, 2022 and 2021, have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of

the Company's management, the accompanying unaudited interim consolidated financial statements contain all adjustments that are necessary to present fairly the Company's financial position as of June 30, 2022, the statements of operations and comprehensive loss and convertible preferred stock and stockholders' equity (deficit) for the three and six months ended June 30, 2022 and 2021, and cash flows for the six months ended June 30, 2022 and 2021. Such adjustments are of a normal and recurring nature. The results for the three and six months ended June 30, 2022 are not necessarily indicative of the results for the year ending December 31, 2022, or for any future period. These interim financial statements should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2021, and the notes thereto, which are included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2022.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of interest-bearing deposits at various financial institutions. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Receivables

Grant Receivables

Grant receivables relate to outstanding amounts due for reimbursable expenditures of awarded grants issued by the National Institute of Health ("NIH") and are carried at their estimated collectible amounts. The Company expects all receivables to be collectible, and accordingly, there is no allowance for doubtful accounts required on these grant receivables.

Property and Equipment

Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful life of the asset. The Company estimates the useful life to be 5 and 6 years for equipment and furniture and fixtures, respectively. The cost of repairs and maintenance is charged to expense as incurred.

Property and equipment is evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. There were no indicators of impairment of long-lived assets during the three or six months ended June 30, 2022 or 2021.

Convertible Instruments

ASC 815, *Derivatives and Hedging Activities* ("ASC 815") requires companies to bifurcate certain conversion options and redemption features from their host instruments and account for them as freestanding derivative financial instruments should certain criteria be met.

The Company also follows ASC 480-10, *Distinguishing Liabilities from Equity* ("ASC 480-10") when evaluating the accounting for its hybrid instruments. A financial instrument that embodies an unconditional obligation, or a financial instrument other than an outstanding share that embodies a conditional obligation, that the issuer must or may

settle by issuing a variable number of its equity shares shall be classified as a liability (or an asset in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on any one of the following: (a) a fixed monetary amount known at inception; (b) variations in something other than the fair value of the issuer's equity shares; or (c) variations inversely related to changes in the fair value of the issuer's equity shares. Hybrid instruments meeting these criteria are not further evaluated for any embedded derivatives and are carried as a liability at fair value at each balance sheet date.

Grant income

For the three and six months ended June 30, 2022, the Company generated grant income of $6,385 and $12,289, respectively, primarily from reimbursements from the National Institute of Aging ("NIA"), a division of the NIH, for aging research. For the three and six months ended June 30, 2021, the Company generated grant income of $4,646 and $9,338, respectively, from reimbursements from the NIA. The Company records grant income in other income (expense) in the period in which the reimbursable research and development services are incurred and the right to payment is realized. The grants awarded relate to agreed upon direct and indirect costs for specific studies or clinical trials, which may include personnel and consulting costs, costs paid to contract research organizations ("CROs"), research institutions and/or consortiums involved in the grant, as well as facilities and administrative costs. These grants are cost plus fixed fee arrangements in which the Company is reimbursed for its eligible direct and indirect costs over time, up to the maximum amount of each specific grant award. Only costs that are allowable under the grant award, certain government regulations and the NIH's supplemental policy and procedure manual may be claimed for reimbursement, and the reimbursements are subject to routine audits from governmental agencies from time to time. Deferred grant income represents grant proceeds received by the Company prior to the period in which the reimbursable research and development services are incurred. As of June 30, 2022, the Company has been awarded grants with project periods that extend through May 31, 2025, subject to extension.

Research and Development Costs

The Company is involved in research and development aimed at the development of treatments for a variety of diseases related to the central nervous system, with a primary focus on Alzheimer's Disease, Dementia with Lewy Bodies and dAMD studies. Research and development costs are expensed as incurred. Research and development expenses consist principally of personnel costs, including salaries, stock-based compensation, and benefits for employees, third-party license fees and other operational costs related to our research and development activities, including allocated facility-related expenses and external costs of outside vendors, and other direct and indirect costs. Non-refundable research and development costs are deferred and expensed as the related goods are delivered or services are performed. Costs for external development activities are recognized based on an evaluation of the progress to completion of specific tasks. Costs for certain research and development activities are recognized based on the pattern of performance of the individual arrangements, which may differ from the pattern of billings incurred, and are reflected in the consolidated financial statements as prepaid expenses or as accrued research and development expenses.

Leases

The Company adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) using the optional transition method of the modified retrospective approach, as of January 1, 2022. Accordingly, prior periods will not be restated to reflect the adoption of the standard. The Company elected the practical expedient to not apply the recognition requirements in the leasing standards to short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that it is reasonably certain to exercise) and the practical expedient that permits lessees to make an accounting policy election (by class of underlying asset) to not separate lease components of a contract from non-lease components.

The Company determines if an arrangement is a lease at contract inception. The Company's contracts are determined to contain a lease when all of the following criteria based on the specific circumstances of the arrangement are met: (1) there is an identified asset for which there are no substantive substitution rights; (2) the Company has the right to obtain substantially all of the economic benefits from the identified asset; and (3) the Company has the right to direct the use of the identified asset.

At the commencement date, operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of future lease payments over the expected lease term. The Company's lease agreements do not provide an implicit rate. As a result, the Company utilizes an estimated incremental borrowing rate, or IBR, to discount lease payments, which is based on the rate of interest the Company would have to pay to borrow a similar amount on a collateralized basis over a similar term. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or lease incentives received. Operating lease cost is recognized over the expected term on a straight-line basis. Variable lease cost is recognized as incurred. The expected lease term for those leases commencing prior to January 1, 2022 did not change with the adoption of the new leasing standards.

As a result of the adoption of the new leasing standard, on January 1, 2022, the Company recorded a right-of-use asset of $616 and operating lease liabilities of $616. The adoption did not have a material impact on the condensed consolidated statement of operations or cash flows. For additional information on the adoption of the new leasing standard, refer to Note 6. The Company will continue to report financial information for fiscal years ended before December 31, 2021 under ASC 840.

Impact of Adoption of ASC 842 on the Consolidated Financial Statements

	Prior to adoption of new leasing standards	Adjustment for adoption of new leasing standards	As adjusted
Right-of-use assets (1)	$ —	$ 616	$ 616
Deferred rent (2)	$ 6	$ (6)	$ —
Operating lease liabilities (3)	$ —	$ 130	$ 130
Operating lease liabilities, net of current portion (3)	$ —	$ 486	$ 486

(1) Represents recognition of operating lease right-of-use assets.
(2) Represents reclassification of deferred rent to operating lease.
(3) Represents recognition of operating lease liabilities.

Equity-based Compensation

Following the provisions of ASC 718, *Compensation — Stock Compensation*, the Company recognizes compensation expense for equity-based grants using the straight-line attribution method, in which the expense is recognized ratably over the requisite service period within operating expenses based on the grant date fair value. The Company also has granted awards subject to performance-based vesting. The Company would recognize compensation expense for these awards commencing in the period in which the vesting condition becomes probable of achievement. Grant date fair value is estimated on the date of grant using the Black-Scholes option pricing model. Forfeitures are recognized in the period in which they occur.

Black-Scholes requires inputs based on certain subjective assumptions, including (i) the expected stock price volatility, (ii) the expected term of the award, (iii) the risk-free interest rate and (iv) expected dividends. Due to a lack of sufficient public market data for the Company's common stock and lack of company-specific historical and implied volatility data, the Company has based its computation of expected volatility on the historical volatility of a representative group of public companies with similar characteristics to the Company, including stage of product development and life science industry focus. The historical volatility is calculated based on a period of time commensurate with expected term assumption. The Company uses the simplified method to calculate the expected term for stock options granted to employees whereby the expected term equals the arithmetic average of the vesting term and the original contractual term of the stock options due to its lack of sufficient historical data. The risk-free interest rate is based on U.S. Treasury securities with a maturity date commensurate with the expected term of the associated award. The expected dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to pay any dividends on its common stock.

