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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

-OR-

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

For the transition period from _____ to _____

Commission file number 001-41058

Vaxxinity, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**86-2083865**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1717 Main St, Ste 3388
Dallas, TX 75201
(254) 244-5739

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A Common Stock, par value $0.0001 per share	**VAXX**	**The Nasdaq Global Market**

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐

As of August 10, 2022, the registrant had 112,149,705 shares of $0.0001 par value Class A common stock outstanding and 13,874,132 shares of $0.0001 par value Class B common stock outstanding.

SPECIAL NOTE REGARDING FORWARD -LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies and other future conditions. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "predict," "project," "target," "potential," "seek," "will," "would," "could," "should," "continue," "contemplate," "plan," other words and terms of similar meaning and the negative of these words or similar terms.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that forward-looking statements are not guarantees of future performance or outcomes and that actual performance and outcomes may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report. In addition, even if our results of operations, financial condition and cash flows, and the development of the markets in which we operate, are consistent with the forward-looking statements contained in this Quarterly Report, those results or developments may not be indicative of results or developments in subsequent periods. New factors emerge from time to time that may cause our business not to develop as we expect, and it is not possible for us to predict all of them. Factors that could cause actual results and outcomes to differ from those reflected in forward-looking statements include, among others, the following:

- the prospects of UB-612 and other product candidates, including the timing of data from our clinical trials for UB-612 and other product candidates and our ability to obtain and maintain regulatory approval for our product candidates;
- our ability to develop and commercialize new products and product candidates;
- our ability to leverage our Vaxxine Platform;
- the rate and degree of market acceptance of our products and product candidates;
- our status as a clinical-stage company and estimates of our addressable market, market growth, future revenue, expenses, capital requirements and our needs for additional financing;
- our ability to comply with multiple legal and regulatory systems relating to privacy, tax, anti-corruption and other applicable laws;
- our ability to hire and retain key personnel and to manage our future growth effectively;
- competitive companies and technologies and our industry and our ability to compete;
- our and our collaborators', including United Biomedical's ("UBI"), ability and willingness to obtain, maintain, defend and enforce our intellectual property protection for our proprietary and collaborative product candidates, and the scope of such protection;
- the performance of third party suppliers and manufacturers and our ability to find additional suppliers and manufacturers;
- our ability and the potential to successfully manufacture our product candidates for pre-clinical use, for clinical trials and on a larger scale for commercial use, if approved;
- the ability and willingness of our third-party collaborators, including UBI, to continue research and development activities relating to our product candidates;
- general economic, political, demographic and business conditions in the United States, Taiwan and other jurisdictions;
- the potential effects of government regulation, including regulatory developments in the United States and other jurisdictions;
- ability to obtain additional financing in future offerings;
- expectations about market trends; and
- the effects of the Russia-Ukraine conflict and the COVID-19 pandemic on business operations, the initiation, development and operation of our clinical trials and patient enrollment of our clinical trials.

We discuss many of these factors in greater detail under Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021. These risk factors are not exhaustive and other sections of this report may include additional factors which could adversely impact our business and financial performance. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

You should read this Quarterly Report and the documents that we reference in this Quarterly Report and have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in this Quarterly Report by these cautionary statements. Except as required by law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

As used in this Quarterly Report on Form 10-Q, unless otherwise specified or the context otherwise requires, the terms "we," "our," "us," the "Company" refer to Vaxxinity, Inc. and its subsidiaries. All brand names or trademarks appearing in this Quarterly Report are the property of their respective owners.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

