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

FORM 10-Q

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

For the quarterly period ended June 30, 2022

OR

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

For the transition period from to

Commission file number 001-39990

ANGION BIOMEDICA CORP

(Exact name of registrant as specified in its charter)

Delaware	**11-3430072**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
51 Charles Lindbergh Boulevard Uniondale, New York	**11553**
(Address of Principal Executive Offices)	**(Zip Code)**

(415) 655-4899

Registrant's telephone number, including area code

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.01	ANGN	The Nasdaq Global Select Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting 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 Act). Yes ☐ No ☒

The number of shares of the issuer’s common stock outstanding as of August 8, 2022 was 30,113,339.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Any statements contained in this Quarterly Report on Form 10-Q that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “assume,” “believe,” “contemplate,” “continue,” “could,” “due,” “estimate,” “expect,” “goal,” “intend,” “may,” “objective,” “plan,” “predict,” “potential,” “positioned,” “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. These forward-looking statements include, but are not limited to, statements about:

- our intention to explore strategic options, including but not limited to merger, reverse merger, other business combinations, sale of assets, licensing, or other strategic alternatives to enhance value for shareholders;
- the potential benefits, activity, effectiveness and safety of our product candidates;
- the success and timing of our preclinical studies and clinical trials, including the timing and availability of data from such clinical trials;
- the primary endpoints to be utilized in our clinical trials;
- the scope, progress, expansion, and costs of developing and commercializing our product candidates;
- our dependence on existing and future collaborators for commercializing product candidates in the collaboration;
- our receipt and timing of any milestone payments or royalties under any existing or future research collaboration and license agreements or arrangements;
- the potential effects of the COVID-19 pandemic on our business and operations, results of operations and financial performance;
- the potential adverse effects of any regional armed conflicts on our business and operations, results of operations and financial performance;
- the size and growth of the potential markets for our product candidates and the ability to serve those markets;
- our expectations regarding our expenses and revenue, the sufficiency of our cash resources, and needs for additional financing;
- regulatory developments in the United States and other countries;
- the rate and degree of market acceptance of any future products;
- the implementation of our business model and strategic plans for our business and product candidates, including additional indications which we may pursue;
- our expectations regarding competition;
- our anticipated growth strategies;
- the performance of third-party manufacturers;
- our ability to establish and maintain development partnerships;
- our expectations regarding federal, state, and foreign regulatory requirements;
- our ability to obtain and maintain intellectual property protection for our product candidates;
- the successful development for our sales and marketing capabilities;
- the hiring, retention, or separation of key scientific or management personnel; and
- the anticipated trends and challenges in our business and the market in which we operate.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management’s beliefs and assumptions only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future. In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that information provides a reasonable basis for

these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into or review of, all relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely on these statements.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business and the markets for certain drugs, including data regarding the estimated size of those markets, their projected growth rates and the incidence of certain medical conditions. Information that is based on estimates, forecasts, projections or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from reports, research surveys, studies and similar data prepared by third parties, industry, medical and general publications, government data and similar sources. In some cases, we do not expressly refer to the sources from which this data is derived. In that regard, when we refer to one or more sources of this type of data in any paragraph, you should assume that other data of this type appearing in the same paragraph is derived from the same sources, unless otherwise expressly stated or the context otherwise requires.

Trademarks

This Quarterly Report on Form 10-Q includes trademarks, service marks and trade names owned by us or other companies. All trademarks, service marks and trade names included in this Quarterly Report on Form 10-Q are the property of their respective owners.

Part I FINANCIAL INFORMATION

Item 1. Financial Statements

ANGION BIOMEDICA CORP.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 63,372	$ 88,756
Grants receivable	—	806
Prepaid expenses and other current assets	2,513	1,685
Total current assets	65,885	91,247
Property and equipment, net	388	451
Operating lease right-of-use assets	3,589	3,986
Investments in related parties	865	723
Other assets	86	106
Total assets	**$ 70,813**	**$ 96,513**
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 2,656	$ 4,710
Accrued expenses	4,086	3,219
Operating lease liabilities, current	943	894
Financing obligation, current	62	58
Deferred revenue, current	—	2,301
Warrant liability	33	114
Total current liabilities	7,780	11,296
Operating lease liabilities, noncurrent	2,990	3,475
Financing obligation, noncurrent	202	235
Other liabilities, noncurrent	81	—
Total liabilities	11,053	15,006
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, $0.01 par value per share; 300,000,000 and 300,000,000 shares authorized, 30,052,544 and 29,959,060 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	301	300
Additional paid-in capital	297,875	296,445
Accumulated other comprehensive income (loss)	98	(103)
Accumulated deficit	(238,514)	(215,135)
Total stockholders' equity	59,760	81,507
Total liabilities and stockholders' equity	**$ 70,813**	**$ 96,513**

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

ANGION BIOMEDICA CORP.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue:				
Contract revenue	$ 653	$ 540	$ 2,301	$ 911
Total revenue	653	540	2,301	911
Operating expenses:				
Research and development	6,073	14,444	17,740	28,742
General and administrative	3,615	4,340	8,081	10,352
Total operating expenses	9,688	18,784	25,821	39,094
Loss from operations	**(9,035)**	**(18,244)**	**(23,520)**	**(38,183)**
Other income (expense)				
Change in fair value of warrant liability	42	200	81	(3,319)
Change in fair value of convertible notes	—	—	—	(7,469)
Change in fair value of Series C convertible preferred stock	—	—	—	(3,592)
Gain upon debt extinguishment	—	905	—	905
Foreign exchange transaction loss	(337)	(22)	(226)	(75)
Earnings from equity method investment	133	(35)	142	20
Interest income (expense), net	58	124	144	(2,046)
Total other income (expense)	(104)	1,172	141	(15,576)
Net loss	**(9,139)**	**(17,072)**	**(23,379)**	**(53,759)**
Other comprehensive income:				
Foreign currency translation adjustment	297	68	201	114
Comprehensive loss	**$ (8,842)**	**$ (17,004)**	**$ (23,178)**	**$ (53,645)**
Net loss per common share, basic and diluted	$ (0.30)	$ (0.58)	$ (0.78)	$ (2.02)
Weighted average common shares outstanding, basic and diluted	29,973,886	29,670,329	29,966,609	26,574,290

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

ANGION BIOMEDICA CORP.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share amounts)
(unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	29,959,060	$ 300	—	$ —	$ 296,445	$ (103)	$ (215,135)	$ 81,507
Issuance of common stock upon net settlement of restricted stock units and performance stock units	365	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	31		—	31
Foreign currency translation adjustment	—	—	—	—	—	(96)	—	(96)
Net loss	—	—	—	—	—	—	(14,240)	(14,240)
Balance as of March 31, 2022	29,959,425	$ 300	—	—	$ 296,476	$ (199)	$ (229,375)	$ 67,202
Issuance of common stock upon net settlement of restricted stock units and performance stock units	93,119	1	—	—	—	—	—	1
Stock-based compensation	—	—	—	—	1,399	—	—	1,399
Foreign currency translation adjustment	—	—	—	—	—	297	—	297
Net loss	—	—	—	—	—	—	(9,139)	(9,139)
Balance as of June 30, 2022	30,052,544	$ 301	$ —	$ —	$ 297,875	$ 98	$ (238,514)	$ 59,760

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2020	15,632,809	$ 156	(316,088)	$ (1,846)	$ 72,136	$ (333)	$ (160,562)	$ (90,449)
Issuance of common stock upon initial public offering, net of issuance costs, discount, and commissions of $9.3 million	5,750,000	58	—	—	82,657	—	—	82,715
Issuance of common stock upon Concurrent Private Placement, net of issuance costs of $0.7 million	1,562,500	16	—	—	24,234	—	—	24,250
Conversion of convertible preferred stock into common stock upon initial public offering	2,234,640	22	—	—	35,732	—	—	35,754
Conversion of convertible notes into common stock upon initial public offering	3,636,189	36	—	—	58,143	—	—	58,179
Conversion of convertible notes prior to initial public offering	33,978	—	—	—	460	—	—	460
Net exercise of warrants upon initial public offering	844,335	9	—	—	13,500	—	—	13,509
Exercise of broker warrants	47,188	—	—	—	—	—	—	—
Exercise of warrants	107,038	1	—	—	679	—	—	680
Exercise of stock options	155	—	—	—	1	—	—	1
Issuance of common stock upon vesting of restricted stock units and performance stock units	204,774	2	—	—	11	—	—	13
Return of common stock to pay withholding taxes on restricted stock	—	—	(77,060)	(1,145)	—	—	—	(1,145)
Stock-based compensation	—	—	—	—	5,117	—	—	5,117
Foreign currency translation adjustment	—	—	—	—	—	46	—	46
Net loss	—	—	—	—	—	—	(36,687)	(36,687)
Balance as of March 31, 2021	30,053,606	$ 300	(393,148)	$ (2,991)	$ 292,670	$ (287)	$ (197,249)	$ 92,443
Fractional shares paid out related to the forward stock split					(10)			(10)
Issuance of broker warrants	—	—						—
Exercise of broker warrants	—	—	—	—	—	—	—	—
Exercise of warrants	22,714	1	—	—	175	—	—	176
Exercise of stock options	8,495	—	—	—	79	—	—	79
Issuance of common stock upon net settlement of restricted stock units and performance stock units	193,715	2	—		4	—	—	6
Repurchase of common stock	—	—	(87,795)	(1,219)	—	—	—	(1,219)
Stock-based compensation	—	—	—	—	2,718	—	—	2,718
Foreign currency translation adjustment	—	—	—	—	—	68	—	68
Net loss	—	—	—	—	—	—	(17,072)	(17,072)
Balance as of June 30, 2021	30,278,530	$ 303	(480,943)	$ (4,210)	$ 295,636	$ (219)	$ (214,321)	$ 77,189

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

ANGION BIOMEDICA CORP.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (23,379)	$ (53,759)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	63	29
Amortization of right-of-use assets	397	332
Amortization of debt issuance costs	—	1,884
Stock-based compensation	1,430	7,835
PPP Loan forgiveness	—	(905)
Change in fair value of convertible notes	—	7,469
Change in fair value of Series C convertible preferred stock	—	3,592
Change in fair value of warrant liability	(81)	3,319
Earnings from equity method investment	(142)	(45)
Distribution from equity investment	—	24
Changes in operating assets and liabilities:		
Grants receivable	806	—
Prepaid expenses and other current assets	(796)	3,315
Other assets	19	(38)
Accounts payable	(2,086)	3,736
Accrued expenses	867	1,345
Lease liabilities	(436)	(303)
Deferred revenue	(2,301)	(912)
Other liabilities, noncurrent	81	—
Net cash used in operating activities	(25,558)	(23,082)
Cash flows from investing activities:		
Purchases of fixed assets	—	(285)
Net cash used in investing activities	—	(285)
Cash flows from financing activities:		
Net proceeds from issuance of common stock upon initial public offering and Concurrent Private Placement, net of discount and commissions	—	110,560
Payment of deferred offering costs	—	(3,073)
Fractional share payments related to the forward stock split	—	(10)
Taxes paid related to net share settlement upon vesting of restricted stock awards	—	(2,364)
Proceeds from RSU settlement	1	19
Payment of financing obligation	(29)	—
Exercise of warrants	—	856
Exercise of stock options	—	80
Net cash (used in) provided by financing activities	(28)	106,068
Effect of foreign currency on cash	202	5
Net (decrease) increase in cash and cash equivalents	(25,384)	82,706
Cash and cash equivalents at the beginning of the period	88,756	34,607
Cash and cash equivalents at the end of the period	**$ 63,372**	**$ 117,313**
Supplemental disclosure of noncash investing and financing activities:		
Conversion of convertible notes into common stock upon initial public offering	$ —	$ 58,179
Conversion of Series C preferred stock into common stock upon initial public offering	$ —	$ 35,754
Net exercise of warrants upon initial public offering	$ —	$ 13,509
Right-of-use assets obtained in exchange for operating lease liabilities	$ —	$ 624
Conversion of convertible notes into common stock prior to initial public offering	$ —	$ 460

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

ANGION BIOMEDICA CORP.
Notes to Unaudited Interim Condensed Consolidated Financial Statements

Note 1—Description of the Business and Financial Condition

Angion Biomedica Corp. ("Angion" or, the "Company") is a biopharmaceutical company that has focused on the discovery, development and commercialization of novel small molecule therapeutics to address acute organ injuries and fibrotic diseases. The Company was incorporated in Delaware in 1998.