Prior to the IPO, due to the absence of an active market for the Company's common stock, the Company utilized methodologies in accordance with the framework of the American Institute of Certified Public Accountants Technical Practice Aid, *Valuation of Privately-Held Company Equity Securities Issued as Compensation*, to estimate the fair value of its common stock. In determining the exercise prices for stock options granted, the Company has considered the estimated fair value of the common stock as of the measurement date. The estimated fair value of the common stock has been determined at each grant date based upon a variety of factors, including the illiquid nature of the common stock, arm's-length sales of the Company's capital stock (including convertible preferred stock), the effect of the rights and preferences of the preferred stockholders and the prospects of a liquidity event. Among other factors are the Company's financial position and historical financial performance, the status of technological developments within the Company's research, the composition and ability of the current research and management team, an evaluation or benchmark of the Company's competition and the current business climate in the marketplace. Significant changes to the key assumptions underlying the factors used could result in different fair values of common stock at each valuation date. Subsequent to the IPO, the board of directors determines the fair value of the shares of common stock underlying the stock-based awards based upon the closing price as reported on the Nasdaq Global Market on the grant date.

Concentration of Credit Risk

The Company's financial instruments that are exposed to credit risks consist of cash and cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed the federally insured limit. The Company has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk related to these funds.

Fair Value of Financial Instruments

The Company applies ASC 820, *Fair Value Measurement* ("ASC 820"), which establishes a framework for measuring fair value and clarifies the definition of fair value within that framework. ASC 820 defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Company's principal or most advantageous market in an orderly transaction between market participants on the measurement date. The fair value hierarchy established in ASC 820 generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions that market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability and are to be developed based on the best information available in the circumstances.

The carrying value of the Company's cash and cash equivalents, grants receivable, prepaid expense, other receivables, other current assets, accounts payable, accrued expenses, deferred grant income, and other current liabilities approximate fair value because of the short-term maturity of these financial instruments. In addition, the Company records its derivative liability and SAFEs at fair value.

The valuation hierarchy is composed of three levels. The classification within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The levels within the valuation hierarchy are described below:

- Level 1 — Assets and liabilities with unadjusted, quoted prices listed on active market exchanges. Inputs to the fair value measurement are observable inputs, such as quoted prices in active markets for identical assets or liabilities.

- Level 2 — Inputs to the fair value measurement are determined using prices for recently traded assets and liabilities with similar underlying terms, as well as direct or indirect observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

- Level 3 — Inputs to the fair value measurement are unobservable inputs, such as estimates, assumptions, and valuation techniques when little or no market data exists for the assets or liabilities.

Net Loss Per Share Attributable to Common Stockholders

Basic net loss attributable to common shares is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during each period. Diluted net loss attributable to common shares includes the effect, if any, from the potential exercise or conversion of securities, such as convertible preferred stock and stock options, which would result in the issuance of incremental shares of common stock. For diluted net loss attributable to common stockholders, the weighted-average number of shares of common stock is the same for basic net loss attributable to common stockholders, due to the fact that when a net loss exists, dilutive securities are not included in the calculation as the impact is anti-dilutive. The Company's convertible preferred stock entitles the holder to participate in dividends and earnings of the Company, and, if the Company were to recognize net income, it would have to use the two-class method to calculate earnings per share. The two-class method is not applicable during periods with a net loss, as the holders of the convertible preferred stock have no obligation to fund losses.

Segments

The Company has determined that it operates and manages one operating segment, which is the business of developing and commercializing therapeutics. The Company's chief operating decision maker, its chief executive officer, reviews financial information on an aggregate basis for the purpose of allocating resources.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is (a) no longer an emerging growth company or (b) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, these consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The Company adopted ASU 2016-02 on January 1, 2022. For additional information on the adoption of the new leasing standards, please refer to section titled "Leases" above, and Note 6.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt – Modifications and Extinguishments (Subtopic 470-50), Compensation – Stock Compensation (Topic 718), and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)*: Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options. This ASU clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. ASU 2021-04 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted for all entities. The Company adopted ASU 2021-04 as of the reporting period beginning January 1, 2022. The adoption of this update did not have a material effect on the Company's financial statements.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832)*: Disclosures by Business Entities about Government Assistance. This ASU increases the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. The disclosure requirements can be applied either retrospectively or prospectively to

all transactions in the scope of the amendments that are reflected in the financial statements at the date of initial application and new transactions entered into after the date of initial application. The Company adopted ASU 2021-10 prospectively as of the reporting period beginning January 1, 2022. The adoption of this update and the additional annual disclosure requirements are not expected to have a material effect on the Company's financial statements.

Reverse Stock Split

In July 2021, the Company's board of directors approved an amendment to the Company's second amended and restated certificate of incorporation to effect a 1-for-3.2345 reverse stock split of the Company's common stock, which was effected on October 1, 2021 with a filing made with the Secretary of State of the State of Delaware. Stockholders entitled to fractional shares as a result of the reverse stock split received a cash payment in lieu of receiving fractional shares. The par value of the common stock was not adjusted as a result of the reverse stock split. Shares of common stock underlying outstanding stock options and other equity instruments were proportionately reduced and the respective exercise prices, if applicable, were proportionately increased in accordance with the terms of the appropriate securities agreements. Shares of common stock reserved for issuance upon the conversion of our convertible preferred stock were proportionately reduced and the respective conversion prices were proportionately increased. All shares of common stock and per share data have been retrospectively revised to reflect the reverse stock split.

Income taxes

In accordance with ASC 270, *Interim Reporting*, and ASC 740, *Income Taxes*, the Company is required at the end of each interim period to determine the best estimate of its annual effective tax rate, apply that rate in providing for income taxes on a current year-to-date (interim period) basis, and include the tax impact for discrete items within the interim period. The Company maintains a full valuation allowance against all deferred tax assets as of June 30, 2022 and December 31, 2021, as management has determined that it is not more likely than not that the Company will realize these future tax benefits. As of June 30, 2022 and December 31, 2021, the Company had no uncertain tax positions.

3. Financial Instruments and Fair Value Measurements

Financial assets and liabilities measured at fair value are summarized below:

	As of June 30, 2022			
	Quoted Priced in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ 43,523	$ —	$ —	$ 43,523
Total assets	$ 43,523	$ —	$ —	$ 43,523

	As of December 31, 2021			
	Quoted Priced in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ 46,687	$ —	$ —	$ 46,687
Total assets	$ 46,687	$ —	$ —	$ 46,687

The following table sets forth a summary of the changes in fair value of the Level 3 liabilities for the six months ended June 30, 2021:

	Six Months Ended June 30, 2021		
	SAFE	Derivative Liability	Total
Balance at December 31, 2020	$ —	$ 2,209	$ 2,209
Fair value recognized upon the issuance of SAFE	8,942	—	8,942
Change in the fair value of the derivative liability	—	(2,209)	(2,209)
Change in the fair value of SAFE	1,044	—	1,044
Balance at June 30, 2021	$ 9,986	$ —	$ 9,986

Derivative Liability — The Company recognizes derivative liabilities as a result of the issuance of the convertible notes that contain conversion and redemption features that are required to be bifurcated. The fair value measurement of the derivative liability is classified as Level 3 under the fair value hierarchy as it has been valued using certain unobservable inputs. These inputs include: (1) probability of occurrence of future events (such as a qualified financing or a sale), and (2) discount rate for implied return required by investor. Significant increases or decreases in any of those inputs in isolation could result in a significantly lower or higher fair value measurement.

The fair value of the derivative liability was determined by calculating the fair value of the notes with the conversion and redemption features as compared to the fair value of the notes without such features, with the difference representing the value of the conversion and redemption features, or the derivative liability. The conversion and redemption features are measured at fair value as of each reporting date and the change in the fair value for the period is recorded in the consolidated statements of operations as a change in the fair value of the derivative liability. The fair value of the derivative liability is based on Level 3 unobservable inputs. Changes in fair value are recognized as a gain or loss within other income (expense) on the consolidated statements of operations and comprehensive loss. The derivative liability expired unexercised upon the conversion of the convertible notes into shares of the Series B-1 convertible preferred stock in May of 2021.

Simple Agreements for Future Equity — On March 25, 2021, the Company entered into SAFEs with existing investors, pursuant to which the Company received gross proceeds in an aggregate amount equal to $8,942. The fair value of the SAFE liability is estimated using a fair value model that includes inputs such as: (1) probability of occurrence of future events (such as a change of control or public offering), and (2) discount rate for implied return required by investor.