VAXXINITY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	June 30, 2022 (Unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 109,066	$ 144,885
Restricted cash	4,708	172
Amounts due from related parties	400	393
Prepaid expenses and other current assets	7,848	8,851
Total current assets	122,022	154,301
Property and equipment, net	12,898	12,372
Long-term deposits	2,076	—
Total assets	$ 136,996	$ 166,673
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 338	$ 3,192
Amounts due to related parties	16,724	19,407
Accrued expenses and other current liabilities	11,844	4,519
Notes payable	384	376
Total current liabilities	29,290	27,494
Other liabilities		
Notes payable, net of current portion	10,129	10,323
Other long-term liabilities	236	237
Total liabilities	39,655	38,054
Commitments and contingencies (Note 16)		
Preferred stock: $0.0001 par value, 50,000,000 shares authorized at June 30, 2022 and December31, 2021	—	—
Stockholders' equity:		
Class A common stock, $0.0001 par value; 1,000,000,000 shares authorized, 112,129,705 and 111,518,094 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	278	278
Class B common stock, $0.0001 par value; 100,000,000 shares authorized, 13,874,132 shares issued and outstanding at June 30, 2022 and December 31, 2021	—	—
Additional paid-in capital	362,059	357,822
Accumulated deficit	(264,996)	(229,481)
Total stockholders' equity	97,341	128,619
Total liabilities and stockholders' equity	$ 136,996	$ 166,673

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

VAXXINITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ —	$ —	$ —	$ 17
Cost of revenue	—	1,927	—	1,928
Gross profit	—	(1,927)	—	(1,911)
Operating expenses:				
Research and development	10,664	19,020	22,142	30,709
General and administrative	6,560	5,846	13,246	14,430
Total operating expenses	17,224	24,866	35,388	45,139
Loss from operations	(17,224)	(26,793)	(35,388)	(47,050)
Other (income) expense:				
Interest expense	105	109	210	620
Interest income	(75)	(2)	(80)	(2)
Change in fair value of convertible notes	—	—	—	2,667
Change in fair value of simple agreement for future equity	—	—	—	8,365
Change in fair value of warrant liability	—	—	—	214
(Gain) loss on foreign currency translation, net	(2)	8	(3)	16
Other (income) expense	28	115	127	11,880
Net loss	$ (17,252)	$ (26,908)	$ (35,515)	$ (58,930)
Net loss per share, basic and diluted	$ (0.14)	$ (0.39)	$ (0.28)	$ (0.86)
Weighted average common shares outstanding, basic and diluted	125,948,595	68,702,833	125,829,764	68,627,943

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

VAXXINITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK
(in thousands, except share amounts)
(Unaudited)

	Convertible Preferred Stock														
	Series Seed		Series Seed-1		Series Seed-2		Series A-1		Series A-2		Series A		Series B		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Total
Balance at December 31, 2020	7,831,528	$ 10,383	22,876,457	$ 20,903	14,615,399	$ 11,315	1,871,511	$ 4,640	6,307,690	$ 15,234	—	$ —	—	$ —	$ 62,475
Exchange of Series Seed, Series Seed-1, Series Seed-2, Series A-1 and Series A-2 for Series A	(7,831,528)	(10,383)	(22,876,457)	(20,903)	(14,615,399)	(11,315)	(1,871,511)	(4,640)	(6,307,690)	(15,234)	53,502,585	62,475	—	—	—
Conversion of convertible notes to Series A preferred stock, net of debt issuance costs	—	—	—	—	—	—	—	—	—	—	3,624,114	27,545	—	—	27,545
Conversion of notes payable with related parties to Series A convertible preferred	—	—	—	—	—	—	—	—	—	—	423,230	2,205	—	—	2,205
Conversion of Simple Agreement for Future Equity to Series A convertible preferred	—	—	—	—	—	—	—	—	—	—	4,539,060	35,600	—	—	35,600
Conversion of warrant liability to Series A convertible preferred	—	—	—	—	—	—	—	—	—	—	134,106	614	—	—	614
Issuance of Series B convertible preferred stock, net of issuance costs of $81	—	—	—	—	—	—	—	—	—	—	—	—	15,365,574	122,843	122,843
Balance at June 30, 2021	—	$ —	—	$ —	—	$ —	—	$ —	—	$ —	62,223,095	$ 128,439	15,365,574	$ 122,843	$ 251,282

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

VAXXINITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(Unaudited)