Initial Public Offering and the Concurrent Private Placement

On February 9, 2021, the Company's registration statement on Form S-1 (File No. 333-252177) relating to its initial public offering ("IPO") of common stock became effective. The IPO closed on February 9, 2021 at which time the Company issued 5,750,000 shares of its common stock at a price to the public of $16.00 per share, which included the full exercise by the underwriters of their option to purchase an additional 750,000 shares of common stock. In addition to the shares being sold in the IPO, the Company sold an additional 1,562,500 shares of its common stock at the public offering price of $16.00 per share to entities affiliated with Vifor International, Ltd., an existing stockholder (the "Concurrent Private Placement") for gross proceeds of $25.0 million.

The IPO and Concurrent Private Placement generated aggregate net proceeds of approximately $107.0 million, after deducting the underwriting discounts and commissions, private placement fee and offering expenses payable by the Company.

In connection with the closing of the IPO, all outstanding shares of convertible preferred stock and outstanding convertible notes automatically converted into shares of common stock. Subsequent to the closing of the IPO, there were no shares of convertible preferred stock outstanding and there were no convertible notes outstanding. In connection with the closing of the IPO, the Company restated its Restated Certificate of Incorporation to change the authorized capital stock to 300,000,000 shares designated as common stock, and 10,000,000 shares designated as preferred stock, with a par value of $0.01 per share and $0.01 per share, respectively.

Reduction in Force

On January 4, 2022, the Company announced a reduction in force impacting somewhat less than half of its employees. The Company's decision to engage in this reduction resulted from an assessment of its internal resources needs, given the results of the Phase 3 study of ANG-3777 in patients at risk for delayed graft function (DGF) would likely not support a regulatory approval in that population and the Phase 2 study in CSA-AKI would not support a Phase 3 trial in that indication. This reduction was a cost-cutting measure across the organization to support the Company's 2022 primary focus on the clinical development of its investigational asset ANG-3070, a highly selective, oral tyrosine kinase receptor inhibitor in development as a treatment for fibrotic diseases, as well as advancing preclinical assets to IND-enabling studies. In connection with the reduction in force, the Company incurred termination costs, which include severance, benefits, and related costs of approximately $3.2 million, of which $2.7 million was research and development expense and $0.5 million was general and administrative expense. The Company paid $1.8 million during the six months ended June 30, 2022 and expects to pay the remaining $1.4 million, of which $1.3 million is included in accrued expenses, and $0.1 million is included in other liabilities, noncurrent, on or before September 2023.

On July 25, 2022, the Company announced a process to explore strategic options for enhancing and preserving shareholder value (the "2022 Strategic Realignment"). Potential strategic options to be explored or evaluated as part of the process may include, but are not limited to merger, reverse merger, other business combination, sale of assets, licensing, or other strategic transactions. The Company also announced the discontinuation of development of ANG-3070 for all indications and the discontinuation of other development activities pending conclusion of the strategic process, except certain pre-clinical studies of ANG-3777, consistent with ongoing discussions with its license partner Vifor Pharma. In connection with the foregoing, the Company also announced an additional reduction in force of the majority of its current 37 employees. This reduction in force, expected to be completed in October 2022, is a cash preservation measure and impacts employees across the

organization. The Company expects to record a charge of approximately $3.3 million in the third quarter of 2022 to implement the reduction in force. These charges are primarily one-time termination benefits payable in cash.

Liquidity and Capital Resources

Since inception, the Company has devoted substantially all of its efforts and financial resources to conducting research and development activities, including drug discovery and pre-clinical studies and clinical trials, establishing and maintaining its intellectual property portfolio, organizing and staffing the Company, business planning, raising capital and providing general and administrative support for these operations. The Company has incurred losses from operations and negative cash flows from operating activities since inception. As of June 30, 2022, the Company had $63.4 million in cash and cash equivalents and an accumulated deficit of $238.5 million.

The Company has evaluated and concluded there are no conditions or events, considered in the aggregate, that raise substantial doubt about its ability to continue as a going concern for a period of one year following the date these condensed consolidated financial statements are issued and believes its existing cash and cash equivalents will be sufficient to meet the projected operating requirements for at least 12 months following the issuance date of its condensed consolidated financial statements.

Note 2—Summary of Significant Accounting Policies

Basis of Presentation

The Company's condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company, its wholly owned subsidiary, Angion Biomedica Europe Limited, which was dissolved on March 16, 2021, and its wholly owned subsidiary, Angion Pty Ltd., which was established on August 22, 2019. The Company established Angion Pty Ltd., an Australian subsidiary, for the purpose of qualifying for research credits for studies conducted in Australia. All significant intercompany balances and transactions have been eliminated in consolidation. Certain prior period amounts reported in the Company’s condensed consolidated financial statements and accompanying notes have been reclassified to conform to the current period presentation.

The Company’s remaining significant accounting policies are described in Note 2 to its consolidated financial statements for the year ended December 31, 2021, included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on March 30, 2022 (the “Annual Report on Form 10-K”). There have been no material changes to the Company’s significant accounting policies during the six months ended June 30, 2022.

Unaudited Interim Financial Information

The condensed consolidated financial statements of the Company included herein have been prepared, without audit, pursuant to the rules and regulations of the SEC. The interim unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements as of and for the year ended December 31, 2021 and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company’s consolidated financial position, results of operations and comprehensive loss, and cash flows. The condensed consolidated balance sheet as of December 31, 2021 was derived from the audited financial statements as of that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted from this Quarterly Report, as is permitted by such rules and regulations. Accordingly, these condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K. The results for any interim period are not necessarily indicative of results for any future period.

Segments

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker (“CODM”) in making decisions regarding resource allocation and assessing performance. The Company views its operations and manages its business as one operating segment.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to the useful lives of long-lived assets, the measurement of stock-based compensation, accruals for research and development activities, income taxes and revenue recognition. The Company bases its estimates on historical experience and on other relevant assumptions that are reasonable under the circumstances. Actual results could materially differ from those estimates.

Concentrations of Credit Risk and Off-Balance Sheet Risk

Cash and cash equivalents are financial instruments potentially subject to concentrations of credit risk. The Company's cash and cash equivalents are deposited in accounts at large financial institutions, and amounts may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to significant risk on its cash balances due to the financial position of the depository institution in which those deposits are held.

Additionally, the Company established guidelines regarding approved investments and maturities of investments, which are designed to maintain safety and liquidity.

The Company maintains its cash equivalents in securities and money market funds with original maturities less than three months.

The Company has no financial instruments with off-balance sheet risk of loss.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2022 and December 31, 2021, the Company’s cash equivalents were held in institutions in the United States and include deposits in a money market fund which were unrestricted as to withdrawal or use.

Fair Value Measurement

Certain assets and liabilities are carried at fair value under GAAP. Fair value is determined using the principles of ASC 820, *Fair Value Measurement*. Fair value is described as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes and defines the inputs to valuation techniques as follows:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs are observable for the asset or liability either directly or through corroboration with observable market data.

Level 3: Unobservable inputs.

The inputs used to measure the fair value of an asset or a liability are categorized within levels of the fair value hierarchy. The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the measurement.

The Company's cash and cash equivalents, accounts payable and accrued expenses are carried at cost, which approximates fair value due to the short-term nature of these instruments.

Revenue

The Company does not have any products approved for sale and has not generated any revenue from product sales. The Company's revenue to date has been primarily derived from government funding consisting of U.S. government grants and contracts and revenue under its license agreements.

Contract Revenue

The Company accounts for revenue earned from contracts with customers under Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"). Under ASC 606, the Company recognizes revenue when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements within the scope of ASC 606, the Company performs the following five steps:

(1) Identify the contract(s) with a customer;

(2) Identify the performance obligations in the contract;

(3) Determine the transaction price;

(4) Allocate the transaction price to the performance obligations in the contract; and

(5) Recognize revenue when (or as) the Company satisfies a performance obligation.

At contract inception, the Company assesses the goods or services promised within each contract, whether each promised good or service is distinct, and determines those that are performance obligations. The Company then recognizes as revenue the amount of the transaction price allocated to the respective performance obligation when or as the performance obligation is satisfied.

The Company enters into agreements under which it may obtain upfront payments, milestone payments, royalty payments and other fees. Promises under these arrangements may include research licenses, research services, including selection campaign research services for certain replacement targets, the obligation to share information during the research and the participation of alliance managers and in joint research committees, joint patent committees and joint steering committees. The Company assesses these promises within the context of the agreements to determine the performance obligations.

Licenses of Intellectual Property: If a license to its intellectual property is determined to be distinct from the other promises or performance obligations identified in the arrangement, the Company recognizes revenue from non-refundable, upfront fees allocated to the license when the license is transferred to the customer and the customer is able to use and benefit from the license. For licenses bundled with other promises, the Company utilizes judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time and, if over time, the appropriate method of measuring proportional performance for purposes of recognizing revenue from non-refundable, upfront payments. The Company evaluates the measure of proportional performance each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Milestone payments: The Company evaluates the probability of whether regulatory and development milestones will be reached and estimates the amounts to be included in the transaction price using the most likely amount method. The Company evaluates factors such as the scientific, clinical, regulatory, commercial and other risks that must be overcome to achieve the particular milestone in making this assessment. If it is probable a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. At the end of each reporting period, the Company re-evaluates the probability of achievement of milestones and any related constraint, and if necessary, adjust the estimate of the overall transaction price.

Sales-based milestones and royalties: For sales-based royalties, including milestone payments based on the level of sales, the Company determines whether the sole or predominant item to which the royalties relate is a license. When the license is the sole or predominant item to which the sales-based royalty relates, the Company recognize revenue at the later of: (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). To date, the Company has not recognized any sales-based royalty revenue resulting from any license agreement.

Deferred revenue, which is a contract liability, represents amounts received by the Company for which the related revenues have not been recognized because one or more of the revenue recognition criteria have not been met. The current portion of deferred revenue represents the amount expected to be recognized within one year from the consolidated balance sheet date based on the estimated performance period of the underlying performance obligation. The noncurrent portion of deferred revenue represents amounts expected to be recognized after one year from the condensed consolidated balance sheet date through the end of the performance period of the performance obligation.

Grant Revenue

The Company concluded that the Company's government grants are not within the scope of ASC 606 as they do not meet the definition of a contract with a customer. The Company has concluded the grants meet the definition of a contribution and are non-reciprocal transactions, and has also concluded Subtopic 958-605, *Not-for-Profit-Entities-Revenue Recognition*, does not apply, as the Company is a business entity and the grants are with governmental agencies.

In the absence of applicable guidance under GAAP, the Company developed a policy recognizing grant revenue when the allowable costs are incurred and the right to payment is realized.

The Company believes this policy is consistent with the overarching premise in ASC 606, to ensure revenue recognition reflects the transfer of promised goods or services to customers in an amount reflecting the consideration the Company expects to be entitled to in exchange for those goods or services, even though there is no exchange as defined in ASC 606. The Company believes the recognition of revenue as costs are incurred and amounts become realizable is analogous to the concept of transfer of control of a service over time under ASC 606.

Research and Development

Research and development costs include, but are not limited to, payroll and personnel expenses, laboratory supplies, preclinical studies, compound manufacturing costs, consulting costs and allocated overhead, including rent, equipment, depreciation and utilities. Research and development costs may be offset by research and development refundable tax rebates received by the Company’s wholly-owned Australian subsidiary.

The Company has agreements with various Contract Research Organizations (“CROs") and third-party vendors. Research and development accruals of amounts due to the CRO are estimated based on the level of services performed, progress of the studies, including the phase or completion of events, and contracted costs. The estimated costs of research and development provided, but not yet invoiced, are included in accrued expenses on the condensed consolidated balance sheet. Payments made to CROs under such arrangements in advance of the performance of the related services are recorded as prepaid expenses and other current assets until the services are rendered. The Company makes judgments and estimates in determining the accrued expenses balance in each reporting period. As actual costs become known, the Company adjusts its accrued expenses. For the three and six months ended June 30, 2022 and 2021, the Company has not experienced any material differences between accrued costs and actual costs incurred.

Advertising Costs

Advertising costs are expensed as incurred. For the three and six months ended June 30, 2022 and 2021, advertising costs were not material.

Net Loss Per Share

Basic net loss per share of common stock is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted net loss per share excludes the potential impact of common stock options, warrants and unvested shares of restricted stock and restricted stock units because their effect would be anti-dilutive due to the Company's net loss. Since the Company had net losses for the three and six months ended June 30, 2022 and 2021, basic and diluted net loss per common share are the same.