The fair value of the SAFEs was determined using a probability weighted expected return method (PWERM), in which the probability and timing of potential future events is considered in order to estimate the fair value of the SAFEs as of each valuation date. Management determined the fair value of the SAFEs using the following significant unobservable inputs:

	June 30, 2021	March 25, 2021 (Issuance)
Expected term (in years)	0.17	0.35
Discount upon conversion	20.0%	20.0%
Discount upon implied return	18.9%	18.9%
Probability of IPO occurrence	45.0%	45.0%
Probability of dissolution event occurrence	15.0%	15.0%
Probability of equity financing occurrence	37.0%	37.0%
Probability of change of control occurrence	3.0%	3.0%

The change in fair value of the SAFEs for the three and six months ended June 30, 2021 was $1,044 and $1,044, respectively.

In addition, the Company recorded the Series B-1 convertible preferred stock within mezzanine equity at fair value on the date of issuance, May 1, 2021. This non-recurring fair value measure was based on level 3 unobservable inputs.

4. Accrued Expenses

Accrued expense consists of the following as of:

	As of	
	June 30, 2022	December 31, 2021
Employee compensation, benefits, and related accruals	$ 748	$ 1,285
Research and development costs	555	250
Professional fees	338	216
Other accrued	26	—
Total	$ 1,667	$ 1,751

5. Other Current Liabilities

In October 2021, the Company entered into an insurance premium financing agreement with a lender. Under the agreement, the Company financed $1,453 of certain premiums at a 3.25% annual interest rate. Payments of approximately $134 are due monthly from October 2021 through September 2022. As of June 30, 2022 and December 31, 2021, the outstanding principal of the loan was $401 and $1,191, respectively, and is included in other current liabilities on the consolidated balance sheet.

6. Commitments and Contingencies

Operating Leases

The Company's corporate headquarters is located in Purchase, New York where we currently occupy 2,864 square feet of office space under a lease that expires in May, 2029. The Company also leases approximately 6,068 square feet of laboratory and office space located in Pittsburgh, Pennsylvania under leases that expire in June, 2023.

Amounts reported in the consolidated balance sheets for leases where the Company is the lessee as of June 30, 2022 were as follows, in thousands:

	As of June 30, 2022
Assets	
Operating lease assets	$ 539
Total operating lease assets	$ 539
Liabilities	
Current	
Operating lease liabilities	$ 161
Noncurrent	
Operating lease liabilities, net of current	404
Total operating lease liabilities	$ 565

The following table summarizes operating lease costs for the three and six months ended June 30, 2022:

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Operating lease costs	$ 49	$ 99
Variable lease costs	—	—
Total lease costs	$ 49	$ 99

Rent expense for the three and six months ended June 30, 2021 was $48 and $82, respectively.

The maturities of the operating lease liabilities and minimum lease payments as of June 30, 2022 were as follows:

For the Years Ended December 31,	Operating Leases
2022 (remaining)	$ 99
2023	140
2024	82
2025	84
Thereafter	298
Total undiscounted lease payments	$ 703
Less: Imputed interest	(138)
Present value of operating lease liabilities	$ 565

The following table summarizes the lease term and discount rate as of June 30, 2022:

		As of June 30, 2022
Weighted-average remaining lease term (years)		
	Operating leases	5.7
Weighted-average discount rate		
	Operating leases	8.0%

The following table summarizes cash paid for amounts included in the measurement of the Company's operating lease liabilities for the three and six months ended June 30, 2022:

Six Months Ended June 30, 2022		Amounts (in thousands)
Operating cash flows used for operating leases	$	73

Litigation and Contingencies

From time to time, the Company may be involved in disputes or regulatory inquiries that arise in the ordinary course of business. When the Company determines that a loss is both probable and reasonably estimable, a liability is recorded and disclosed if the amount is material to the financial statements taken as a whole. When a material loss contingency is only reasonably possible, the Company does not record a liability but instead discloses the nature and the amount of the claim and an estimate of the loss or range of loss, if such an estimate can reasonably be made.

As of June 30, 2022 and December 31, 2021, there was no litigation or contingency with at least a reasonable possibility of a material loss.

7. Equity-based Compensation

2021 Equity Incentive Plan

On October 7, 2021, the date upon which the Registration Statement on Form S-1 in connection with the IPO was declared effective, the Company's 2021 Equity Incentive Plan (the "2021 Plan") became effective. On the same date, the Company ceased granting awards under its 2017 Equity Incentive Plan (the "2017 Plan"). The 2021 Plan authorizes the award of both equity-based and cash-based incentive awards, including: (i) stock options (both incentive stock options and nonqualified stock options), (ii) stock appreciation rights, (iii) restricted stock awards, (iv) restricted stock units, or

RSUs, and (v) cash or other stock-based awards. Incentive stock options may be granted only to employees. All other types of awards may be issued to employees, directors, consultants, and other service providers.

As of June 30, 2022, the aggregate number of shares of common stock of the Company that may be issued under the Plan is 3,480,014. The number of shares reserved for issuance under the 2021 Plan increased automatically on January 1, 2022 pursuant to an evergreen provision therein by 1,111,502 shares, representing 5% of total common shares outstanding at December 31, 2021. The aggregate number of shares will increase each anniversary of such date prior to the termination of the 2021 Plan, equal to the lesser of (i) 5% of our shares of common stock issued and outstanding on the last day of the immediately preceding fiscal year and (ii) such smaller number of shares as determined by the Company's board of directors or the compensation committee. No more than 7,543,185 shares of common stock may be issued under the 2021 Plan through incentive stock options. Shares subject to the 2017 Plan or the 2007 Equity Incentive Plan (the "2007 Plan" and collectively with the 2017 Plan, the "Prior Plans") that expire, terminate or are cancelled or forfeited for any reason after the effectiveness of the 2021 Plan will be added (or added back) to the shares available for issuance under the 2021 Plan. The total number of shares underlying the Prior Plan awards that may be recycled into the 2021 Plan will not exceed 4,334,131 shares.

2017 Equity Incentive Plan

On September 15, 2017, the Company's board of directors approved the 2017 Plan, which provides for the granting of incentive stock options, non-qualified stock options and stock awards to employees, certain consultants and directors. The Board, or its designated committee, has the sole authority to select the individuals to whom awards are granted and determine the terms of each award, including the number of shares and the schedule upon which the award becomes exercisable. Upon the effectiveness of the 2021 Plan, no further awards will be granted under the 2017 Plan.

The aggregate number of shares of common stock of the Company that may be issued under the 2017 Plan is 4,334,131 (taking into account shares of common stock that may become issuable pursuant to Section 3(b) of the 2017 Plan in respect of shares of common stock reserved under the Company's Amended and Restated 2007 Equity Incentive Plan). The 2021 Plan allows for a provision for shares granted under the Prior Plans which are cancelled, forfeited, exchanged or surrendered without having been exercised to subsequently be available for reissuance under the 2021 Plan.

Employee Stock Purchase Plan

The Company's board of directors approved the Employee Stock Purchase Plan (the "ESPP") prior to the closing of the IPO. Under the ESPP, the Company may provide employees and employees of the Subsidiary with an opportunity to purchase shares of the Company's common stock at a discounted purchase price. As of June 30, 2022, subject to adjustment as provided in the ESPP, a total of 209,532 shares of common stock are authorized and reserved for issuance under the ESPP.

Subject to prior approval by the board of directors in each instance, on or about January 1, 2022 and each anniversary of such date thereafter prior to the termination of the ESPP, the number of shares of common stock authorized and reserved for issuance under the ESPP will be increased by a number of shares of common stock equal to the least of (i) 1,000,000 shares of the Company's common stock, (ii) 1% of the shares of common stock outstanding on the final day of the immediately preceding calendar year, and (iii) such smaller number of shares of common stock as determined by the Company's board of directors. Such shares of common stock may be newly issued shares, treasury shares or shares acquired on the open market. In the event that any dividend or other distribution (whether in the form of cash, our common stock, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, or exchange of common stock or other securities, or other change in the structure affecting common stock occurs, then in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the ESPP, the compensation committee will, in such manner as it deems equitable, adjust the number of shares and class of common stock that may be delivered under the ESPP, the purchase price per share and the number of shares covered by each outstanding option under the ESPP, and the numerical limits described above.