	Common Stock-Class A		Common Stock-Class B		Treasury Stock				
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity (Deficit)
Balance at December 31, 2021	111,518,094	$ 278	13,874,132	$ —	—	$ —	$ 357,822	$ (229,481)	$ 128,619
Issuance of common stock upon exercise of stock options	611,611	—	—	—	—	—	233	—	233
Stock-based compensation expense	—	—	—	—	—	—	4,004	—	4,004
Net loss	—	—	—	—	—	—	—	(35,515)	(35,515)
Balance at June 30, 2022	112,129,705	$ 278	13,874,132	$ —	—	$ —	$ 362,059	$ (264,996)	$ 97,341

	Common Stock-Class A		Common Stock-Class B		Treasury Stock				
	Shares	Amount	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity (Deficit)
Balance at December 31, 2020	60,360,523	$ 272	10,999,149	$ —	(3,169,093)	$ (23)	$ 4,682	$ (92,306)	$ (87,375)
Issuance of common stock upon exercise of stock options	27,855	—	—	—	—	—	10	—	10
Vesting of restricted stock	15,405	—	—	—	—	—	—	—	—
Issuance of common stock upon stock grant	485,837	—	—	—	—	—	103	—	103
Reclassification of Class A common stock to Class B common stock	(2,874,984)	—	2,874,984	—	—	—	—	—	—
Retirement of treasury stock upon reorganization	(3,169,093)	—	—	—	3,169,093	23	(23)	—	—
Stock-based compensation expense	—	—	—	—	—	—	4,139	—	4,139
Net loss	—	—	—	—	—	—	—	(58,930)	(58,930)
Balance at June 30, 2021	54,845,543	$ 272	13,874,133	$ —	—	$ —	$ 8,911	$ (151,236)	$ (142,053)

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

VAXXINITY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (35,515)	$ (58,930)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	725	565
Amortization of debt issuance costs	27	235
Stock-based compensation expense	4,004	4,242
Non-cash consulting expense	—	258
Change in fair value of convertible notes	—	2,667
Change in fair value of warrant liability	—	214
Change in fair value of simple agreement for future equity	—	8,365
Changes in operating assets and liabilities:		
Accounts receivable	—	26
Amounts due from related parties	(7)	(11)
Prepaid expenses and other current assets	1,003	(12,089)
Long-term deposits	(2,076)	—
Deferred offering costs	—	(532)
Accounts payable	(2,854)	4,865
Amounts due to related parties	(2,683)	5,257
Accrued expenses and other current liabilities	7,326	1,418
Other long-term liabilities	(1)	(2,502)
Net cash used in operating activities	(30,051)	(45,952)
Cash flows from investing activities:		
Purchase of property and equipment	(1,252)	—
Net cash used in investing activities	(1,252)	—
Cash flows from financing activities:		
Proceeds from issuance of notes payable with related parties	—	2,000
Repayment of convertible notes payable	—	(2,000)
Repayment of notes payable	(213)	(96)
Proceeds from issuance of simple agreement for future equity	—	2,900
Proceeds from issuance of Series B convertible preferred stock, net of issuance costs	—	122,843
Proceeds from exercise of stock options	233	10
Net cash provided by financing activities	20	125,657
Increase (decrease) in cash, cash equivalents, and restricted cash	(31,283)	79,705
Cash, cash equivalents, and restricted cash at beginning of period	145,057	31,198
Cash, cash equivalents, and restricted cash at end of period	$ 113,774	$ 110,903
Supplemental Disclosure		
Cash paid for interest	$ 185	$ 126
Noncash Financing Activities		
Exchange of Series Seed, Series Seed-1, Series Seed-2, Series A-1 and Series A-2 for Series A preferred stock	$ —	$ 62,475
Conversion of simple agreement for future equity into Series A preferred stock	$ —	$ 2,205
Conversion of convertible notes payable into Series A preferred stock	$ —	$ 27,545
Conversion of notes payable with related parties into Series A preferred stock	$ —	$ 35,600
Conversion of warrant liability into Series A preferred stock	$ —	$ 614
Retirement of treasury stock upon reorganization	$ —	$ 23