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* (ASU No. 2016-13), which requires an entity to utilize a

new impairment model known as the current expected credit loss (“CECL”) model to estimate its lifetime “expected credit loss” and record an allowance that, when deducted from the amortized cost basis of the financial assets and certain other instruments, including but not limited to, available-for-sale debt securities. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security. As an emerging growth company, ASU No. 2016-13 is effective for the Company for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of the adoption of ASU No. 2016-13 on its condensed consolidated financial statements.

Note 3—Revenue and Deferred Revenue

Contract Revenue

The Company's contract revenue has been generated from payments received pursuant to a license agreement (the "Vifor License") with Vifor International, Ltd. ("Vifor Pharma"), with headquarters located in Switzerland. The Company recognized revenue from upfront payments over the term of its estimated period of performance using a cost-based input method under Topic 606.

Vifor License Agreement

In November 2020, the Company entered into a license agreement with Vifor Pharma, granting Vifor Pharma global rights (excluding China, Taiwan, Hong Kong and Macau) to develop, manufacture and commercialize ANG-3777 in all therapeutic, prophylactic and diagnostic uses for renal indications, including forms of acute kidney injury (AKI), and congestive heart failure (collectively, the Renal Indications). Pursuant to the Vifor License, the Company received $60.0 million in upfront and equity payments, including $30.0 million in up-front cash received in November 2020, and a $30.0 million equity investment, $5.0 million of which was a convertible note that subsequently converted into common stock with the IPO and $25.0 million of which was received in the Concurrent Private Placement with the Company's IPO. The Company is also eligible to receive post-approval milestones of up to approximately $260.0 million and sales-related milestones of up to $1.585 billion, providing a total potential deal value of up to $1.905 billion (subject to certain specified reductions and offsets), plus tiered royalties on net sales of ANG-3777 at royalty rates of up to 40%. Under the Vifor License, the Company is responsible for executing a pre-specified clinical development plan designed to obtain regulatory approvals of ANG-3777 for delayed graft function (DGF) and AKI associated with cardiac surgery involving cardiopulmonary bypass (CSA-AKI). Based on the ANG-3777 clinical trial data disclosed in the fourth quarter of 2021, the Company does not expect to receive any additional clinical, post-approval, or sales milestones, or royalties, as it does not intend to continue to pursue the clinical development plan for ANG-3777 set forth in the Vifor License.

On October 26, 2021, the Company announced that its Phase 3 trial of ANG-3777 in DGF did not achieve its primary endpoint and the data from the Phase 3 trial was not expected to provide sufficient evidence to support an indication in the studied DGF population. On December 9, 2021, the Company announced its Phase 2 trial of ANG-3777 in CSA-AKI did not achieve its primary endpoint and the data from the Phase 2 trial was not expected to provide sufficient evidence to support a Phase 3 trial in the studied CSA-AKI population. Angion and Vifor continue to analyze data from the CSA-AKI trial. In 2022, the Company and Vifor Pharma continue to work to complete the planned analyses of the results of the clinical trials announced in the fourth quarter of 2021 and to discuss the future of the collaboration based upon such analyses.

Vifor Pharma may terminate the Vifor License at its sole discretion upon the earlier of (i) the acceptance for filing of an NDA covering products incorporating ANG-3777 filed with the FDA (after completion of the relevant Phase 3 clinical trial for such products), or (ii) the third anniversary of the effective date of the Vifor License. Both the Company and Vifor Pharma may terminate the Vifor License in its entirety if the other is in material breach of the Vifor License and has not cured the breach (if curable) within 60 days, or 90 days for incurable breach. In certain circumstances, in the event of the Company's material breach of the Vifor License, Vifor Pharma may terminate the Vifor License with respect to certain major markets. In addition, both parties have the right to terminate the Vifor License upon insolvency of the other party.

The Company identified the following performance obligations in the Vifor License based upon the clinical development plan for ANG-3777: (1) the global license (excluding greater China), (2) the development services, including the clinical development services including a post-approval confirmatory study, the technical development services and regulatory services and (3) the required participation on Joint Committees for coordination and oversight. The Company determined that the license is not capable of being distinct due to the specialized nature of the development services to be provided by the Company, and, accordingly, this promise was combined with the development services and participation in the joint committees as one single performance obligation.

In order to determine the transaction price, the Company evaluated all the payments to be received during the duration of the contract. Certain milestones and additional fees were considered variable consideration, which were not included in the transaction price at contract inception. The Company determined the transaction price at the inception of the Vifor License was $15.0 million, which represents 50% of the $30.0 million upfront payment due to the potential setoff defined in the contract.

Based on the ANG-3777 clinical trial data disclosed in the fourth quarter of 2021 and the Company's decision to discontinue the current clinical development plan for ANG-3777 DGF as described above, the Company adjusted the transaction price to include an additional $15.0 million in previously constrained variable consideration. The Company also reassessed the performance period as the Company is currently closing out the planned analyses from both trials. As of June 30, 2022, the Company has completed substantially all performance obligation under the Vifor License and recognized all remaining deferred revenue under the agreement during the three months ended June 30, 2022.

Using the cost-based input method, the Company recognizes revenue based on actual costs incurred as a percentage of total estimated costs as the Company completes its performance obligation. The cumulative effect of revisions to estimated costs to complete the Company's performance obligation will be recorded in the period in which changes are identified and amounts can be reasonably estimated. These actual costs consist primarily of internal full time equivalent (FTE) efforts and third-party contract costs related to the Vifor License.

For the three months ended June 30, 2022 and 2021, the Company recognized contract revenue related to the Vifor License of $0.7 million and $0.5 million, respectively. For the six months ended June 30, 2022 and 2021, the Company recognized contract revenue related to the Vifor License of $2.3 million and $0.9 million, respectively. As of June 30, 2022 and December 31, 2021, zero and $2.3 million, respectively, was recorded as deferred revenue, current, on the condensed consolidated balance sheets related to the Vifor License.

Note 4—Fair Value Measurements

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

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds[1]	$ 12,366	$ —	$ —	$ 12,366
Total assets	$ 12,366	$ —	$ —	$ 12,366
Warrant liabilities	$ —	$ —	$ 34	$ 34
Total liabilities	$ —	$ —	$ 34	$ 34

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds[1]	$ 87,252	$ —	$ —	$ 87,252
Total assets	$ 87,252	$ —	$ —	$ 87,252
Warrant liabilities	—	—	114	114
Total liabilities	$ —	$ —	$ 114	$ 114

(1) Included in cash and cash equivalents on the condensed consolidated balance sheets. This balance includes cash requirements settled on a nightly basis.

There were no transfers made among the three levels in the fair value hierarchy during periods presented.

The following table presents a summary of changes in the fair value of the Company's common stock warrant liability (in thousands):

	June 30, 2022	December 31, 2021
Balance, beginning of the period	$ 114	$ 10,704
Net exercise of warrants	—	(13,509)
Change in fair value	(81)	2,919
Balance, end of the period	$ 33	$ 114

The fair value of the warrants issued by the Company has been estimated using a variant of the Black Scholes option pricing model. The underlying equity included in the Black Scholes option pricing model was valued based on the equity value implied from sales of preferred and common stock at each measurement date. The fair value of the warrants was impacted by the model selected as well as assumptions surrounding unobservable inputs including the underlying equity value, expected volatility of the underlying equity, risk free interest rate and the expected term.

The Company records the change in the fair value of common stock warrants in change in fair value of warrant liability in the condensed consolidated statements of operations.

The fair value of the common stock warrant liability was estimated using the following assumptions:

	June 30, 2022	December 31, 2021
Weighted average strike price	$7.60	$7.60
Contractual term (years)	6.2	6.7
Volatility (annual)	125.7%	124.0%
Risk-free rate	3.0%	1.4%
Dividend yield (per share)	0.0%	0.0%

Note 5—Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Equipment	$ 866	$ 866
Furniture and fixtures	34	34
Leasehold improvements	68	68
Total property and equipment	968	968
Less: accumulated depreciation	(580)	(517)
Property and equipment, net	$ 388	$ 451

Depreciation expense for each of the three and six months ended June 30, 2022 and 2021 was immaterial.

Prepaid and Other Current Assets

Prepaid and other current assets consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Angion Pty tax receivable	$ 3	$ 781
Prepaid insurance	1,942	275
Security deposit	105	131
Other	463	498
Total prepaid and other current assets	$ 2,513	$ 1,685

Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Accrued compensation	$ 722	$ 2,023
Accrued restructuring (Note 1)	1,321	—
Accrued direct research costs	1,886	764
Accrued operating expenses	157	432
Total accrued expenses	$ 4,086	$ 3,219

Note 6—Stockholders' Equity

Common Stock

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are not entitled to receive dividends, unless declared by the board of directors.

Note 7—Stock-Based Compensation

2015 Plan

In June 2019, the Company approved an Amended and Restated 2015 Equity Incentive Plan (the "2015 Plan") permitting the granting of incentive stock options, non-statutory stock options, restricted stock and other stock-based awards. Following the effectiveness of the 2021 Equity Incentive Plan ("2021 Plan"), the Company ceased making grants under the 2015 Plan. However, the 2015 Plan continues to govern the terms and conditions of the outstanding awards granted under it. Shares of common stock subject to awards granted under the 2015 Plan that cease to be subject to such awards by forfeiture or otherwise after the termination of the 2015 Plan will be available for issuance under the 2021 Plan.

2021 Plan

On January 25, 2021, the Company's board of directors approved the 2021 Plan which permits the granting of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards to employees, directors, officers and consultants. On January 25, 2021, shares of common stock equal to 11% of the post-IPO capitalization were authorized for issuance under the 2021 Plan. The 2021 Plan provides that the number of shares reserved and available for issuance will automatically increase each January 1, beginning on January 1, 2022, by the lesser of 5% of the Company's common stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

Stock Options

The fair value of each employee and non-employee stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model based on the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Risk-free interest rate	3.1%	1.1%	1.7%	0.7%
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Expected term in years	5.48	6.05	5.90	5.99
Expected volatility	70.8%	74.3%-74.8%	70.8%-72.5%	73.8%-86.8%

Each of these inputs is subjective and generally requires significant judgment.

Expected Term—The expected term represents the period the Company's stock-based awards are expected to be outstanding and is determined using the simplified method, which is based on the mid-point between the contractual term and vesting period.

Volatility—The Company determines volatility based on the historical volatilities of comparable publicly traded life science companies over a period equal to the expected term because it does not have sufficient trading history for its common stock price. The comparable companies were chosen based on the similar size, stage in the life cycle, or area of specialty. The Company will continue to apply this process until a sufficient amount of historical information regarding volatility on its own stock becomes available.

Risk-Free Interest Rate—The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award.

Dividend Yield—The Company has never paid and has no plans to pay any dividends on its common stock. Therefore, the Company has used an expected dividend yield of zero.

Fair Value of Common Stock—For periods prior to the IPO, the Company determined the estimated fair value of its common stock using the Subject Company Transaction Method which includes the back-solve and scenario-based methods (Probability Weighted Expected Return Method) to arrive at estimated fair values. Subsequent to the IPO, the fair value was based on the closing price of the Company's common stock on the grant date.

The following table summarizes information and activity related to the Company's stock options:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Total Intrinsic Value (in thousands)
Outstanding as of December 31, 2021	4,230,162	$ 8.92	8.4	$ —
Options granted	2,248,700	1.93		
Options forfeited	(626,950)	10.35		
Outstanding as of June 30, 2022	5,851,912	$ 6.08	7.7	$ —
Options vested and exercisable	2,799,721	$ 7.34	6.1	$ —

The aggregate intrinsic value in the above table is calculated as the difference between the estimated fair value of the Company's common stock price and the exercise price of the stock options. The weighted average grant date fair value per share for the stock option grants during the three months ended June 30, 2022 and 2021 was $1.08 and $9.29, and $1.18 and $8.89 during the six months ended June 30, 2022 and 2021 respectively. As of June 30, 2022, the total unrecognized compensation related to unvested stock option awards granted was $4.6 million. The Company expects to reverse $1.7 million in the next six months of 2022 due to the implementation of the reduction in force announced in July 2022. The remaining $2.9 million is expected to be recognized over a weighted-average period of approximately 1.9 years.