Equity-based Compensation

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Six Months Ended June 30,	
	2022	2021
Fair value of common stock	$1.92 – $3.05	$1.75 – $6.15
Expected volatility	91.09% – 92.72%	100.82% – 101.83%
Risk-free interest rate	1.87% – 3.25%	0.67% – 1.06%
Dividend yield	0.00%	0.00%
Expected term (years)	5.50 – 6.08	5.00 – 6.22

Expected Term — The expected term represents the period that the stock-based awards are expected to be outstanding. As the Company does not have sufficient historical experience for determining the expected term of the stock option awards granted, expected term has been calculated using the simplified method.

Risk-Free Interest Rate — The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury constant maturity notes with terms approximately equal to the stock-based awards' expected term.

Expected Volatility — Up until October 13, 2021, the Company was privately held and did not have a trading history of common stock. As such, the expected volatility was derived from the average historical stock volatilities of the common stock of several public companies within the industry that the Company considers to be comparable to our business over a period equivalent to the expected term of the stock-based awards. The Company will continue to derive expected volatility from average historical stock volatilities of industry peers until the Company has compiled a trading history of its own for a sufficient period of time.

Dividend Yield — The expected dividend yield is zero as the Company has not paid and does not anticipate paying any dividends in the foreseeable future.

Fair Value of Common Stock — Prior to the IPO, the fair value of the shares of common stock underlying the stock-based awards had historically been determined by the board of directors with input from management. Because there was no public market for the common stock, the board of directors had determined the fair value of the common stock at the time of grant of the stock-based award by considering a number of objective and subjective factors, including having contemporaneous valuations of the common stock performed by a third-party valuation specialist. Subsequent to the IPO, the board of directors will determine the fair value of the shares of common stock underlying the stock-based awards based off of the closing price as reported on the Nasdaq Stock Market LLC on the grant date.

Activity for options was as follows:

	Options Outstanding			
	Number of Options	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in 000's)	Weighted Average Remaining Contractual Life (In Years)
Balance, December 31, 2021	5,640,438	$ 4.19	$ 12,002	8.0
Options granted	426,575	$ 2.52		
Options exercised	(367,875)	$ 0.89		
Options forfeited	(422,870)	$ 5.49		
Options expired	(41,737)	$ 0.87		
Balance, June 30, 2022	5,234,531	$ 4.26	$ 3,720	7.1
Exercisable as of June 30, 2022	3,350,614	$ 3.02	$ 3,125	6.1
Vested and expected to vest as of June 30, 2022	5,234,531	$ 4.26	$ 3,720	7.1

The weighted-average grant date fair value of stock options granted was $2.00 and $2.52 during the three and six months ended June 30, 2022, respectively. The weighted-average grant date fair value of stock options granted was $1.19 and $1.39 during the three and six months ended June 30, 2021, respectively. There were 214,125 and 426,575 stock options granted at an aggregate fair value of $429 and $1,077 for the three and six months ended June 30, 2022, respectively. There were 11,593 and 67,232 stock options granted at an aggregate fair value of $14 and $91 for the three and six months ended June 30, 2021, respectively. During the three and six months ended June 30, 2022 there were 19,321 and 367,875 stock options exercised, respectively, with an aggregate grant date fair value of $22 and $327, respectively. During the three and six months ended June 30, 2021 there were 0 and 20,787 stock options exercised, respectively, with an aggregate grant date fair value of $0 and $11, respectively. The intrinsic value of stock options exercised during the three and six months ended June 30, 2022 was $36 and $1,121, respectively, and was $0 and $114 for the three and six months ended June 30, 2021, respectively.

The Company recorded total equity-based compensation expense in the statement of operations and comprehensive loss related to stock options as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research and development	$ 82	$ 13	$ 316	$ 34
General and administrative	810	81	1,577	158
Total equity-based compensation	$ 892	$ 94	$ 1,893	$ 192

As of June 30, 2022, total future compensation expense related to unvested awards yet to be recognized by the Company was $9,025, which is expected to be recognized over a weighted-average remaining vesting period of approximately 2.5 years.

8. Net Loss per Share

The following outstanding potentially dilutive common stock equivalents have been excluded from the calculation of diluted net loss per share attributable to common stockholders for the periods presented due to their antidilutive effect:

	June 30,	
	2022	2021
Options issued and outstanding	5,234,531	4,359,575
Convertible preferred stock (as converted)	—	15,906,537
Warrants for common stock	—	150,634
Total	5,234,531	20,416,746

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

The following discussion and analysis of our financial conditions and results of operations should be read together with our consolidated financial statements and related notes appearing elsewhere in this Quarterly Report and our audited financial statements and notes thereto as of and for the years ended December 31, 2021 and 2020 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, including Contractual Obligations, included in our Annual Report filed with the SEC on March 30, 2022. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Our actual results may differ materially from those discussed below. Please see "Special Note Regarding Forward-Looking Statements" and "Risk Factors" included in Part I, Item 1A of our Annual Report for factors that could cause or contribute to such differences.

Overview

We are a clinical-stage biopharmaceutical company engaged in the discovery and development of innovative, small molecule therapeutics targeting age-related degenerative diseases and disorders of the central nervous system, or CNS, and retina. Currently available therapies for these diseases are limited, with many diseases having no approved therapies or treatments. Our goal is to develop disease modifying treatments for patients with these degenerative disorders by initially leveraging our expertise in the S2R, which is expressed by multiple cell types, including neuronal synapses, and acts as a key regulator of cellular damage commonly associated with certain age-related degenerative diseases of the CNS and retina. We believe that targeting the S2R complex represents a mechanism that is functionally distinct from other current approaches in clinical development for the treatment of degenerative diseases.

In August 2022, at the Alzheimer's Association International Conference (AAIC), we presented a proteomic analysis of clinical biomarker data from all participants enrolled in our SPARC study for whom end-of-study (at six months) and baseline cerebrospinal fluid samples were available (n=18). The SPARC study (COG0105) enrolled 23 individuals with mild-to-moderate Alzheimer's disease, or AD, who were randomized to receive oral once-daily treatment with CT1812 or placebo for six months. The analyses demonstrated the effect of CT1812 on multiple priority AD biomarkers, including YKL-40, a biomarker of inflammation, which is upregulated in AD. Participants treated with CT1812 exhibited a downward shift in YKL-40 towards levels observed in healthy, non-demented individuals, supporting a potential positive impact of CT1812 on disease biology. In addition, CT1812 had a significant impact on CSF levels of clusterin (CLU), which has been identified as a genetic risk factor for AD by several independent, large-scale genome-wide association studies (GWAS). We believe the analytic results support the proposed synaptoprotective mechanism of action of CT1812 and role in normalizing cellular processes known to be adversely disrupted in AD.

Since our inception in 2007, we have incurred significant operating losses and devoted substantially all of our time and resources to developing our lead product candidate, CT1812, building our intellectual property portfolio, raising capital and recruiting management and technical staff to support these operations. As of June 30, 2022, we had an accumulated deficit of $103.6 million. We incurred a net loss of $5.8 million and $9.6 million for the three and six months ended June 30, 2022, respectively, and net loss of $1.5 million and $1.3 million for the three and six months ended June 30, 2021, respectively.

To date, we have funded our operations primarily with proceeds from grants awarded by the National Institute of Aging, or NIA, a division of the National Institutes of Health, or NIH, and proceeds from our IPO, the sales of our convertible promissory notes, convertible preferred stock, simple agreements for future equity, or SAFEs, and stock option exercises. Since our inception, we have received approximately $168.9 million in cumulative grant awards to fund our clinical trials, primarily from the NIA, and we have raised approximately $102.0 million in net proceeds from sales of our equity securities, convertible notes, SAFEs, stock option exercises, and our IPO. As of June 30, 2022, we had cash and cash equivalents of $45.8 million.