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

1. Nature of the Business

Vaxxinity, Inc., a Delaware corporation ("Vaxxinity," and together with its subsidiaries, the "Company"), was formed through the combination of two separate businesses that originated from United Biomedical, Inc. ("UBI") in two separate transactions: a spin-out from UBI in 2014 of operations focused on developing chronic disease product candidates that resulted in United Neuroscience ("UNS"), and a second spin-out from UBI in 2020 of operations focused on the development of a COVID-19 vaccine that resulted in C19 Corp. ("COVAXX"). On February 2, 2021, Vaxxinity was incorporated for the purpose of reorganizing and combining UNS and COVAXX and on March 2, 2021, did so by acquiring all of the outstanding equity interests of UNS and COVAXX pursuant to a contribution and exchange agreement (the "Contribution and Exchange Agreement") whereby the existing equity holders of UNS and COVAXX contributed their equity interests in each of UNS and COVAXX in exchange for equity in Vaxxinity (the "Reorganization").

The Company is a biotechnology company currently focused on developing product candidates for human use in the fields of neurology, pain, cardiovascular diseases and coronaviruses utilizing its "Vaxxine Platform"—a peptide vaccine technology first developed by UBI and subsequently refined over the last two decades. The Company is engaged in the development and commercialization of rationally designed prophylactic and therapeutic vaccines to combat chronic disorders and infectious diseases with large global unmet medical need. UBI is a significant shareholder of the Company and, therefore, considered a related party.

The Company is subject to risks and uncertainties common to early-stage companies in the biotechnology industry including, but not limited to, uncertainty of product development and commercialization, lack of marketing and sales history, development by its competitors of new technological innovations, dependence on key personnel, market acceptance of products, product liability, protection of proprietary technology, ability to raise additional financing, and compliance with government regulations. If the Company does not successfully commercialize any of its product candidates, it will be unable to generate recurring product revenue or achieve profitability.

The Company's product candidates are in development and will require significant additional research and development efforts, including extensive pre-clinical and clinical testing and regulatory approval prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel and infrastructure and extensive compliance-reporting capabilities. There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and is dependent upon the services of its employees and consultants.

Contribution and Exchange Agreement

On March 2, 2021, in accordance with the Contribution and Exchange Agreement, (i) all outstanding shares of UNS and COVAXX preferred stock and common stock were contributed to Vaxxinity and exchanged for like shares of stock in Vaxxinity, (ii) the outstanding options to purchase shares of UNS and COVAXX common stock were terminated and substituted with options to purchase shares of common stock in Vaxxinity, (iii) the outstanding warrant to purchase shares of COVAXX common stock was cancelled and exchanged for a warrant to acquire common stock in Vaxxinity and (iv) each outstanding Reorganization Convertible Note (as defined below) was contributed to Vaxxinity and the holders of such notes received Series A preferred stock in Vaxxinity. In particular:

- Each UNS common share and convertible preferred share was exchanged for 0.2191 shares of Vaxxinity common stock or Series A preferred stock, as applicable;
- Each share of COVAXX common and convertible preferred stock was exchanged for 3.4233 shares of Vaxxinity common stock or Series A preferred stock, as applicable (and prior to the closing of the Reorganization, all the holders of outstanding COVAXX SAFEs agreed to convert such SAFEs into shares of Series A-3 preferred stock of COVAXX, which shares were then exchanged for shares of Vaxxinity's Series A preferred stock);
- The Reorganization Convertible Notes were exchanged for an aggregate of 4,047,344 shares of Vaxxinity's Series A preferred stock; and
- Each outstanding option of both UNS and COVAXX to purchase common shares of UNS or COVAXX was terminated and substituted with an option to purchase shares of Class A common stock of Vaxxinity. Each outstanding UNS option was exchanged based on a conversion ratio of 0.2191. Each outstanding COVAXX option was exchanged based on a conversion ratio of 3.4233.

All parties to the Contribution and Exchange Agreement intended that the contribution of outstanding equity interests to Vaxxinity in exchange for Vaxxinity's common stock and preferred stock be treated as an integrated transaction for U.S. federal income tax purposes that is governed by Section 351(a) of the Internal Revenue Code of 1986, as amended.