Restricted Stock Units (RSUs)

The following table summarizes information and activity related to the Company's RSUs:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2021	17,504	$ 9.51
Vested	(729)	$ 9.51
Outstanding as of June 30, 2022	16,775	$ 9.51
Vested as of June 30, 2022	729	$ 9.51

Performance-based Restricted Stock Units (PSUs)

The Company had 556,530 PSUs outstanding that were granted in June 2019. Vesting of the PSUs is dependent upon the satisfaction of both a service condition and a performance condition, an initial public offering or

a change of control, as defined in the 2015 Plan. As the IPO occurred in February 2021, the performance condition was met and 185,510 PSUs vested and were released upon the closing of the IPO. Another 185,510 PSUs vested and were released in June 2021 upon the second anniversary of the grants. In June 2022, 92,755 PSUs were released upon the third anniversary of the grants, therefore, as of June 30, 2022, the Company had 92,755 PSUs outstanding.

Stock-based Compensation Expense

The following table summarizes total stock-based compensation expense recorded in the condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research and development	$ 535	$ 1,409	$ 87	$ 3,952
General and administrative	866	1,309	1,345	3,883
Total	$ 1,401	$ 2,718	$ 1,432	$ 7,835

The decrease in total stock-based compensation expense for three and six months ended June 30, 2022 is primarily due to the reversal of expense upon the forfeiture of awards in connection with the reduction in force event that occurred on January 4, 2022. See Note 1 for additional information.

Employee Stock Purchase Plan

In January 2021, the board of directors of the Company approved the Employee Stock Purchase Plan (the “ESPP”). The ESPP was effective on the date immediately prior to the effectiveness of the Company's registration statement relating to the IPO. A total of 390,000 shares of common stock were initially reserved for issuance under the ESPP. The ESPP provides that the number of shares reserved and available for issuance will automatically increase each January 1, beginning on January 1, 2022, by the lesser of 1% of the Company’s common stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company’s board of directors. The offering period and purchase period will be determined by the board of directors. As of June 30, 2022, 689,583 shares under the ESPP remain available for purchase and no offerings have been authorized.

Note 8—Warrants

As of June 30, 2022 and December 31, 2021, outstanding warrants to purchase the Company's common stock consisted of the following:

	Classification	Exercise Price	Expiration Date	June 30, 2022	December 31, 2021
Warrants issued with Conversion of Notes to Common Stock	Equity	$ 8.03	8/31/23	232,287	232,287
Warrants issued with Units in the Equity Offering	Equity	$ 8.03	8/31/23	875,034	875,034
Broker Warrants issued with Equity Offering	Equity	$ 0.01	8/31/25	1,297	1,297
Consultant Warrants	Liability	$ 7.60	8/31/28	39,505	39,505
Total Warrants				1,148,123	1,148,123

In accordance with ASC 815, the warrants classified as liabilities are recorded at fair value at the issuance date, with changes in the fair value recognized in the condensed consolidated statements of operations at the end of each reporting period. Refer to Note 4 for changes in the fair value recognized during the periods reported.

In accordance with ASC 815, the warrants classified as equity do not meet the definition of a derivative and are classified in stockholders' equity in the condensed consolidated balance sheets.

There was no warrant activity during the six months ended June 30, 2022.

Note 9—Commitments and Contingencies

Operating Leases

The Company leases office and laboratory space in Uniondale, New York from NovaPark, a related party, under an agreement classified as an operating lease expiring on June 20, 2026. The Company's lease does not require any contingent rental payments, impose any financial restrictions, or contain any residual value guarantees. Variable expenses generally represent the Company's share of the landlord's operating expenses, including management fees. The Company does not act as a lessor or have any leases classified as financing leases.

The Company leased office space in Fort Lee, New Jersey, comprising approximately 2,105 square feet for approximately $0.1 million per year, under a non-cancelable operating lease through March 31, 2022. However, this arrangement was excluded from the calculation of lease liabilities and right of use assets as its term was less than one year. The lease was subject to charges for common area maintenance and other costs. The Company did not renew the New Jersey lease and it expired on March 31, 2022.

In July 2020, the Company entered into a lease for office furniture in San Francisco, California set to expire in July 2025, with an immaterial annual lease payment.

In February 2021, the Company entered into a lease for clinical and regulatory space in Newton, Massachusetts (the “Newton lease”), comprising approximately 6,157 square feet for approximately $0.2 million per year, under a non-cancelable operating lease through June 30, 2024. Pursuant to the Newton lease, the Company had four months of free rent starting from February 15, 2021 to June 14, 2021. The Company has one option to extend the term of the lease for three years with nine months’ notice.

The following table summarizes the components of the Company's operating lease costs (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease cost	$ 302	$ 317	$ 714	$ 590
Variable lease cost	91	85	144	215
Short-term lease cost	6	3	12	42
Total operating lease cost	$ 399	$ 405	$ 870	$ 847

The following table summarizes quantitative information about the Company's operating leases (dollars in thousands):

	Six Months Ended June 30,	
	2022	2021
Operating cash flows from operating leases	$ 644	$ 543
Right-of-use assets exchanged for operating lease liabilities	$ —	$ 624
Weighted-average remaining lease term—operating leases (in years)	3.7	3.5
Weighted-average discount rate—operating leases	9.5 %	9.1 %

As of June 30, 2022, maturities of lease liabilities were as follows (in thousands):

Year Ended December 31,	Amounts
2022 (remaining six months)	$ 646
2023	1,305
2024	1,209
2025	1,104
2026	516
Total	4,780
Less present value discount	(847)
Operating lease liabilities	$ 3,933

Financing obligation

In 2021, the Company entered into an immaterial sale and leaseback arrangement with a third-party financing institution as a financing mechanism to fund certain of its capital expenditures primarily related to operating equipment, whereby the physical asset is sold concurrent with an agreement to lease the asset back. The initial leaseback term is 42 months starting from November 2021. The arrangement includes a renewal option as well as a repurchase option at fair value with a cap at the end of the term. The arrangement does not qualify as an asset sale as control of the equipment did not transfer to the third party and is accounted for as a failed sale-leaseback. Therefore, the Company accounts for the arrangement as a financing transaction and records the proceeds received as a financing obligation. The leased assets are included in property and equipment, net on the condensed consolidated balance sheets and are subject to depreciation.

The following table summarizes quantitative information about the Company's financing obligation for the six months ended June 30, 2022 (dollars in thousands):

Cash flow information:		
Payments of financing obligation		
Operating cash flows from financing obligation	$	19
Financing cash flows from financing obligation	$	29
Other information:		
Weighted-average remaining lease term (in years)		2.8
Weighted-average discount rate (in percent)		1.1 %
Carrying value of leased asset included in Property and Equipment, net	$	239
Depreciation associated with the leased asset	$	15

As of June 30, 2022, maturities of the financing obligation were as follows (in thousands):

Year Ended December 31,	**Amounts**
2022 (remaining six months)	$ 47
2023	94
2024	94
2025	31
Total	266
Less present value discount	(1)
Financing obligation	$ 265

Litigation

The Company is not a party to any material legal proceedings and is not aware of any pending or threatened claims. From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of its business activities.

Indemnification

The Company enters into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless and agrees to reimburse the indemnified parties for losses suffered or incurred by the indemnified party, in connection with any trade secret, copyright, patent or other intellectual property infringement claim by any third party with respect to its technology. The term of these indemnification agreements is generally perpetual any time after the execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these arrangements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the fair value of these agreements is minimal.

Note 10—Income Taxes

The Company's income tax provision was immaterial and the effective tax rate was 0% in each of the three and six months ended June 30, 2022 and 2021. The difference between the Company's effective tax rate of 0% and the U.S. federal statutory tax rate of 21% is primarily due to net operating losses in this period which are offset by the corresponding valuation allowance. The Company has provided a full valuation allowance against its net deferred tax assets as it is more likely than not such assets would not be realized.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income in which those temporary differences become deductible. Based on the available objective evidence, management believes it is more likely than not the net deferred tax assets at June 30, 2022 will not be realizable. Accordingly, management has maintained a full valuation allowance against its net deferred tax assets at June 30, 2022. Each reporting period, management evaluates the need for a valuation allowance on the Company's deferred tax assets by jurisdiction and adjust the Company's estimates as more information becomes available.

The Company is required to recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, the position will be sustained upon examination. Tax years starting from 2015 and forward are subject to examination by the U.S. federal and state tax authorities. These years are open due to net operating losses and tax credits remain unutilized from such years. The Company's policy is to recognize interest expense and penalties related to income tax matters as a component of income tax expense. As of June 30, 2022, there were no accruals for interest and penalties related to uncertain tax positions.

Note 11—Employee Benefit Plan

Employee Benefit Plan

The Company sponsors a retirement savings plan intended to qualify for favorable tax treatment under Section 401(a) of the Code, and contains a cash or deferred feature intended to meet the requirements of Section 401(k) of the Code. Participants may make pre-tax and certain after-tax (Roth) salary deferral contributions to the plan from their eligible earnings up to the statutorily prescribed annual limit under the Code. Participants who are 50 years of age or older may contribute additional amounts based on the statutory limits for catch-up contributions. Participant contributions are held in trust as required by law. No minimum benefit is provided under the plan. An employee's interest in his or her salary deferral contributions is 100% vested when contributed. Contributions, subject to established limits, are matched at a dollar for dollar rate up to 3% of an individual's earnings and fifty cents on the dollar on the next 4-5% of earnings.

Note 12—Net Loss Per Share

The following table sets forth the computation of the Company's basic and diluted net loss per share attributable to common stockholders, which excludes shares which are legally outstanding but subject to repurchase by the Company (in thousands, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator				
Net loss attributable to common stockholders	$ (9,139)	$ (17,072)	$ (23,379)	$ (53,759)
Denominator:				
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	29,973,886	29,670,329	29,966,609	26,574,290
Net loss per share attributable to common stockholders, basic and diluted	$ (0.30)	$ (0.58)	$ (0.78)	$ (2.02)

The table below provides potentially dilutive securities not included in the calculation of the diluted net loss per share because to do so would be anti-dilutive:

	Six Months Ended June 30,	
	2022	2021
Shares issuable upon exercise of stock options	5,851,912	4,488,202
Shares issuable upon the exercise of warrants	1,148,123	1,148,900
Unvested shares under restricted stock unit grants	109,530	46,675
Unvested shares under restricted stock grants	—	7,292
Total	7,109,565	5,691,069

Note 13—Related Party Transactions

On February 25, 2022, the Company entered into a Separation Agreement with Itzhak D. Goldberg, M.D., who formerly served as Executive Chairman and Chief Scientific Officer and currently serves as a director and Chairman Emeritus on the Company's board of directors. Pursuant to the terms of the Separation Agreement, Dr. Goldberg will receive severance benefits of approximately $1.1 million. Under the 2015 Plan and 2021 Plan, Dr. Goldberg will continue to vest his PSUs and stock options and exercisability of his options, so long as he remains in continuous service with the Company as a director on the board of directors or otherwise.

On March 1, 2022, the Company entered into a Separation Agreement with Elisha Goldberg, former employee and son of Itzhak D. Goldberg, M.D. Pursuant to the terms of the Separation Agreement, Mr. Goldberg will receive severance benefits of approximately $0.5 million. Mr. Goldberg will also have the right to exercise any vested stock options he may have received under the 2015 Plan or 2021 Plan until December 31, 2022, which extended the exercise period by 11 months.

Ohr Investment

In a series of investments in November 2013 and July 2017, the Company invested a total of $150,000 to acquire a membership interest in Ohr Cosmetics, LLC (“Ohr”), an affiliated company.

The Company owns, and the family of the Company's Chairman Emeritus owns, approximately 2.4% and 81.3%, respectively, of the membership interests in Ohr. The Chairman Emeritus' son is the manager of Ohr.

In November 2013, the Company granted Ohr an exclusive worldwide license, with the right to sublicense, under the Company's patent rights covering one of the Company's CYP26 inhibitors, ANG-3522, for the use in treating conditions of the skin or hair. Sublicensees may not grant further sublicenses under the Company's patent rights other than to affiliates of such sublicensees and entities with which sublicensees are collaborating for the research, development, manufacture and commercialization of the products. Ohr will pay the Company a royalty at a rate in the low single digits on gross revenue of products incorporating ANG-3522, and milestone payments potentially totaling up to $9.0 million based on achievement of sales milestones. Royalties and milestone payments will be paid until the later of 15 years from the first commercial sale of a licensed product or the last to expire licensed patent rights. The royalty rate is subject to adjustments under certain circumstances. The Company believes the Ohr License was made on terms no less favorable to the Company than those the Company could obtain from unaffiliated third parties.