On October 13, 2021, we completed our IPO, pursuant to which we issued and sold 3,768,116 shares of our common stock at a public offering price of $12.00 per share. Additionally, on November 12, 2021, the underwriters exercise of their over-allotment option in full to purchase 565,217 shares of our common stock closed. In connection

with the IPO, we received net proceeds of approximately $44.2 million, after deducting underwriting discounts and commissions and other offering related expenses payable by us, which includes net proceeds of approximately $6.3 million from the exercise of the over-allotment option. We expect to continue to incur significant and increasing expenses and net losses for the foreseeable future, as we advance our current and future product candidates through preclinical and clinical development, manufacture drug product and drug supply, seek regulatory approval for our current and future product candidates, maintain and expand our intellectual property portfolio, hire additional research and development and business personnel and operate as a public company. We will not generate revenue from product sales unless and until we successfully complete clinical development and obtain regulatory approval for our product candidates. In addition, if we obtain regulatory approval for our product candidates and do not enter into a third-party commercialization partnership, we expect to incur significant expenses related to developing our commercialization capability to support product sales, marketing, manufacturing and distribution activities.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of public or private equity offerings, debt financings or other sources, such as potential collaboration agreements and strategic alliances, licensing or similar arrangements with third parties. To the extent available, we expect to continue our pursuit of non-dilutive research contributions, or grants, including additional NIA grant funding. However, we may fail to receive additional NIA grants, or we may be unable to raise additional funds or enter into such other agreements or arrangements when needed on acceptable terms, or at all. Our failure to obtain additional NIA grants or raise capital or enter into such agreements as and when needed could have a material adverse effect on our business, results of operations and financial condition.

Because of the numerous risks and uncertainties associated with product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to raise capital, maintain our research and development efforts, expand our business or continue our operations at planned levels, and as a result we may be forced to substantially reduce or terminate our operations.

We do not own or operate manufacturing facilities. We rely, and expect to continue to rely, on third parties for the manufacture of CT1812 for preclinical studies and clinical trials, as well as for commercial manufacture if CT1812 obtains marketing approval. We also rely, and expect to continue to rely, on third parties to manufacture, package, label, store, and distribute CT1812, if marketing approval is obtained. We believe that this strategy allows us to maintain a more efficient infrastructure by eliminating the need for us to invest in our own manufacturing facilities, equipment, and personnel while also enabling us to focus our expertise and resources on the development of CT1812.

Impact of COVID-19 on Our Business

Our business has been and could continue to be adversely affected by the effects of the ongoing COVID-19 pandemic, including, but not limited to, our clinical trials. For example, the COVID-19 pandemic may impact patient enrollment in our ongoing and future clinical trials of CT1812. In particular, some sites have in the past or may in the future pause enrollment to focus on, and direct resources to, COVID-19, while at other sites, patients may choose not to enroll or continue participating in the clinical trial as a result of the pandemic. In addition, patient visits to medical providers in the United States have slowed as a result of the COVID-19 pandemic. Further, according to the Centers for Disease Control and Prevention, people who have serious chronic medical conditions are at higher risk of getting very sick from COVID-19. As a result, potential patients in our ongoing and future clinical trials of CT1812 may choose to not enroll, not participate in follow-up clinical visits or drop out of the trial as a precaution against contracting COVID-19. Further, some patients may not be able or willing to comply with clinical trial protocols if quarantines impede patient movement or interrupts healthcare services.

Our ongoing or planned clinical trials may also be impacted by interruptions or delays in the operations of the FDA and comparable foreign regulatory authorities. For example, we have made certain adjustments to the operation of our trials in an effort to ensure the monitoring and safety of patients and minimize risks to trial integrity during the pandemic in accordance with the guidance issued by the FDA and may need to make further adjustments in the future. We have

also initiated our clinical trial protocols to enable remote visits to mitigate any potential impacts as a result of the COVID-19 pandemic. Many of these adjustments are new and untested, may not be effective, may affect the integrity of data collected, and may have unforeseen effects on the progress and completion of our clinical trials and the findings from such clinical trials.

The spread of COVID 19, including the spread of new strains and variants of COVID-19, and actions taken to reduce such spread may also materially affect us economically. While the potential economic impact brought by, and the duration of, the COVID 19 pandemic may be difficult to assess or predict, there could be a significant disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity and financial position. In addition, the trading prices for other pharmaceutical companies have been highly volatile as a result of the COVID 19 pandemic. As a result, we may face difficulties raising capital through sales of our common stock or such sales may be on unfavorable terms.

Components of Our Results of Operations

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of direct and indirect costs incurred for our research activities, including development of our drug discovery efforts and the development of our product candidates. Direct costs include laboratory materials and supplies, contracted research and manufacturing, clinical trial costs, consulting fees, and other expenses incurred to sustain our research and development program. Indirect costs include personnel-related expenses, consisting of employee salaries, related benefits, and stock-based compensation expense for employees engaged in research and development activities, facilities, and other expenses consisting of direct and allocated expenses for rent and depreciation, and lab consumables.

We expense research and development costs as incurred. Non-refundable advance payments for goods and services that will be used over time for research and development are capitalized and recognized as goods are delivered or as the related services are performed. In-licensing fees and other costs to acquire technologies used in research and development that have not yet received regulatory approval and that are not expected to have an alternative future use are expensed when incurred. We track direct costs by stage of program, clinical or preclinical. However, we do not track indirect costs on a program specific basis because these costs are deployed across multiple programs and, as such, are not separately classified.

We cannot reasonably determine the nature, timing, and estimated costs of the efforts that will be necessary to complete the development of, and obtain regulatory approval for, any of our product candidates. Product candidates in later stages of development generally have higher development costs than those in earlier stages. We expect that our research and development expenses will increase substantially for the foreseeable future as we continue to invest in research and development activities related to developing our product candidates, as our product candidates advance into later stages of development, as we begin to conduct larger clinical trials, as we seek regulatory approvals for any product candidates that successfully complete clinical trials, as we expand our product pipeline, as we maintain, expand, protect and enforce our intellectual property portfolio, and as we incur expenses associated with hiring additional personnel to support our research and development efforts.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs, including employee salaries, related benefits, and stock-based compensation expense for our employees in the executive, finance and accounting, and other administrative functions. General and administrative expenses also include third-party costs such as legal costs, insurance costs, accounting, auditing and tax related fees, consulting fees and facilities and other expenses not otherwise included as research and development expenses. We expense general and administrative costs as incurred.

We expect that our general and administrative expenses will increase substantially for the foreseeable future as we increase our headcount to support our continued research activities and development of our programs. Following the completion of our IPO on October 13, 2021, we have incurred, and will continue to incur, substantially increased expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC, and those of any national securities exchange on which our securities are traded, legal, auditing, additional insurance expenses, investor relations activities, and other administrative and professional services.

Other Income (Expense)

Grant Income

Grant income relates to the grants awarded from governmental bodies that are conditional cost reimbursement grants and are recognized as grant income as allowable costs are incurred and the right to payment is realized. The grants awarded relate to agreed upon direct and indirect costs for specific studies or clinical trials, which may include personnel and consulting costs, costs paid to contract research organizations, research institutions and /or consortiums involved in the grant, as well as facilities and administrative costs. These grants are cost plus fixed fee arrangements in which we are reimbursed for eligible direct and indirect costs over time, up to the maximum amount of each specific grant award. Only costs that are allowable under the grant award, certain government regulations and the NIH's supplemental policy and procedure manual may be claimed for reimbursement, and the reimbursements are subject to routine audits from governmental agencies from time to time. As of June 30, 2022, the Company has been awarded grants with project periods that extend through May 31, 2025, subject to extension. Our clinical trials have been funded by approximately $168.9 million in cumulative grants awarded primarily by the NIA, which includes an approximately $81.0 million grant from the NIA to fund our Phase 2 (COG0203) study of CT1812 in patients with early-stage AD, an approximately $30.5 million grant from the NIA to fund our Phase 2 (COG0201) study of CT1812 in patients with mild to moderate AD, and an approximately $29.5 million grant from the NIA to fund our Phase 2 (COG1201) study of CT1812 in patients with dementia with lewy bodies.

Change in fair value of derivative liability

Change in fair value of our derivative liability consists of changes in the fair value of certain conversion and redemption features associated with our convertible notes that are required to be bifurcated and accounted for as free-standing derivative financial instruments. The derivative liability expired unexercised upon the conversion of the convertible notes into Series B-1 convertible preferred stock in May 2021.