The Reorganization was determined to be a common control transaction, so the carrying values of all contributed assets and assumed liabilities remained unchanged and the financial information for all periods in the financial statements presented prior to the Reorganization are presented on a consolidated basis.

Reverse Stock Split

On October 29, 2021, the Company effectuated a reverse stock split of 1-for- 1.556 (the "Stock Split") of the Company's Class A and Class B common stock pursuant to an amendment to the Company's Amended and Restated Certificate of Incorporation approved by the Company's board of directors and stockholders. As a result of the Stock Split, the Company also adjusted the share and per share amounts associated with its options and warrants to purchase shares of its common stock. These unaudited condensed consolidated financial statements including the notes have been retroactively adjusted to reflect the Stock Split for all periods presented. Any fractional shares that would have resulted from the Stock Split have been rounded down to the nearest whole share.

Initial Public Offering

On November 15, 2021, the Company closed its IPO of 6,000,000 shares of Class A common stock at a public offering price of $ 13.00 per share. On November 18, 2021 the Company held a subsequent closing for the issuance of an additional 537,711 shares of Class A common stock pursuant to a 30-day option granted to the underwriters to purchase up to an additional 900,000 shares of Class A common stock at the IPO price, less underwriting discounts and commissions. The aggregate net proceeds to the Company from the offering, after deducting underwriting discounts and commissions and other offering expenses payable by the Company, was approximately $71.1 million. Upon the closing of the IPO, all previously outstanding shares of the Company's redeemable convertible preferred stock were automatically converted at the same ratio used for the Stock Split (1-for- 1.556) into shares of its Class A common stock.

Liquidity

As of June 30, 2022, the Company had $109.1 million of cash and cash equivalents. As of June 30, 2022, the Company also had a Restricted Cash balance of $ 4.7 million of which $4.6 million is restricted for the reimbursement of certain research and development expenses related to our UB-612 COVID-19 vaccine program. To date, the Company has primarily financed its operations through the sale of convertible preferred stock and common stock, borrowings under promissory notes (including Convertible Notes), a portion of which has been raised from related party entities, and grants from foundations such as the Coalition for Epidemic Preparedness Innovations (CEPI) and the Michael J. Fox Foundation (MJFF). The Company has experienced significant negative cash flows from operations since inception, and incurred a net loss of $ 35.5 million for the six months ended June 30, 2022. Net cash used in operating activities for the six months ended June 30, 2022 was $ 30.1 million. In addition, as of June 30, 2022, the Company has an accumulated deficit of $265.0 million. The Company expects to incur substantial operating losses and negative cash flows from operations for the foreseeable future. As of the date these financial statements were available to be issued, the Company expects its existing cash and cash equivalents to be sufficient to fund its operating expenses and capital expenditure requirements for at least the next 12 months.

In order to continue to fund future research and development activities, the Company will need to seek additional capital. This may occur through strategic alliances, licensing arrangements, grants and/or future public or private debt or equity financings. Additional funding may not be available on terms the Company finds acceptable or at all. If the Company is unable to obtain sufficient capital to continue to advance its programs, the Company would be forced to delay, limit, reduce or terminate its product development or future commercialization efforts or grant rights to third parties to develop and market product candidates that the Company would otherwise prefer to develop and market itself.

The accompanying unaudited condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The unaudited condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying interim unaudited condensed consolidated financial statements have been prepared using generally accepted accounting principles in the United States of America (GAAP) and pursuant to the rules and regulations of the United States Securities

and Exchange Commission ("SEC") for interim financial reporting. The unaudited condensed consolidated financial statements for the periods presented include the accounts of UNS and COVAXX that were parties to the Contribution and Exchange Agreement. All share and per share amounts, as originally recorded by each entity, have been converted to a number of shares and per share amounts using the conversion ratios determined under the Contribution and Exchange Agreement and the Stock Split ratio.

These interim condensed consolidated financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary to fairly present the results of the interim periods. The condensed consolidated balance sheet at December 31, 2021, has been derived from the audited financial statements at that date. Operating results for the three and six months ended June 30, 2022 and cash flows for the six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 2022 or any other future period. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") have been omitted in accordance with the rules and regulations for interim reporting of the SEC. These interim unaudited condensed financial statements should be read in conjunction with the financial statements and notes thereto included in our report for the year ended December 31, 2021.