No revenue from this license agreement was recognized for the periods presented.

NovaPark Investment and Lease

As of June 30, 2022, the Company had a 10% interest in NovaPark. Members of the Company's Chairman Emeritus’ immediate family own a majority of the membership interests of NovaPark. The Company accounts for its aggregate 10% investment in NovaPark under the equity method.

The following table provides the activity for the NovaPark investment for the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Beginning balance	$ 732	$ 782	$ 723	$ 727
Earnings from equity method investment	133	(22)	142	45
Distribution from NovaPark	—	(12)	—	(24)
Ending balance	$ 865	$ 748	$ 865	$ 748

The Company rents office and laboratory space in Uniondale, New York from NovaPark under a lease expiring June 20, 2026. The Company recorded rent expense for fixed lease payments of $0.3 million in each of the three months ended June 30, 2022 and 2021 and $0.5 million in each of the six months ended June 30, 2022 and 2021. The Company recorded rent expense for variable expenses related to the lease of $0.1 million for the three months ended June 30, 2022 and 2021 and $0.1 million and $0.2 million in each of the six months ended June 30, 2022 and 2021. See Note 9.

Convertible Notes

In connection with the IPO in February 2021, Victor Ganzi, Gilbert Omenn and Karen Wilson, directors of the Company, and Raj Venkatesan, brother of the Chief Executive Officer and director of the Company, converted all their outstanding convertible notes into an aggregate of 149,500 shares of common stock with a conversion price of $11.57. As of June 30, 2022, there were no convertible notes outstanding.

Series C Convertible Preferred Stock

In connection with the IPO in February 2021, Jay Venkatesan, M.D., the Chief Executive Officer and director of the Company converted all his outstanding preferred stock into an aggregate of 165,094 shares of common stock with a conversion price of $11.57 per share. As of June 30, 2022, there were no shares of convertible preferred stock outstanding.

Consultant Fees

Angion paid consulting fees under an agreement with the wife of the Company's Chairman Emeritus for Company management services. Consultant fees paid to the wife were immaterial in each of the three and six months ended June 30, 2022 and 2021. This consultant agreement was terminated in February 2022.

Other

Dr. Michael Yamin, a former member of the board of directors of the Company, is a Scientific Advisor for Pearl Cohen Zedek Latzer Baratz LLP (Pearl Cohen). During the each of the three and six months ended June 30, 2022 and 2021, the Company paid Pearl Cohen an immaterial amount in legal fees, respectively.

In January 2018, the Company also entered into a consulting agreement with Dr. Yamin pursuant to which he agreed to provide consulting services to the Company in the areas of biomedical research and development. Consultant fees paid to Dr. Yamin were immaterial in in each of the three and six months ended June 30, 2022 and 2021. Dr. Yamin resigned from the Company's board of directors in March 2020. Dr. Yamin's resignation was not due to any disagreement with the Company, the board or management of the Company.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2021. In addition to the historical financial information, this discussion contains forward-looking statements involving risks, assumptions and uncertainties, such as statements of our plans, objectives, expectations, intentions, forecasts and projections. Our actual results and the timing of selected events could differ materially from those discussed in these forward-looking statements as a result of several factors, including those set forth under the section of this Quarterly Report on Form 10-Q titled "*Risk Factors,*" *which you should carefully to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements. Please also see the section titled* "*Forward-Looking Statements*" *at the beginning of this report.*

Overview

We are a biopharmaceutical company that has focused on the discovery, development, and commercialization of novel small molecule therapeutics to address chronic and progressive fibrotic diseases. Our goal has been to transform the treatment paradigm for patients suffering from these potentially life-threatening conditions for which there are no approved medicines or where existing approved medicines have limitations. Our product candidates and programs include ANG-3070, a highly selective oral tyrosine kinase receptor inhibitor (TKI) in development as a treatment for fibrotic diseases, a ROCK2 preclinical program targeted towards the treatment of fibrotic diseases, and a CYP11B2 preclinical program targeted towards diseases related to aldosterone synthase dysregulation.

Prior to January 2022, our lead product was ANG-3777, a hepatocyte growth factor (HGF) mimetic we were evaluating in multiple indications of acute organ injury, including delayed graft function (DGF) and for the treatment of AKI associated with cardiac surgery involving cardiopulmonary bypass (CSA-AKI). In 2021, we also studied ANG-3777 in patients with severe COVID-19 related pneumonia at high risk for acute respiratory distress syndrome (ARDS). On October 26, 2021, we announced the Phase 3 trial of ANG-3777 in DGF did not achieve its primary endpoint and the data were not expected to be sufficient evidence to support an indication in the studied DGF population. On December 9, 2021, we announced the Phase 2 trial of ANG-3777 in CSA-AKI did not achieve its primary endpoint. We do not intend to continue the clinical development plan for ANG-3777 set forth in the Vifor License, which had included a Phase 3 study in CSA-AKI and a Phase 4 confirmatory study in donor kidney transplant patients who were at risk for developing DGF, given we do not believe the earlier Phase 2 and Phase 3 clinical trial results in the respective indications support a regulatory approval. We have no funds budgeted for additional clinical trials for ANG-3777.

On May 12, 2022, we were notified by the U.S. Food and Drug Administration (FDA) of the acceptance of an Investigational New Drug (IND) application supporting the clinical development of ANG-3070 in idiopathic pulmonary fibrosis (IPF) and clearance to begin a Phase 1b study of ANG-3070 in patients with IPF.

On June 29, 2022, we announced the termination of our Phase 2 "JUNIPER" dose-finding trial for ANG-3070 in patients with primary proteinuric kidney diseases, specifically focal segmental glomerulorsclerosis (FSGS) and immunoglobulin A nephropathy (IgAN) in the interests of patient safety based upon a reassessment of the risk/benefit profile of ANG-3070 in patients with established serious kidney disease.

On July 25, 2022, we announced a process to explore strategic options for enhancing and preserving shareholder value (the "2022 Strategic Realignment"). Potential strategic options to be explored or evaluated as part of the process may include, but are not limited to merger, reverse merger, other business combination, sale of assets, licensing, or other strategic transactions. In addition, we announced the discontinuation of development of ANG-3070 for all indications and the discontinuation of other development activities pending conclusion of the strategic process, except certain pre-clinical studies of ANG-3777, consistent with ongoing discussions with our license partner Vifor Pharma. Finally, we also announced a reduction in force across the organization as described below.

We do not have any products approved for sale and have not generated any revenue from product sales since our inception and do not expect to generate revenue from product sales unless we successfully develop, and we or our collaborators commercialize our product candidates, which we do not expect to occur for at least several years, if ever. Our net losses were $9.1 million and $17.1 million for the three months ended June 30, 2022 and 2021, and $23.4 million and $53.8 million for the six months ended June 30, 2022 and 2021 respectively. As of June 30, 2022, we had an accumulated deficit of $238.5 million. We expect to continue to incur net losses for the foreseeable future.

In addition, if we seek regulatory approval for any of our wholly-owned product candidates or those for which we retain the right to commercialize in the future, we would need to incur additional expenses as we expand our clinical, regulatory, quality, manufacturing and commercialization capabilities, incur significant commercialization expenses for marketing, sales, manufacturing and distribution if we obtain marketing approval for such product candidates.

We rely on third parties in the conduct of our preclinical studies and clinical trials and for manufacturing and supply of our product candidates. We have no internal manufacturing capabilities, and if we continue to develop product candidates, we expect to continue to rely on third parties, many of whom are single-source suppliers, for our preclinical study and clinical trial materials. In addition, we do not yet have a marketing or sales organization or commercial infrastructure. Accordingly, if we are able to develop and obtain approval for one or more product candidates, we will incur significant expenses to develop a marketing and sales organization and commercial infrastructure in advance of generating any product sales of wholly-owned product candidates or those for which we retain the right to commercialize.

Furthermore, we will need to make continued investment in development studies, registration activities and the development of commercial support functions including quality assurance and safety pharmacovigilance before we will be in a position to sell any of our product candidates, if approved.

The Initial Public Offering and Concurrent Private Placement

The Initial Public Offering (“IPO”) and Concurrent Private Placement, which both closed on February 9, 2021, generated aggregate net proceeds of approximately $107.0 million, after deducting the underwriting discounts and commissions, private placement fee and offering expenses payable by us.

Reduction in Force

On January 4, 2022, we previously announced and completed a reduction in force impacting somewhat less than half of our employees at that time. Our decision to engage in this reduction resulted from an assessment of our internal resources needs, given the results of the Phase 3 study of ANG-3777 in patients at risk for DGF would likely not support a regulatory approval in that population and the Phase 2 study in CSA-AKI would not support a Phase 3 trial in that indication. This reduction was a cost-cutting measure across the organization to support our 2022 primary focus on the clinical development of our investigational asset ANG-3070, a highly selective, oral tyrosine kinase receptor inhibitor in development as a treatment for fibrotic diseases, as well as advancing preclinical assets to IND-enabling studies. In connection with the reduction in force, we incurred termination costs, which include severance, benefits and related costs, of approximately $3.2 million, of which $1.8 million were paid during the six months ended June 30, 2022. We expect to pay the remaining $1.4 million on or before September 2023.

On July 25, 2022, we announced an additional reduction in force of the majority of our current 37 employees. This reduction in force, expected to be completed in October 2022, is a cash preservation measure and impacts employees across the organization. In connection with the reduction in force, we expect to record a charge of approximately $3.3 million in the third quarter of 2022 to implement the reduction in force. These charges are primarily one-time termination benefits payable in cash.

License, Collaboration and Grant Agreements

License Agreement with Vifor Pharma

In November 2020, we granted Vifor Pharma, an exclusive, global (excluding Greater China), royalty-bearing license, for the commercialization of ANG-3777 in all Renal Indications, beginning with DGF and CSA-AKI. The Vifor License also grants Vifor Pharma exclusive rights, with a right to sublicense subject to our consent for certain specified conditions, to develop and manufacture ANG-3777 for commercialization in Renal Indications worldwide (excluding Greater China) in cooperation with us or independently. We retain the right to develop and commercialize combination therapy products combining ANG-3777 with our other proprietary molecules, subject to Vifor Pharma's right of first negotiation with respect to global (excluding Greater China) rights to such combination therapy products in the Renal Indications.

Pursuant to the Vifor License and specifically based upon the clinical development plan for ANG-3777 set forth in the Vifor License, we are entitled to receive $80 million in upfront and near-term clinical milestone payments, including $30 million in up-front cash received in November 2020, and a $30 million equity investment comprising a $5 million convertible note subsequently converting into common stock with the IPO and $25 million of which was received in the Concurrent Private Placement with our IPO.

We are also eligible to receive post-approval milestones of up to approximately $260 million and sales-related milestones of up to $1.585 billion, providing a total potential deal value of up to $1.925 billion (subject to certain specified reductions and offsets), plus tiered royalties on net sales of ANG-3777 at royalty rates of up to 40%. Under the Vifor License, we are responsible for executing a pre-specified clinical development plan designed to obtain regulatory approvals of ANG-3777 for DGF and CSA-AKI. For the three months ended June 30, 2022 and 2021, we recognized license revenue related to the Vifor License of $0.7 million and $0.5 million, respectively. For the six months ended June 30, 2022 and 2021, we recognized license revenue related to the Vifor License of $2.3 million and $0.9 million, respectively. The Company has completed substantially all performance under the Vifor License and recognized all remaining deferred revenue under the agreement during the three months ended June 30, 2022. As of June 30, 2022 and December 31, 2021, we recorded zero and $2.3 million, respectively, as deferred revenue, current on the condensed consolidated balance sheet related to the Vifor License.

On October 26, 2021, we announced the Phase 3 trial of ANG-3777 in DGF did not achieve its primary endpoint and the data were not expected to be sufficient evidence to support an indication in the studied DGF population. On December 14, 2021, we announced the Phase 2 trial of ANG-3777 in CSA-AKI did not achieve its primary endpoint. The Vifor License includes additional milestone and royalty objectives related to the clinical development plan for ANG-3777, which had included a Phase 3 study for CSA-AKI and a Phase 4 confirmatory study in DGF. We do not expect to receive any clinical, post-approval, or sales milestones, or royalties, as we do not intend to continue to pursue the current clinical development plan for ANG-3777. In 2022, we and Vifor Pharma continue to work to complete the planned analyses of the results of the clinical trials announced in the fourth quarter of 2021 and to discuss the future of the collaboration based upon such analyses and certain additional pre-clinical studies of ANG-3777.