Change in fair value of SAFEs

Change in fair value of our SAFEs consist of fair value adjustments to these instruments based primarily on the changes in the probability of occurrence and estimated timing of future event inputs in the valuation model. Upon the occurrence of our IPO on October 7, 2021, the SAFEs were converted into 931,485 shares of our common stock.

Interest expense, net

Interest expense, net primarily consists of interest expense from our convertible notes, partially offset by interest income from interest-bearing cash equivalents.

Other (expense) income, net

Other (expense) income, net consists primarily of research and development tax credits earned in the applicable period, as well as foreign currency transaction gains or losses.

Income tax benefit (expense)

Our income tax benefit (expense) relates primarily to state income taxes related to an individual state. We maintain a full valuation allowance against all deferred tax assets as of June 30, 2022 and December 31, 2021, as management has determined that it is not more likely than not that we will realize these future tax benefits.

Results of Operations

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

The following table summarizes our results of operations (in thousands):

	Three Months Ended June 30,		
	2022	2021	Change
Operating Expenses:			
Research and development	$ 9,098	$ 4,894	$ 4,204
General and administrative	3,115	1,090	2,025
Total operating expenses	12,213	5,984	6,229
Loss from operations	(12,213)	(5,984)	(6,229)
Other income (expense):			
Grant income	6,385	4,646	1,739
Change in the fair value of the derivative liability	—	1,146	(1,146)
Change in the fair value of SAFEs	—	(1,044)	1,044
Other (expense) income, net	(42)	103	(145)
Interest expense, net	(7)	(357)	350
Total other income, net	6,336	4,494	1,842
Loss before income taxes	(5,877)	(1,490)	(4,387)
Income tax benefit	125	—	125
Net loss	$ (5,752)	$ (1,490)	$ (4,262)

Research and Development Expenses

The following table summarizes our research and development expenses (in thousands):

	Three Months Ended June 30,		
	2022	2021	Change
Clinical programs	$ 5,485	$ 758	$ 4,727
Personnel	1,877	1,096	781
Manufacturing	1,110	2,411	(1,301)
Preclinical programs	525	599	(74)
Facilities and other costs	101	30	71
	$ 9,098	$ 4,894	$ 4,204

Research and development expenses were $9.1 million for the three months ended June 30, 2022, compared to $4.9 million for the three months ended June 30, 2021. The increase of $4.2 million was primarily due to the following:

- an increase of $4.7 million in clinical programs related to increased phase II trial activity primarily due to increased contract research organization spend;
- an increase of $0.8 million in personnel costs associated with expanded research and development activities, and equity-based compensation expense; and
- a decrease of $1.3 million in manufacturing expense related to costs incurred with contract manufacturing organizations for production of pre-clinical and future clinical trial materials associated with our most advanced product candidates due to the timing of the manufacturing of the pre-clinical and clinical trial materials.

General and Administrative Expenses

General and administrative expenses were $3.1 million for the three months ended June 30, 2022, compared to $1.1 million for the three months ended June 30, 2021. The increase of $2.0 million was primarily due to:

- an increase of $0.4 million in Director & Officer liability insurance and other expenses;
- an increase of $0.3 million in compensation expense driven by increased headcount;
- an increase of $0.6 million in professional fees driven by increased audit, tax, and legal services; and
- an increase of $0.7 million in equity-based compensation from stock option grants.

Other Income (Expense)

Grant Income

Grant income was $6.4 million for the three months ended June 30, 2022, compared to $4.6 million for the three months ended June 30, 2021. The change in grant income is correlated with the increase in eligible reimbursable costs incurred during 2022 as compared to 2021.

Change in Fair Value of the Derivative Liability

Changes in the fair value derivative liability resulted in a gain of $1.1 million for the three months ended June 30, 2021. There was no gain or loss for the three months ended June 30, 2022 as the derecognition of the derivative liability occurred in May 2021 upon the conversion of convertible notes into shares of our Series B-1 convertible preferred stock.

Change in Fair Value of the SAFEs

Changes in the fair value of the SAFEs resulted in a loss of $1.0 million for the three months ended June 30, 2021. There was no change in the fair value for the three months ended June 30, 2022 as the derecognition of the SAFE liability occurred when the SAFEs converted into shares of our common stock upon the closing of our IPO.

Other Income (Expense), Net

Other expense, net was less than $0.1 million for the three months ended June 30, 2022, compared to other income, net of $0.1 million for the three months ended June 30, 2021. Overall, the change in other expense was not significant in either period.

Interest Expense, Net

Interest expense, net was less than $0.1 million for the three months ended June 30, 2022, compared to Interest expense, net of $0.4 million for the three months ended June 30, 2021. The change of $0.4 million in interest expense, net was the result of the convertible notes outstanding balance during the three months ended June 30, 2021, which were subsequently converted into shares of our Series B-1 convertible preferred stock in May 2021.

Income Tax Benefit

Income tax benefit for the three months ended June 30, 2022 was $0.1 million related to the reversal of a prior period estimate of state income tax for a particular state.

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

The following table summarizes our results of operations (in thousands):

(in thousands)	Six Months Ended June 30, 2022	2021	Change
Consolidated Statements of Operations Data:			
Operating Expenses:			
Research and development	$ 15,616	$ 9,324	$ 6,292
General and administrative	6,010	2,243	3,767
Total operating expenses	21,626	11,567	10,059
Loss from operations	(21,626)	(11,567)	(10,059)
Other income (expense):			
Grant income	12,289	9,338	2,951
Change in the fair value of the derivative liability	—	2,209	(2,209)
Change in the fair value of SAFEs	—	(1,044)	1,044
Other (expense) income, net	(237)	248	(485)
Gain on debt extinguishment	—	443	(443)
Interest expense, net	(16)	(894)	878
Total other income, net	12,036	10,300	1,736
Loss before income taxes	(9,590)	(1,267)	(8,323)
Net loss	$ (9,590)	$ (1,267)	$ (8,323)

Research and Development Expenses

The following table summarizes our research and development expenses (in thousands):

	Six Months Ended June 30, 2022	2021	Change
Clinical programs	$ 9,050	$ 1,684	$ 7,366
Personnel	3,362	1,936	1,426
Manufacturing	2,061	4,719	(2,658)
Preclinical programs	1,036	926	110
Facilities and other costs	107	59	48
	$ 15,616	$ 9,324	$ 6,292

Research and development expenses were $15.6 million for the six months ended June 30, 2022, compared to $9.3 million for the six months ended June 30, 2021. The increase of $6.3 million was primarily due to the following:

- an increase of $7.4 million in clinical programs related to increased phase II trial activity primarily due to increased contract research organization spend;
- an increase of $1.4 million in personnel costs associated with expanded research and development activities, and equity-based compensation expense;
- a decrease of $2.6 million in manufacturing expense related to costs incurred with contract manufacturing organizations for production of pre-clinical and future clinical trial materials associated with our most

advanced product candidates due to the timing of the manufacturing of the pre-clinical and clinical trial materials; and

- an increase of $0.1 million in preclinical programs due to increased sponsored research spend under grants.

General and Administrative Expenses

General and administrative expenses were $6.0 million for the six months ended June 30, 2022, compared to $2.2 million for the six months ended June 30, 2021. The increase of $3.8 million was primarily due to:

- an increase of $0.9 million in Director & Officer liability insurance and other expenses;
- an increase of $0.4 million in compensation driven by increased headcount;
- an increase of $0.8 million in professional fees driven by increased audit, tax, and legal services; and
- an increase of $1.4 million in equity-based compensation from stock option grants.

Other Income (Expense)

Grant Income

Grant income was $12.3 million for the six months ended June 30, 2022, compared to $9.3 million for the six months ended June 30, 2021. The change in grant income is correlated with the increase in eligible reimbursable costs incurred during 2022 as compared to 2021.

Change in Fair Value of the Derivative Liability

Changes in the fair value derivative liability resulted in a gain of $2.2 million for the six months ended June 30, 2021. There was no gain or loss for the six months ended June 30, 2022 as the derecognition of the derivative liability occurred in May 2021 upon the conversion of convertible notes into shares of Series B-1 convertible preferred stock.