Leases

At inception of a contract, we determine whether an arrangement is or contains a lease. For all leases, we determine the classification as either operating leases or financing leases. Operating leases are included in Operating lease right-of-use assets and Operating lease liabilities in our Condensed Consolidated Balance Sheets.

Lease recognition occurs at the commencement date and lease liability amounts are based on the present value of lease payments over the lease term. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. If a lease does not provide information to determine an implicit interest rate, we use our incremental borrowing rate in determining the present value of lease payments. Right-of-use (ROU) assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments under the lease. ROU assets also include any lease payments made prior to the commencement date and exclude lease incentives received. Operating lease expense is recognized on a straight-line basis over the lease term. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Lease agreements with both lease and nonlease components, are generally accounted for together as a single lease component. The Company has elected to apply the short-term expedient to leases with a lease term of 12 months or less, which does not subject the leases to capitalization.

Related party transactions

The Company has a Related Party policy which defines related parties, and assigns oversight responsibility for related party transactions to the Company's Audit Committee. The Committee reviews in advance related party transactions, and considers multiple factors, including the proposed aggregate value of the transaction, or, in the case of indebtedness, the amount of principal that would be involved, the benefits to the Company of the proposed transaction, the availability of other sources of comparable products or services, and an assessment of whether the proposed transaction is on terms that are comparable to the terms available to or from, as the case may be, unrelated third parties. Under the policy, related party transactions are approved only if the Committee determines in good faith that the transaction is not inconsistent with the interests of the Company and its shareholders.

Significant accounting policies

The significant accounting policies used in preparation of these unaudited condensed consolidated financial statements are disclosed in our annual financial statements for the year ended December 31, 2021. There have been no changes to the Company's significant accounting policies during the three and six months ended June 30, 2022.

Recently issued accounting pronouncements

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and are adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

Recently adopted accounting standards

In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements ("ASU 2018-11"). ASU 2018-11 provided an alternative method in addition to the modified retrospective transition method for ASU No. 2016-02, Leases: Amendments to the FASB Accounting Standards Codification ("ASU 2016-02"), issued in February 2016. Under ASU 2018-11, an entity may elect to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of

retained earnings in the period of adoption. Under ASU 2016-02, a lease is required to recognize assets and liabilities with lease terms of more than twelve months. ASU 2016-02 is effective for nonpublic business entities and public entities eligible to be Smaller Reporting Companies for fiscal years beginning after December 15, 2021.

The Company adopted the new standard on January 1, 2022 using the modified retrospective approach. The Company has elected to apply the transition method that allows companies to continue applying the guidance under the lease standard in effect at that time in the comparative periods presented in the condensed financial statements and recognize a cumulative-effect adjustment to the opening balance of accumulated deficit on the date of adoption. The Company has elected to combine lease components (for example fixed rent payments) with non-lease components (for example, common-area maintenance costs) on our facility, lab equipment and CRO embedded lease asset classes. The Company also elected the "package of practical expedients", which permits the Company not to reassess under the new standard the Company's prior conclusions about lease identification, lease classification and initial direct costs. In addition, the Company also elected the short-term lease practical expedients allowed under the standard. Lastly, the Company did not elect the practical expedient allowing the use-of-hindsight which would require the Company to reassess the lease term of its leases based on all facts and circumstances through the effective date.

Results for reporting period beginning after January 1, 2022 are presented under the new standard, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. Upon adoption of the new lease standard, on January 1, 2022, the Company was not entered into any leases subject to ASC 842 and did not capitalize a ROU asset or lease liability.

3. Fair Value Measurements

The Company's money market accounts are shown at fair value based on unadjusted quoted market prices in active markets for identical assets.