Components of Results of Operations

The following discussion summarizes the key factors our management believes are necessary for an understanding of our financial statements.

Revenue

We do not have any products approved for sale and have not generated any revenue from product sales. Our revenue to date primarily has been derived from government funding consisting of U.S. government grants and contracts, and revenue under our license agreements, specifically the Vifor License.

Grant Revenue

Our grants and contracts reimburse us for direct and indirect costs relating to the grant projects and also provide us with a pre-negotiated profit margin on total direct and indirect costs of the grant award, excluding subcontractor costs, after giving effect to directly attributable costs and allowable overhead costs. Funds received from grants and contracts are generally deemed to be earned and recognized as revenue as allowable costs are incurred during the grant or contract period and the right to payment is realized.

Contract Revenue

Our license agreements comprise elements of upfront license fees, milestone payments based on development and royalties based on net product sales. The timing of our operating cash flows may vary significantly from the recognition of the related revenue. Income from upfront payments is recognized when we satisfy the performance obligations in the contract, which can result in recognition at either a point in time or over the period of continued involvement. Other revenue, such as milestone payments, are recognized when achieved.

Our revenue to date has been generated from payments received pursuant to the Vifor License Agreement. We recognize revenue from upfront payments over the term of our estimated period of performance using a cost-based input method under Topic 606, *Revenue from Contracts with Customers*.

In addition to receiving an upfront payment, we may also be entitled to milestones and other contingent payments upon achieving predefined objectives. If a milestone is considered probable of being reached, and if it is probable that a significant revenue reversal would not occur, the associated milestone amount would also be included in the transaction price. We expect any license revenue we generate from any future collaboration partners, will fluctuate in the future as a result of the timing and amount of upfront, milestones and other collaboration agreement payments and other factors.

Operating Expenses

Cost of Grant Revenue

Our cost of grant revenue primarily relates to personnel-related costs and expenses for grant projects.

Research and Development Expenses

To date, our research and development expenses have primarily related to discovery efforts and preclinical and clinical development of our product candidates. We recognize research and development expenses as they are incurred and payments made prior to the receipt of goods or services to be used in research and development are capitalized until the goods or services are received.

Our research and development expenses have consisted primarily of:

- personnel costs, including salaries, payroll taxes, employee benefits and stock-based compensation, for personnel in research and development functions;
- costs associated with medical affairs activities;
- fees paid to consultants, clinical testing sites and contract research organizations (CROs), including in connection with our preclinical studies and clinical trials, and other related clinical trial fees, such as for investigator grants, patient screening, laboratory work, clinical trial database management, clinical trial material management and statistical compilation, analysis and reporting;
- contracted research and license agreement fees with no alternative future use;
- costs related to acquiring, manufacturing and maintaining clinical trial materials and laboratory supplies;
- depreciation of equipment and facilities;
- legal expenses related to clinical trial agreements and material transfer agreements; and
- costs related to preparation of regulatory submissions and compliance with regulatory requirements.

Other than with respect to reimbursable expenses required to be recorded under our government grants and contracts, we do not allocate our expenses by product candidates. A significant amount of our direct research and development expenses include payroll and other personnel expenses for our departments supporting multiple product candidate research and development programs and, other than as specified above, we do not record research and development expenses by product. However, research and development expenses were primarily driven by expenses relating to the development of ANG-3777 and ANG-3070 during the three and six months ended June 30, 2021 and 2022. Of our total research and development expenses for both the three months ended June 30, 2022 and 2021, 68% of such expenses were from external third-party sources and the remaining 32% were from internal sources. For the six months ended June 30, 2022 and 2021, 62% and 61%, respectively, of such expenses were from external third-party sources and the remaining 38% and 39%, respectively, were from internal sources.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related expenses, such as salaries, payroll taxes, employee benefits and stock-based compensation, for personnel in executive, operational, finance and human resources functions. Other significant general and administrative expenses include facilities costs, insurance costs, and accounting and legal services and expenses associated with obtaining and maintaining patents. A portion of the general and administrative expenses are reimbursed through the overhead rates contained in our grants with the U.S. Government.

Other Income (Expense)

Convertible Notes Recorded at Fair Value

We elected the fair value option for recognition of our convertible notes. Our convertible notes were subject to re-measurement each reporting period with gains and losses reported through our condensed consolidated statements of operations. All of our convertible notes were converted into shares of our common stock upon the closing of our IPO.

Liability Classified Series C Convertible Preferred Stock Recorded at Fair Value

Our Series C convertible preferred stock included settlement features resulting in classification as a liability. The initial carrying value of the Series C convertible preferred stock was accreted to the settlement value, the fair value of the securities to be issued upon the conversion of the Series C Preferred Stock. The discount to the settlement value was accreted to interest expense using the effective interest method. During 2020, certain of the convertible notes were exchanged for Series C convertible preferred stock. As the exchange was accounted for as a modification, the Series C convertible preferred stock exchanged for the convertible notes (the Exchanged Series C Shares) was recorded at fair value. The Exchanged Series C Shares were subject to re-measurement each reporting period with gains and losses reported through our condensed consolidated statements of operations. All shares of our Series C convertible preferred stock converted into common stock upon the closing of our IPO.

Warrant Liability

We have accounted for certain of our freestanding warrants to purchase shares of our common stock as liabilities measured at fair value, in accordance with ASC 815, *Derivatives and Hedging*. The warrants are subject to re-measurement at each reporting period with gains and losses reported through our condensed consolidated statements of operations.

Foreign Exchange Transaction Gain

Foreign currency transaction gains, primarily related to intercompany loans, are recorded as a component of other income (expense) in our condensed consolidated statements of operations.

Earnings in Equity Method Investment

Earnings in equity method investment represents our 10% interest in NovaPark accounted for under the equity method.

Interest Income

Interest income consists of interest earned on our cash and cash equivalents.

Results of Operations

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

The following table summarizes our results of operations for the periods indicated:

	Three Months Ended June 30,			
	2022	2021	$ Change	% Change
	(In thousands, except percentages)			
Revenue:				
Contract revenue	$ 653	$ 540	$ 113	21%
Total revenue	653	540	113	21%
Operating expenses:				
Research and development	6,073	14,444	(8,371)	(58)%
General and administrative	3,615	4,340	(725)	(17)%
Total operating expenses	9,688	18,784	(9,096)	(48)%
Loss from operations	(9,035)	(18,244)	9,209	(50)%
Other income (expense), net	(104)	1,172	(1,276)	(109)%
Net loss	**$ (9,139)**	**$ (17,072)**	**$ 7,933**	

Contract Revenue

Contract revenue increased by $0.1 million for the three months ended June 30, 2022 compared to the same period in 2021. Since we do not intend to continue the clinical development plan for ANG-3777 currently set forth in Vifor License agreement, which had included a Phase 3 study in cardiac surgery associated with cardiopulmonary bypass (CSA-AKI) and a Phase 4 confirmatory study in delayed graft function (DGF), we performed a reassessment of the performance period and estimated costs for the completion of the performance obligations. This accelerated

the revenue recognition related to the upfront payment we received from Vifor Pharma when the license agreement with Vifor Pharma was entered into in 2020.

As of June 30, 2022 we have completed substantially all our performance obligation under the Vifor License and recognized all remaining deferred revenue under the agreement during the three months ended June 30, 2022.

Research and Development Expenses

Research and development expenses decreased by $8.4 million, or 58%, for the three months ended June 30, 2022 compared to the same period in 2021. The decrease in research and development expenses was primarily due to a net decrease of $2.9 million in personnel-related expenses as a result of the reduction in force announced in January 2022, a decrease of $3.5 million in CRO expenses from decreased clinical trial activities, and a decrease of $2.0 million in R&D consulting and subcontractor expenses from reduced clinical and non-clinical trial activities primarily related to the completion of ANG-3777 trials.

We expect our research and development expenses to be significantly lower in the near term due to the discontinuation of development of ANG-3070 for all indications and the discontinuation of other development activities pending conclusion of the strategic process, except for approximately $2.8 million in termination costs related to the reduction in force announced in July 2022 and certain pre-clinical studies of ANG-3777, consistent with ongoing discussions with our license partner Vifor Pharma.

General and Administrative Expenses

General and administrative expenses decreased by $0.7 million, or 17%, for the three months ended June 30, 2022 compared to the same period in 2021. The decrease in general and administrative expenses was primarily due to a net decrease of $1.0 million in personnel-related expenses as a result of the reduction in force announced in January 2022, offset in part by an increase of $0.3 million in operating expenses, including legal, office and insurance charges.

We expect our general and administrative expenses to be slightly lower in the future due to the effect of our restructuring and 2022 Strategic Alignment process, except for approximately $0.5 million in termination costs related to our reduction in force announced in July 2022. We also expect to generally maintain our current level of expenses associated with operating as a public company, including expenses related to audit, legal, regulatory, and tax-related services associated with maintaining compliance with the rules and regulations of the SEC and standards applicable to companies listed on a national securities exchange, insurance expenses, investor relations activities and other administrative and professional services.

Other Income (Expense)

Other income (expense) decreased by $1.3 million for the three months ended June 30, 2022 compared to the same period in 2021. The decrease is primarily due to a decrease of $0.9 million gain from the forgiveness of our PPP loan in the second quarter of 2021. There is also an increase of $0.3 million foreign exchange losses resulting from unfavorable effect of exchange rates.

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

The following table summarizes our results of operations for the periods indicated:

	Six Months Ended June 30,			
	2022	2021	$ Change	% Change
	(In thousands, except percentages)			
Revenue:				
Contract revenue	$ 2,301	$ 911	$ 1,390	153
Total revenue	2,301	911	1,390	153
Operating expenses:				
Research and development	17,740	28,742	(11,002)	(38
General and administrative	8,081	10,352	(2,271)	(22
Total operating expenses	25,821	39,094	(13,273)	(34
Loss from operations	(23,520)	(38,183)	14,663	(38
Other income (expense), net	141	(15,576)	15,717	(101
Net loss	**$ (23,379)**	**$ (53,759)**	$ 30,380	

Contract Revenue

Contract revenue increased by $1.4 million for the six months ended June 30, 2022 compared to the same period in 2021. Since we do not intend to continue the clinical development plan for ANG-3777 currently set forth under our Vifor License agreement, which had included a Phase 3 study in cardiac surgery associated with cardiopulmonary bypass (CSA-AKI) and a Phase 4 confirmatory study in delayed graft function (DGF), we performed a reassessment of the performance period and estimated costs for the completion of the performance obligations. This accelerated the revenue recognition related to the upfront payment we received from Vifor Pharma when the license agreement with Vifor Pharma was entered into in 2020.

As of June 30, 2022, we have completed all our performance obligation under the Vifor License and recognized all remaining deferred revenue under the agreement during the three months ended June 30, 2022.

Research and Development Expenses

Research and development expenses decreased by $11.0 million, or 38%, for the six months ended June 30, 2022 compared to the same period in 2021. The net decrease in research and development expenses was primarily due to a $6.3 million reduction in clinical trial related expenses as a result of the completion of ANG-3777 trials, and a $7.3 million decrease in salary, bonus and stock based compensation primarily due to the reduction in headcount following the reduction in force announced in January 4, 2022. These decreases are offset in part by the one-time termination benefit charges of $2.7 million incurred in connection with our reduction in force announced January 4, 2022 (see Note 1 to the condensed consolidated financial statements for additional information).

General and Administrative Expenses

General and administrative expenses decreased by $2.3 million, or 22%, for the six months ended June 30, 2022 compared to the same period in 2021. The decrease in general and administrative expenses was primarily due to a net decrease of $3.3 million in personnel-related expenses primarily in salary, bonus and stock based compensation related to the reduction in force announced January 4, 2022 and the vesting of performance-based stock units upon IPO in the six months ended June 30, 2021. These decreases were offset in part by the one-time termination benefit charges of $0.6 million (see Note 1 to the condensed consolidated financial statements for additional information) and a net increase of $0.4 million in professional services expense, including audit, tax, legal and insurance.