Change in Fair Value of the SAFEs

Changes in the fair value of the SAFEs resulted in a loss of $1.0 million for the six months ended June 30, 2021. There was no change in the fair value for the six months ended June 30, 2022 as the derecognition of the SAFE liability occurred when the SAFEs converted into shares of our common stock upon the closing of our IPO.

Other Income (Expense), Net

Other expense, net was $0.2 million for the six months ended June 30, 2022, compared to other income, net of $0.2 million for the six months ended June 30, 2021. Overall, management believes that the change in other expense was not significant in either period.

Gain on Debt Extinguishment

There was no gain or loss on debt extinguishment for the six months ended June 30, 2022. Gain on debt extinguishment was $0.4 million for the six months ended June 30, 2021 as a result of the forgiveness of the Paycheck Protection Program loan on January 21, 2021.

Interest Expense, Net

Interest expense, net was less than $0.1 million for the six months ended June 30, 2022, compared to interest expense, net of $0.9 million for the six months ended June 30, 2021. The change of $0.9 million in interest expense, net was the result of the convertible notes outstanding balance during the six months ended June 30, 2021, which were subsequently converted into shares of our Series B-1 convertible preferred stock in May 2021.

Liquidity and Capital Resources

Sources of Liquidity

To date, we have funded our operations primarily with proceeds from grants awarded by the NIA, and proceeds from the sales of our convertible promissory notes, convertible preferred stock, SAFEs, stock option exercises, and our IPO. Since our inception, we have received grant awards primarily from the NIA in the aggregate amount of approximately $168.9 million and have raised approximately $102.0 million in net proceeds from sales of our equity securities, convertible notes and SAFEs, stock option exercises, and our IPO. On March 25, 2021, we completed a SAFE offering with various investors, pursuant to which we received gross proceeds in an aggregate amount equal to $8.9 million. On October 13, 2021, we closed our IPO, selling 3,768,116 shares of our common stock at a public offering price of $12.00 per share. Additionally, on November 12, 2021, the underwriters exercise of their over-allotment option to purchase 565,217 shares of our common stock closed. The net proceeds were approximately $44.2 million, after deducting underwriting discounts and commissions and other offering related expenses payable by the Company, which includes net proceeds of approximately $6.3 million from the exercise of the over-allotment option. As of June 30, 2022, we had $45.8 million in cash and cash equivalents and have not generated positive cash flows from operations. Based on our current business plans, we believe that the net proceeds from the IPO, together with our existing cash and cash equivalents and income from non-dilutive grants, will be sufficient for us to fund our operating expenses and capital expenditures requirements into the fourth quarter of 2023. We have based these estimates on assumptions that may prove to be incorrect or require adjustment as a result of business decisions, and we could utilize our available capital resources sooner than we currently expect.

Future Funding Requirements

We expect to continue to incur significant and increasing expenses and net losses for the foreseeable future, as we advance our current and future product candidates through preclinical and clinical development, manufacture drug product and drug supply, seek regulatory approval for our current and future product candidates, maintain and expand our intellectual property portfolio, hire additional research and development and business personnel and operate as a public company. We anticipate that we will need to raise additional funding in the future to fund our operations, including the commercialization of any approved product candidates. We are subject to the risks typically related to the development of new products, and we may encounter unforeseen expenses, difficulties, complications, delays, and other unknown factors that may adversely affect our business. Even with the closing of our IPO, we will need to raise substantial additional capital to fund the development of our product candidates.

Our future funding requirements will depend on many factors, including, but not limited to:

- the scope, progress, costs and results of our ongoing and planned clinical trials of CT1812, as well as the associated costs, including any unforeseen costs we may incur as a result of preclinical study or clinical trial delays due to the COVID-19 pandemic or other diseases, global or political instability, such as the ongoing conflict between Ukraine and Russia, inflation, or other delays;

- the scope, progress, costs and results of preclinical development, laboratory testing and clinical trials for any future product candidates we may decide to pursue;

- the extent to which we develop, in-license or acquire other product candidates and technologies;

- the costs and timing of process development and manufacturing scale-up activities associated with our product candidates and other programs as we advance them through preclinical and clinical development;
- the availability, timing, and receipt of any future NIA grants;
- the number and development requirements of other product candidates that we may pursue;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- our ability to establish collaborations to commercialize CT1812 or any of our other product candidates outside the United States;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims; and
- the additional costs we may incur as a result of operating as a public company, including our efforts to enhance operational systems and hire additional personnel, including enhanced internal controls over financial reporting.

Until such time as we can generate significant revenue from product sales, we expect to finance our operations through a combination of public or private equity offerings, debt financings or other sources, such as potential collaboration agreements and strategic alliances, licensing or similar arrangements with third parties. To the extent available, we expect to continue our pursuit of non-dilutive research contributions, or grants, including additional NIA grant funding. However, we may fail to receive additional NIA grants, or we may be unable to raise additional funds or enter into such other agreements or arrangements when needed on acceptable terms, or at all. Our failure to obtain additional NIA grants or raise capital or enter into such agreements as and when needed could have a material adverse effect on our business, results of operations and financial condition.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, licenses and other similar arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us and/or may reduce the value of our common stock. Adequate funding may not be available when needed or on terms acceptable to us, or at all. Our ability to raise additional funds may be adversely impacted by potential worsening global economic conditions and the recent disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from the ongoing COVID-19 pandemic or other diseases, the ongoing conflict between Ukraine and Russia, inflation, and otherwise. If we fail to obtain necessary capital when needed on acceptable terms, or at all, it could force us to delay, limit, reduce or terminate our product development programs, commercialization efforts or other operations. Insufficient liquidity may also require us to relinquish rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose. We cannot assure you that we will ever be profitable or generate positive cash flows from operating activities.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2022	2021
Cash flows used in operating activities	$ (8,345)	$ (1,682)
Cash flows used in investing activities	(138)	—
Cash flows (used in) provided by financing activities	(465)	7,801
Effect of exchange rate changes on cash and cash equivalents	(2)	(8)
Net (decrease) increase in cash and cash equivalents	$ (8,950)	$ 6,111

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2022 was $8.3 million, which consisted primarily of our net loss of $9.6 million, offset by the impact of equity-based compensation of $1.9 million and a net change of $0.8 million in our operating assets and liabilities. The net change in our operating assets and liabilities was primarily due to an increase in grant receivables of $1.5 million, an increase in other assets of $1.3 million, offset by an increase in other noncurrent liabilities of $1.7 million, and an increase in deferred grant income of $0.5 million.

Net cash used in operating activities for the six months ended June 30, 2021 was $1.7 million, which consisted primarily of our net loss of $1.3 million as well as net non-cash gains of $1.0 million and a net change of $0.6 million in our operating assets and liabilities. The net non-cash gains primarily consisted of amortization of debt discounts of $0.4 million, change in derivative liabilities of $2.2 million, change in fair value of the SAFEs of $1.0 million, a gain on debt extinguishment of $0.4 million, and equity-based compensation of $0.2 million. The net change in our operating assets and liabilities was primarily due to an increase in grant receivables of $1.7 million, an increase in prepaid expenses and other current assets of $0.3 million, a decrease in other receivables of $0.3 million, an increase in accounts payable of $0.4 million, an increase in accrued expenses of $1.3 million, and an increase in other current liabilities of $0.5 million.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2022 was $0.1 million related to purchases of fixed assets. We did not use any cash for investing activities for the six months ended June 30, 2021.

Financing Activities

Net cash used in financing activities was $0.5 million for the six months ended June 30, 2022, and net cash provided by financing activities was $7.8 million for the six months ended June 30, 2021. The decrease in cash relates primarily to the $8.9 million of SAFEs issued during the six months ended June 30, 2021.

Contractual Obligations

The following table summarizes our contractual obligations as of June 30, 2022 (in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 years	Total
Operating lease obligations:	$ 149	$ 193	$ 170	$ 191	$ 703
Total:	$ 149	$ 193	$ 170	$ 191	$ 703

We have entered into an operating leases for office and laboratory facilities under agreements that run through May 31, 2029. The amounts reflected in the table above consist of the future minimum lease payments under the non-cancelable lease arrangements.