The following table presents information about the Company's financial instruments measured at fair value on a recurring basis and indicate the level of the fair value hierarchy used to determine such fair values (in thousands):

June 30, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Money market account	$ 109,010	$ —	$ —	$ 109,010
Total assets	$ 109,010	$ —	$ —	$ 109,010

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets:				
Money market account	$ 139,794	$ —	$ —	$ 139,794
Total assets	$ 139,794	$ —	$ —	$ 139,794

During the three and six months ended June 30, 2022 and the year ended December 31, 2021, there were no transfers between Level 1, Level 2 and Level 3.

4. Prepaid Expenses and Other Current Assets

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

	June 30, 2022	December 31, 2021
Prepaid materials and supplies	$ 3,524	$ 3,517
Deposits	2,218	4,379
Clinical prepayments	1,746	614
Other	360	341
	$ 7,848	$ 8,851

The Company's prepaid material and supplies related to enzyme-linked immunosorbent assay ("ELISA") test production, of which $1.0 million was paid to a related party and $2.5 million related to materials to be utilized during its Phase 3 COVID-19 vaccine clinical trial.

5. Property and Equipment

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

	June 30, 2022	December 31, 2021
Airplane	$ 11,983	$ 11,983
Laboratory and computer equipment	2,791	1,831
Fixed assets not yet placed into service	464	199
Software	169	168
Facilities, furniture and fixtures	111	85
Vehicles	87	87
Total property and equipment	15,605	14,353
Less: accumulated depreciation	(2,707)	(1,981)
Property and equipment, net	$ 12,898	$ 12,372

Depreciation expense for the three and six months ended June 30, 2022 was $0.4 million and $0.7 million, respectively. Depreciation expense for the three and six months ended June 30, 2021 was $0.3 million and $0.6 million, respectively.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Accrued external research and development	$ 7,815	$ 1,501
Accrued bonuses	2,312	2,294
Accrued professional fees and other	1,687	692
Accrued interest	30	32
	$ 11,844	$ 4,519

Accrued external research and development includes $4.6 million in grant monies received from CEPI during the six months ended June 30, 2022 not yet applied against research and development expense.

7. Other Long-Term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Accrued tax provision	236	236
Accrued rent	—	1
	$ 236	$ 237

As of June 30, 2022 and December 31, 2021, approximately $0.2 million of the accrued tax provision relates to penalties and interest the Company may be subject to paying for late filing fees related to a foreign subsidiary. The Company expects these amounts to be forgiven but has accrued for them until the statute of limitations expires and it is appropriate to write them off.

8. Notes Payable

Notes Payable with Related Parties

In December 2018, the Company entered into related party convertible notes payable (the "2018 Related Notes" and together with the Convertible Notes, the "Reorganization Convertible Notes") for $2.0 million in aggregate proceeds, received in three tranches. The 2018 Related Notes bore simple interest at an annual rate of 5% and contain a number of provisions addressing events of default and prepayment. In accordance with the Contribution and Exchange Agreement, on March 2, 2021, the 2018 Related Notes were converted into Series A preferred stock.

During each of the three and six months ended June 30, 2021, the Company recognized interest expense of less than $0.1 million on the 2018 Related Notes.

2019 Executive Note

In November 2019, the Company borrowed $0.1 million from its Chief Executive Officer (the "2019 Executive Note"). No formal loan agreement was executed. The Company has elected to accrue interest at an annual rate of 5%, consistent with the terms and conditions of the Convertible Notes and 2018 Related Notes, which was the closest benchmark the Company could evaluate. The 2019 Executive Note was repaid in August 2021.

The activity of the 2018 Related Notes and 2019 Executive Note is as follows (in thousands):

	2018 Related Notes and 2019 Executive Note		
	Related Party Principal	Accrued Interest	Balance
December 31, 2020	$ 2,100	$ 194	$ 2,294
Accrued interest	—	19	19
Conversion	(2,000)	(205)	(2,205)
June 30, 2021	$ 100	$ 8	$ 108

Note Payable—Airplane

In connection with the acquisition of an airplane, the Company entered into a note payable agreement (the "2025 Note") in June 2020 for $11.5 million, with an annual interest rate of 3.4% and a maturity date of June 9, 2025. Principal and interest payments are payable monthly in the amount of $0.1 million with a final payment of $9.4 million at maturity. The 2025 Note is guaranteed by the co-founders of the Company. In addition, the Company incurred debt issuance costs of $0.3 million, which are being amortized over the term of the loan. There are no financial covenants associated with the 2025 Note.