Other Income (Expense)

Other income (expense) increased by $15.7 million for the six months ended June 30, 2022 compared to the same period in 2021. The increase is primarily due to a decrease of $14.5 million of loss from the first quarter of 2021 as a result of the increase in fair value related to our warrant liability, convertible notes, and Series C convertible preferred stock for which we elected the fair value option as most of these instruments were no longer outstanding after our IPO in February 2021. There was also a reduction of $2.2 million in interest expense, primarily related to interest associated with convertible notes and Series C convertible preferred stock in 2020 that were converted into equity upon our IPO in February 2021. The convertible notes and warrants both require re-measurement at each balance sheet date with gains and losses reported through our consolidated statement of operations. These increases were offset in part by a $0.9 million gain from the forgiveness of our PPP loan in the second quarter of 2021.

Liquidity and Capital Resources

Sources and Uses of Liquidity

We have incurred losses and negative cash flows from operations since inception, and we anticipate we will incur losses for at least the next several years. To date, we have not generated any revenue from product sales. We have funded our operations primarily through the receipt of grants, the sale of debt and equity securities, and proceeds from license agreements. As of June 30, 2022, we had $63.4 million of cash and cash equivalents and an accumulated deficit of $238.5 million, compared to $88.8 million of cash and cash equivalents and an accumulated deficit of $215.1 million as of December 31, 2021.

Future Cash Needs and Funding Requirements

Based on our current operating plan, we believe our cash and cash equivalents will be sufficient to fund our planned operations for at least 12 months following the issuance date of our condensed consolidated financial statements. However, we have based our projections of operating capital requirements on assumptions that may prove to be incorrect and we may use all our available capital resources sooner than we expect. Because of the numerous risks and uncertainties associated with the status of our company and the initiation of our 2022 Strategic Realignment process, we are unable to estimate the exact amount of our operating capital requirements. The amount and timing of our future funding requirements will depend on many factors, including, but not limited to:

- the amount of time it takes to complete our 2022 Strategic Realignment process, including completing any potential merger or reverse merger transaction;
- the amount and cost of legal and professional services required to conduct our 2022 Strategic Realignment process, including fees related to the engagement of a strategic advisor; and
- our need to continue to operate as a public company

Summary Statement of Cash Flows

The following table sets forth a summary of our net cash flow activity for the six months ended June 30, 2022 and 2021 (in thousands):

	Six Months Ended June 30,	
	2022	2021
Net cash provided by (used in)		
Operating activities	$ (25,558)	$ (23,082)
Investing activities	—	(285)
Financing activities	(28)	106,068
Effect of foreign currency on cash	202	5
Net increase (decrease) in cash	$ (25,384)	$ 82,706

Operating activities

For the six months ended June 30, 2022, net cash used in operating activities was $25.6 million, which primarily consisted of a net loss of $23.4 million, partially offset by net non-cash charges of $1.7 million and a use of cash from the change in net operating assets and liabilities of $3.8 million. The net non-cash charges were primarily related to stock-based compensation of $1.4 million and amortization of operating lease right-of-use assets of $0.4 million. The use of cash due to the change in net operating assets and liabilities was due to a decrease in deferred revenue of $2.3 million due to revenue recognized in the period, an increase of $0.8 million in prepaid expenses and other current assets primarily due to the prepayment of business insurance, and a decrease of $2.1 million in accounts payable due to the payment of CRO invoices, partially offset by an increase of $0.9 million in accrued expenses due to timing of invoices, and an increase of $0.1 million in other liabilities, noncurrent, for accrued severance, and a decrease of $0.8 million in grants receivable due to the fulfillment of the grant contract with the U.S. Department of Defense.

For the six months ended June 30, 2021, net cash used in operating activities was $23.1 million, which primarily consisted of a net loss of $53.8 million, partially offset by net non-cash charges of $23.5 million and a change in net operating assets and liabilities of $7.1 million. The net non-cash charges were primarily related to a change in fair value of $14.4 million in convertible notes, Series C preferred stock and warrant liabilities, stock-based compensation expense of $7.8 million and amortization of debt issuance costs of $1.9 million, partially offset by a gain of $0.9 million from the forgiveness of our PPP loan. The change in net operating assets and liabilities was due to a decrease of $3.3 million in prepaid expenses and other current assets, an increase of $3.7 million in accounts payable due to our overall growth and an increase of $1.3 million in accrued expenses due to timing of invoices, partially offset by a decrease in deferred revenue of $0.9 million due to revenue recognized in the period.

Investing activities

For the six months ended June 30, 2022, no cash was provided by or used in investing activities, and for the six months ended June 30, 2021, net cash used in investing activities was $0.3 million, primarily related to purchases of fixed assets for research activities.

Financing activities

For the six months ended June 30, 2022, net cash used in financing activities was immaterial.

For the six months ended June 30, 2021, net cash provided by financing activities was $106.1 million, primarily due to net proceeds of $110.6 million from the IPO and Concurrent Private Placement and $0.9 million from the exercise of warrants, partially offset by the payment of the deferred offering costs of $3.1 million and taxes paid related to net share settlement upon vesting of restricted stock awards of $2.4 million.

Critical Accounting Policies and Significant Judgements and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The preparation of our condensed consolidated financial statements and related disclosures requires us to make estimates and judgments affecting the reported amounts of assets, liabilities, costs and expenses. We base our estimates on historical experience, known trends and events and various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

Our critical accounting policies are described under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Use of Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2021, which was filed with the SEC on March 30, 2022. During the six months ended June 30, 2022, except as described in Note 1 to the unaudited interim condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q, there were no material changes to our critical accounting policies from those previously disclosed.

Emerging Growth Company and Smaller Reporting Company Status

We are a smaller reporting company and an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay the adoption of new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Other exemptions and reduced reporting requirements under the JOBS Act for emerging growth companies include

presentation of only two years of audited financial statements in a registration statement for an initial public offering, an exemption from the requirement to provide an auditor's report on internal controls over financial reporting pursuant to Sarbanes-Oxley Act of 2002, as amended (Sarbanes-Oxley) an exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation, and less extensive disclosure about our executive compensation arrangements.

We have elected to use the 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 (i) we are no longer an emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our condensed consolidated financial statements may not be comparable to companies that comply with new or revised accounting standards as of public company effective dates.

We will remain an emerging growth company until the earliest of (i) December 31, 2026, (ii) the last day of our first fiscal year in which we have total annual gross revenue of $1.07 billion or more, (iii) the date on which we are deemed to be a “large accelerated filer,” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (Exchange Act), which means the market value of equity securities held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter and (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” and/or “non-accelerated filer” which may allow us to take advantage of many of the same exemptions from disclosure requirements including not being required to comply for a period of time with the auditor attestation requirements of Section 404 of Sarbanes-Oxley, and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer, our principal executive officer and principal accounting and financial officer, respectively, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2022.

Disclosure controls and procedures are controls and other procedures designed to ensure information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our President and Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures, our President and Chief Executive Officer and our Chief Financial Officer concluded our disclosure controls and procedures were not effective as of June 30, 2022 due to the material weaknesses in our internal control over financial reporting described below. In light of this fact, our management has performed additional analyses, reconciliations, and other post-closing procedures and has concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the condensed consolidated financial statements for the periods covered by and included in this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP.

Changes in Internal Control Over Financial Reporting

Except for the changes in connection with the ongoing remediation of the previously identified material weakness discussed below, there has been no change in our internal control over financial reporting during the quarter ended June 30, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In connection with the preparation of our consolidated financial statements, we identified control deficiencies in the design and operation of our internal control over financial reporting that constituted material weaknesses. A

material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified in our internal control over financial reporting related to (i) insufficient resources with knowledge and expertise in U.S. GAAP to properly evaluate certain complex transactions, including debt instruments and equity instruments; and (ii) insufficient financial reporting and close controls to ensure that incurred expenses are accrued at period end and deliverables from third party contractors are reviewed for accuracy.

During 2021, we took a number of actions to remediate these material weaknesses, including:

- engaging SEC compliance and technical accounting consultants to assist in evaluating transactions for conformity with U.S. GAAP;
- hiring additional finance and accounting personnel to augment accounting staff and to provide more resources for complex accounting matters and financial reporting; and
- strengthening our financial reporting and close relating to incurred expenses by ensuring our data capture procedures are clearly defined and that responsible personnel, including supervisory personnel, have adequate training regarding the process and expectation.

We are still in the process of implementing these controls. We intend to continue to take steps to remediate the material weaknesses through formalizing documentation of policies and procedures and further evolving our accounting processes. While we believe these efforts will improve our internal control over financial reporting, the design and implementation of our remediation is ongoing and will require validation and testing of the design and operating effectiveness of our internal controls over a sustained period of financial reporting cycles. The actions we are taking are subject to ongoing senior management review, as well as audit committee oversight. We will not be able to conclude whether the steps we are taking will fully remediate the material weaknesses in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness.

Inherent Limitation on the Effectiveness Over Financial Reporting

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable and not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but there can be no assurance such improvements will be sufficient to provide us with effective internal control over financial reporting.

Part II OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any material legal proceedings. From time to time, we may be involved in legal proceedings or subject to claims incident to the ordinary course of business. Regardless of the outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this Quarterly Report on Form 10-Q, including our condensed *consolidated financial statements and related notes, before deciding whether to invest in shares of our common stock. Many of the following risks and uncertainties are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result. The occurrence of any of the adverse developments described in the following risk factors could materially and adversely harm our business, financial condition, results of operations or prospects. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.*

Risk factors that may affect our business and financial results are discussed within Item 1A "Risk Factors" of our Annual Report on Form 10-K and below. Except as set forth below, there have been no material changes to the disclosures relating to this item from those set forth in our Annual Report on Form 10-K.

As disclosed under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview," on July 25, 2022, we announced that we intend to engage in a 2022 Strategic Realignment process, pursuant to which we will explore strategic options for enhancing and preserving shareholder value, which may include exploration and evaluation of strategic options like a merger, reverse merger, other business combination, sale of assets, licensing, or other strategic transactions. We also announced the discontinuation of development of ANG-3070 for all indications and the discontinuation of other development activities pending conclusion of the strategic process, except certain pre-clinical studies of ANG-3777. As a result, many of the risk factors previously disclosed in our Annual Report on Form 10-K may only apply to the extent we continue the pre-clinical studies of ANG-3777 or resume further development of our product candidates and programs Any related risk factors surrounding the costs of our operations and need for additional funding are also tied to our remaining operations discussed throughout this Report. This section discusses risk factors that may affect our business and financial results that were not previously disclosed in Item 1A "Risk Factors" of our Annual Report on Form 10-K.

We may be unable to realize all of the potential benefits, and may be subject to potential liabilities, in connection with our planned 2022 Strategic Realignment.

In July 2022, we announced that we will discontinue development of ANG-3070 for all indications and discontinue other development activities pending conclusion of our 2022 Strategic Realignment process, pursuant to which we will explore and evaluate strategic options like a merger, reverse merger, other business combination, sale of assets, licensing, or other strategic transactions. We may not be able to successfully enter into and complete a strategic transaction in a timely manner, if at all. In addition, the costs of implementing the 2022 Strategic Realignment process may be greater than we expect and we may be unable to offset such costs. As a result, we may not achieve the benefits we are seeking, even if we implement our 2022 Strategic Realignment process.

Our recent organizational changes and cost cutting measures may not be successful.

In July 2022, following the announcement that we will terminate our Phase 2 "JUNIPER" dose-finding trial for ANG-3070 in patients with primary proteinuric kidney diseases and discontinue all development activities, and we decided to implement a reduction-in-force affecting a majority of our workforce. The objective of this workforce reduction was to realign our workforce to meet our needs in light of the termination of our clinical development activities. In connection with these actions, we have incurred or will incur the termination costs, which include severance, benefits, and related costs, of approximately $3.3 million.

We believe these changes are needed to streamline our organization and reallocate our resources to better align with our current strategic goals, including our current focus on the 2022 Strategic Realignment. However, these restructuring and cost cutting activities may yield unintended consequences and costs, such as attrition beyond our intended reduction-in-force, a reduction in morale among our remaining employees, and the risk that we may not achieve the anticipated benefits of the 2022 Strategic Realignment, all of which may have an adverse effect

on our results of operations or financial condition. In addition, while positions have been eliminated, certain functions necessary to our reduced operations remain, and we may be unsuccessful in distributing the duties and obligations of departed employees among our remaining employees. We may also discover that the reductions in workforce and cost cutting measures will make it difficult for us to pursue new initiatives, requiring us to hire qualified replacement personnel, which may require us to incur additional and unanticipated costs and expenses. As a result of the loss of services of substantially all of our personnel, including several of our executive officers, we may be unable to continue our operations and meet our ongoing obligations. Moreover, there is no assurance that we will be successful in our pursuit of any new strategic opportunities. Our failure to successfully accomplish any of the above activities and goals may have a material adverse impact on our business, financial condition, and results of operations.