On July 1, 2021, we entered into an agreement to lease 2,864 square feet of office space in Purchase, New York. The lease has a term of 89 months and commenced on December 9, 2021. The annual base rent under the lease is less than $0.1 million for the first lease year and is subject to annual increases of between 1.82% and 2.04%. We provided a security deposit in the form of a Letter of Credit in the amount of less than $0.1 million pursuant to the terms of the lease.

In addition, in October 2021, we entered into an insurance premium financing arrangement with a lender. Under the agreement, we financed $1.5 million of certain premiums at a 3.25% annual interest rate. Payments of $0.1 million are due monthly from October 2021 through September 2022. As of June 30, 2022, the outstanding principal of the loan was $0.4 million.

We enter into contracts in the normal course of business with contract research organizations and other vendors to assist in the performance of our research and development and other services and products for operating purposes. These contracts typically do not contain minimum purchase commitments and generally provide for termination on notice, and therefore are cancelable contracts and not included in the table of contractual obligations.

Critical Accounting Policies and Use of Estimates

We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

Research and Development Costs, Accrued Research and Development Costs and Related Prepaid Expenses

Research and development costs are expensed as incurred. Research and development expenses consist principally of personnel costs, including salaries, stock-based compensation, and benefits for employees, third-party license fees and other operational costs related to our research and development activities, including allocated facility-related expenses and external costs of outside vendors, and other direct and indirect costs. Non-refundable advance payments for research and development costs are deferred and expensed as the related goods are delivered or services are performed. Costs for external development activities are recognized based on an evaluation of the progress to completion of specific tasks. Costs for certain research and development activities are recognized based on the pattern of performance of the individual arrangements, which may differ from the pattern of billings incurred, and are reflected in the consolidated financial statements as prepaid expenses or as accrued research and development expenses.

Equity-Based Compensation

We maintain an equity-based compensation plan as a long-term incentive for employees, non-employee directors and consultants. The plan allows for the issuance of incentive stock options, non-qualified stock options, restricted stock units, and other forms of equity awards.

We recognize equity-based compensation expense for stock options subject to time-based vesting on a straight-line basis over the requisite service period and account for forfeitures as they occur. To the extent any stock option grants are made subject to the achievement of a performance condition, management evaluates when the achievement of any such performance-based milestone is probable based on the relative satisfaction of the performance conditions as of the reporting date. Our stock-based compensation costs are based upon the grant date fair value of options estimated using the Black-Scholes option pricing model.

The Black-Scholes option pricing model utilizes inputs which are highly subjective assumptions and generally require significant judgment. These assumptions include:

- *Expected Term.* The expected term represents the period that the stock-based awards are expected to be outstanding. As we do not have sufficient historical experience for determining the expected term of the stock option awards granted, expected term has been calculated using the simplified method.

- *Risk-Free Interest Rate.* The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury constant maturity notes with terms approximately equal to the stock-based awards' expected term.

- *Expected Volatility.* Up until October 13, 2021, the Company was privately held and did not have a trading history of common stock. As such, the expected volatility was derived from the average historical stock volatilities of the common stock of several public companies within the industry that the Company considers to be comparable to our business over a period equivalent to the expected term of the stock-based awards. The Company will continue to derive expected volatility from average historical stock volatilities of industry peers until the Company has compiled a trading history of its own for a sufficient period of time.

- *Expected Dividend Yield.* The expected dividend yield is zero as we have not paid and do not anticipate paying any dividends in the foreseeable future.

- *Fair Value of Common Stock.* — Prior to the IPO, the fair value of the shares of common stock underlying the stock-based awards had historically been determined by the board of directors with input from management. Because there was no public market for the common stock, the board of directors has determined the fair value of the common stock at the time of grant of the stock-based award by considering a number of objective and subjective factors, including having contemporaneous valuations of the common stock performed by a third-party valuation specialist. Subsequent to the IPO, the board of directors will determine the fair value of the shares of common stock underlying the stock-based awards based off of the closing price as reported on the Nasdaq Stock Market LLC on the grant date.

See Note 7 to our consolidated financial statements for the three and six months ended June 30, 2022 for more information concerning certain of the specific assumptions we used in applying the Black-Scholes option pricing model to determine the estimated fair value of our stock options. Certain of such assumptions involve inherent uncertainties and the application of significant judgment.

As of June 30, 2022, the total unrecognized compensation expense related to unvested time-based vesting awards was $9.0 million, which is expected to be recognized over weighted-average remaining vesting period of approximately 2.5 years.

Recent Accounting Pronouncements

For a description of recent accounting pronouncements, see Note 2 of the notes to our consolidated financial statements included in this Quarterly Report.

Emerging Growth Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest to occur of: (1) the last day of the fiscal year in which we have at least $1.07 billion in annual revenue; (2) the last day of the fiscal year in which we are deemed to be a "large accelerated filer," as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year; (3) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period; and (4) the last day of the fiscal year ending after the fifth anniversary of our IPO.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a "smaller reporting company," as that term is defined in Rule 229.10(f)(1), we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, including our President and Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal financial and accounting officer), do not expect that our disclosure controls or our internal control over financial reporting will prevent all error and all fraud. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our President and Chief Executive Officer and our Chief Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on this evaluation, our President and Chief Executive Officer and our Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, to allow for timely decisions regarding required disclosures, and recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control

We identified no changes in our internal control over financial reporting identified in connection with the evaluation described above that occurred during the quarter ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are not aware of any pending legal actions that would, if determined adversely to us, have a material adverse effect on our business and operations.

We may, from time to time, become involved in disputes and proceedings arising in the ordinary course of business. In addition, as a public company, we are also potentially susceptible to litigation, such as claims asserting violations of securities laws. Any such claims, with or without merit, if not resolved, could be time-consuming and result in costly litigation. There can be no assurance that an adverse result in any future proceeding would not have a potentially material adverse effect on our business, results of operations, and financial condition.

Item 1A. Risk Factors

You should carefully consider the risk factors described in our Annual Report under the caption "Item 1A. "Risk Factors." There have been no material changes in our risk factors included in our Annual Report. The risks described in our Annual Report are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

Recent Sales of Unregistered Securities

None.

Use of Proceeds from our Initial Public Offering of Common Stock

On October 13, 2021, we completed our IPO. Our registration statement on Form S-1 (File No. 333- 257999) relating to the IPO was declared effective by the SEC on October 7, 2021. We issued 3,768,116 shares of our common stock at a price of $12.00 per share for aggregate net cash proceeds of $38.1 million, after deducting underwriting discounts and commissions and other offering related costs. None of the expenses associated with the IPO were paid to directors, officers, persons owning 10% or more of any class of equity securities, or to their associates, or to our affiliates. B. Riley Securities, Inc., or the Representative, acted as lead book running manager of the offering and as representative of the underwriters.

On November 10, 2021, the Representative provided notice to us that it had elected to exercise its over-allotment option in full to purchase 565,217 shares of our common stock. The Representative's exercise of the over-allotment option closed on November 12, 2021, resulting in gross proceeds of approximately $6.8 million and net proceeds of $6.3 million to us, after deducting underwriting discounts and commissions and other offering related expenses.

There has been no material change in the planned use of proceeds from the IPO from that described in the prospectus, dated October 7, 2021, filed with the SEC pursuant to Rule 424(b) under the Securities Act.

Repurchase of Shares of Company Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial and Accounting Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101).					X

* This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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.

Cognition Therapeutics, Inc.

Date: August 9, 2022

By: /s/ Lisa Ricciardi
Lisa Ricciardi
Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2022

By: /s/ James O'Brien
James O'Brien
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Lisa Ricciardi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cognition Therapeutics, Inc. (the "registrant");

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 controls 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.

Date: August 9, 2022

By: /s/ Lisa Ricciardi
Lisa Ricciardi
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, James O'Brien, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cognition Therapeutics, Inc. (the "registrant");

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 controls 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.

Date: August 9, 2022

By: /s/ James O'Brien
James O'Brien
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the quarterly report of Cognition Therapeutics, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lisa Ricciardi, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 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.

Date: August 9, 2022

By: /s/ Lisa Ricciardi
Lisa Ricciardi
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the quarterly report of Cognition Therapeutics, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James O'Brien, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 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.

Date: August 9, 2022

By: /s/ James O'Brien
James O'Brien
Chief Financial Officer
(Principal Financial Officer)