We may not be able to comply with Nasdaq's continued listing standards.

Our common stock trades on The Nasdaq Capital Market ("Nasdaq") under the symbol "ANGN." There is also no guarantee that we will be able to perpetually satisfy Nasdaq's continued listing requirements to maintain our listing on Nasdaq for any periods of time. Our failure to continue to meet these requirements may result in our securities being delisted from Nasdaq.

Among the conditions required for continued listing on Nasdaq, we are required to maintain a stock price over $1.00 per share pursuant to Rule 5550(a)(2) of the Nasdaq Listing Rules. On July 25, 2022, our common stock has traded as low as $0.98 per share. Accordingly, we may not be able to maintain a stock price over $1.00 per share and could face the risk of our common stock being delisted if the closing bid price for our common stock falls below $1.00 per share for 30 consecutive business days and we are unable to regain compliance.

If we fail to comply with Nasdaq rules and requirements, our stock may be delisted. In addition, even if we demonstrate compliance with the requirement above, we will have to continue to meet other objective and subjective listing requirements to continue to be listed on Nasdaq. Delisting from Nasdaq could make trading our common stock more difficult for investors, potentially leading to declines in our share price and liquidity. Without a Nasdaq listing, stockholders may have a difficult time getting a quote for the sale or purchase of our common stock, the sale or purchase of our common stock would likely be made more difficult, and the trading volume and liquidity of our common stock could decline. Delisting from Nasdaq could also result in negative publicity and could also make it more difficult for us to raise additional capital. The absence of such a listing may adversely affect the acceptance of our common stock as currency or the value accorded by other parties. Further, if we are delisted, we would also incur additional costs under state blue sky laws in connection with any sales of our securities. These requirements could severely limit the market liquidity of our common stock and the ability of our stockholders to sell our common stock in the secondary market. If our common stock is delisted by Nasdaq, our common stock may be eligible to trade on an over-the-counter quotation system, such as the OTCQB Market, where an investor may find it more difficult to sell our stock or obtain accurate quotations as to the market value of our common stock. In the event our common stock is delisted from Nasdaq, we may not be able to list our common stock on another national securities exchange or obtain quotation on an over-the counter quotation system.

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

Use of Proceeds from the Initial Public Offering

On February 9, 2021, we closed our Initial Public Offering of 5,750,000 shares of our common stock at a public offering price of $16.00 per share, which includes the full exercise by the underwriters of their option to purchase an additional 750,000 shares of common stock. All of the shares of common stock issued and sold in our IPO were registered under the Securities Act pursuant to registration statements on Form S-1, as amended (Registration No. 333-252177), which was declared effective by the SEC on February 4, 2021. Aggregate net proceeds to Angion were $85.6 million, after deducting underwriting discounts and commissions of $6.4 million. None of the underwriting discounts and commissions or offering expenses were incurred or paid, directly or indirectly, to any of our directors or officers or their associates or to persons owning 10% or more of our common stock or to any of our affiliates.

The Initial Public Offering and Concurrent Private Placement, which both closed on February 9, 2021, generated aggregate net proceeds of approximately $107.0 million, after deducting the underwriting discounts and commissions, private placement fee and estimated offering expenses of $10.0 million. As of June 30, 2022, we have used approximately $75.0 million of the aggregate net proceeds from our IPO.

There has been no material change in the use of proceeds from our IPO as described in our final prospectus filed with the SEC on February 5, 2021 pursuant to Rule 424(b)(4), except that given the clinical trial data on ANG-3777 reported in the fourth quarter of 2021 and the termination of our Phase 2 “JUNIPER” dose-finding trial for ANG-3070, we no longer use the proceeds for the clinical development of ANG-3777 or ANG-3070, but we do expect to use the proceeds for the 2022 Strategic Realignment. There are no funds budgeted for additional clinical trials.

Recent Sales of Unregistered Securities

There were no unregistered securities sold in three months ended June 30, 2022.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
3.1	Amended and Restated Certificate of Incorporation	8-K	2/09/2021	3.1	
3.2	Amended and Restated Bylaws	8-K	2/09/2021	3.2	
4.1	Reference is made to exhibits 3.1 through 3.2.				
4.2	Form of Common Stock Certificate.	S-1/A	2/01/2021	4.2	
4.3	Form of Warrant to Purchase Common Stock.	S-1	1/15/2021	4.3	
4.4	Registration Rights Agreement, dated as of March 31, 2020, by and among Angion Biomedica Corp. and the investors party thereto.	S-1	1/15/2021	4.6	
10.1	Non-employee Director Compensation Plan as of June 9, 2022				X
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 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	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).				X

† Portions of this exhibit have been omitted in accordance with Item 601(b)(10) of Regulation S-K.

^ The certification that accompanies this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, is not deemed “filed” by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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.

ANGION BIOMEDICA CORP.

By: /s/ JAY R. VENKATESAN, M.D.

Jay R. Venkatesan, M.D.
President and Chief Executive Officer and Director (Principal Executive Officer)

Date: August 15, 2022

ANGION BIOMEDICA CORP.

By: /s/ GREGORY S. CURHAN

Gregory S. Curhan
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 15, 2022

Exhibit 10.1

ANGION BIOMEDICA CORP.

Non-Employee DIRECTOR COMPENSATION PROGRAM

Non-employee members of the board of directors (the "***Board***") of Angion Biomedica Corp. (the "***Company***") shall be eligible to receive the compensation as set forth in this Non-Employee Director Compensation Program (this "***Program***"), which is being adopted pursuant to the Board's action on June 9, 2022 (the "***Effective Date***"). The compensation described in this Program shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a "***Non-Employee Director***") who may be eligible to receive such compensation, unless such Non-Employee Director declines the receipt of such compensation by written notice to the Company; provided, however, that Non-Employee Directors shall not be eligible to receive cash or equity compensation under the Program (but shall be entitle to receive reimbursement pursuant to Section 3 below) if and while they are receiving other compensation (including severance compensation) from the Company resulting from their former employment with the Company. This Program shall remain in effect until it is revised or rescinded by further action of the Board. This Program may be amended, modified or terminated by the Board at any time, without advance notice, in its sole discretion. The terms and conditions of this Program shall supersede any prior cash and/or equity compensation arrangements for service as a member of the Board between the Company and any of its Non-Employee Directors, including pursuant to this Program as in effect prior to the Effective Date.

1. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall be eligible to receive an annual retainer of $40,000 for service on the Board.

(b) Additional Annual Retainers. In addition, a Non-Employee Director shall receive the following annual retainers:

(i) Non-Executive Chairman of the Board. A Non-Employee Director serving as the Non-Executive Chairman of the Board shall receive an additional annual retainer of $35,000 for such service.

(ii) Lead Director of the Board. A Non-Employee Director serving as the Lead Director of the Board shall receive an additional annual retainer of $20,000 for such service.

(iii) Audit Committee. A Non-Employee Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of $15,000 for such service. A Non-Employee Director serving as a member of the Audit Committee (other than the Chairperson) shall receive an additional annual retainer of $7,500 for such service.

(iv) Compensation Committee. A Non-Employee Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of $10,000 for such service. A Non-Employee Director serving as a member of the Compensation Committee (other than the Chairperson) shall receive an additional annual retainer of $5,000 for such service.

(v) Nominating and Corporate Governance Committee. A Non-Employee Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $8,000 for such service. A Non-Employee Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall receive an additional annual retainer of $5,000 for such service.

(c) Payment of Retainers. The annual retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the fifteenth (15^{th}) day following the end of each calendar quarter. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, the retainer paid to such Non-Employee Director shall be prorated for the portion of such calendar quarter actually served as a Non-Employee Director, or in such position, as applicable.

2. Equity Compensation. Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2021 Equity Incentive Award Plan, as amended from time to time, or any other applicable Company equity incentive plan then-maintained by the Company (in any case, the "***Equity Plan***") and shall be evidenced by the execution and delivery of award agreements in substantially the forms approved by the Board from time to time. All applicable terms of the Equity Plan apply to this Program as if fully set forth herein, and all grants of stock options hereby are subject in all respects to the terms of the Equity Plan.

(a) Initial Awards. Each Non-Employee Director who is initially elected or appointed to the Board after the Effective Date shall automatically be granted, on the date of such initial election or appointment, an option (an "***Initial Award***") to purchase 30,000 shares of the Company's common stock ("***Shares***"). No Non-Employee Director shall be granted more than one Initial Award.

(b) Subsequent Awards. A Non-Employee Director who (i) has been serving on the Board immediately prior to any annual meeting of the Company's stockholders on or after the Effective Date and (ii) will continue to serve as a Non-Employee Director immediately following such meeting, shall be automatically granted, on the date of such annual meeting, an option (a "***Subsequent Award***") to purchase 15,000 Shares.

(c) Termination of Service of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their service with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award pursuant to Section 2(a) above, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from service with the Company and any parent or subsidiary of the Company, Subsequent Awards as described in Section 2(b) above.

(d) Terms of Awards Granted to Non-Employee Directors

(i) Purchase Price. The per Share exercise price of each option granted to a Non-Employee Director shall equal the Fair Market Value (as defined in the Equity Plan) of a Share on the date the option is granted.

(ii) Vesting. Subject to Section 2(d)(iii) below, each Initial Award shall vest and become exercisable in thirty-six (36) substantially equal installments on each monthly anniversary of the date of grant, subject to the Non-Employee Director continuing to provide services to the Company through each such vesting date. Subject to Section 2(d)(iii) below, each Subsequent Award shall vest and become exercisable in full on the earlier of the one=year anniversary of the date of grant and the next annual meeting of the Company's stockholders after the grant date, subject to the Non-Employee Director continuing to provide services to the Company through such vesting date.

(iii) Accelerated Vesting.

(A) Termination Due to Death or Disability. In the event that any Non-Employee Director incurs a Termination of Service (as defined in the Equity Plan) due to such Non-Employee Director's death or Disability (as defined the Equity Plan), each of such Non-Employee Director's Initial Award and Subsequent Award(s), along with any other stock options or other equity-based awards held by such Non-Employee Director, shall vest and, if applicable, become exercisable with respect to one hundred percent (100%) of the Shares subject thereto upon such Termination of Service.

(B) Change in Control. In the event that a Change in Control (as defined in the Equity Plan) occurs, each Initial Award and Subsequent Award, along with any other stock options or other equity-based awards held by any Non-Employee Director, shall vest and, if applicable, become exercisable with respect to one hundred percent (100%) of the Shares subject thereto as of immediately prior to such Change in Control.

(iv) Term. The term of each stock option granted to a Non-Employee Director shall be ten (10) years from the date the option is granted.

3. Reimbursements. The Company shall reimburse each Non-Employee Director for all reasonable, documented, out-of-pocket travel and other business expenses incurred by such Non-Employee Director in the performance of his or her duties to the Company in accordance with the Company's applicable expense reimbursement policies and procedures as in effect from time to time.

* * * * *

Exhibit 31.1

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

I, Jay R. Venkatesan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Angion Biomedica Corp.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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

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

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

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

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

ANGION BIOMEDICA CORP.

By: /s/ JAY R. VENKATESAN, M.D.

Jay R. Venkatesan, M.D.

President and Chief Executive Officer and Director (Principal Executive Officer)

Date: August 15, 2022

Exhibit 31.2

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

I, Gregory S. Curhan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Angion Biomedica Corp.;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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. 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

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

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

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

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

ANGION BIOMEDICA CORP.

By: /s/ Gregory S. Curhan

Gregory S. Curhan
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 15, 2022

Exhibit 32.1

CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

The undersigned officers of Angion Biomedica Corp. (the Company) certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2021 (the Quarterly Report), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

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

ANGION BIOMEDICA CORP.

By: /s/ JAY R. VENKATESAN, M.D.

Jay R. Venkatesan, M.D.

President and Chief Executive Officer and Director (Principal Executive Officer)

Date: August 15, 2022

Exhibit 32.2

CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

The undersigned officers of Angion Biomedica Corp. (the Company) certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Quarterly Report on Form 10-Q of the Company for the period ended September 30, 2021 (the Quarterly Report), as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

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

ANGION BIOMEDICA CORP.

By: /s/ Gregory S. Curhan

Gregory S. Curhan
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 15, 2022