The carrying value of the 2025 Note is as follows (in thousands):

	June 30, 2022	December 31, 2021
Principal	$ 10,670	$ 10,883
Unamortized debt issuance cost	(157)	(184)
Carrying amount	10,513	10,699
Less: current portion	(384)	(376)
Note payable, net of current portion and debt issuance cost	$ 10,129	$ 10,323

As of June 30, 2022, the remaining principal payments for the 2025 Note, are as follows (in thousands):

	Amount
2022	$ 216
2023	444
2024	458
2025	9,552
	$ 10,670

Interest expense associated with the 2025 Note was $0.1 million and $0.2 million for the three and six months ended June 30, 2022, respectively. Interest expense associated with the 2025 Note was $0.1 million and $0.2 million for the three and six months ended June 30, 2021, respectively. As of June 30, 2022, accrued interest of less than $ 0.1 million was included in accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets as of June 30, 2022 (unaudited) and December 31, 2021.

Note Payable—Paycheck Protection Program

The Company applied for and received a loan, which is in the form of a note dated May 5, 2020, from HSBC Bank USA, National Association ("HSBC") in the aggregate amount of approximately $0.3 million (the "PPP Loan"), pursuant to the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. As of June 30, 2021, there were no events of default under the PPP Loan.

The Company paid off the PPP Loan in full, including all accrued but unpaid interest to the repayment date, in August 2021.

9. Convertible Preferred Stock

In connection with the Reorganization, each UNS convertible preferred share was exchanged for 0.2191 shares of Vaxxinity preferred stock and each share of COVAXX convertible preferred stock was exchanged for 3.4233 shares of Vaxxinity preferred stock. During the first and second quarters of 2021, the Company raised gross proceeds of $122.9 million in connection with its Series B preferred stock financing. The Company issued a total of 15,365,574 shares at a price of $8.00 per share. All shares of the Company's Series B preferred stock converted into shares of the Company's Class A common stock concurrently with the closing of the initial public offering.

As of June 30, 2022 and December 31, 2021, Vaxxinity's Amended and Restated Certificate of Incorporation authorized 50,000,000 shares of preferred stock with a par value of $0.0001 per share. There were no shares of preferred stock outstanding as of June 30, 2022 and December 31, 2021.

10. Common Stock

As explained in Note 1, in accordance with the Contribution and Exchange Agreement, on March 2, 2021, all outstanding shares of common stock of UNS and COVAXX were contributed to Vaxxinity and exchanged for an aggregate of 60,360,523 shares of Vaxxinity's Class A common stock and 10,999,149 shares of Vaxxinity's Class B common stock. Each UNS share of common stock was exchanged for 0.2191 shares of Vaxxinity common stock and each share of COVAXX common stock was exchanged for 3.4233 shares of Vaxxinity common stock.

As of June 30, 2022 and December 31, 2021, Vaxxinity's Amended and Restated Certificate of Incorporation authorized 1,100,000,000 shares of common stock with a par value of $0.0001 per share, of which 1,000,000,000 shares have been designated as Class A common stock and 100,000,000 shares have been designated as Class B common stock.

Holders of Class A common stock and Class B common stock have identical rights, except with respect to voting and conversion. Except as otherwise expressly provided in Vaxxinity's Amended and Restated Certificate of Incorporation or Bylaws, or required by applicable law, holders of Class A common stock will be entitled to one vote per share on all matters submitted to a vote of stockholders and holders of our Class B common stock will be entitled to ten votes per share on all matters submitted to a vote of stockholders.

Holders of Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders, except (i) amendments to Vaxxinity's Amended and Restated Certificate of Incorporation to increase or decrease the par value of a class of capital stock, in which case the applicable class would be required to vote separately to approve the proposed amendment and (ii) amendments to Vaxxinity's Amended and Restated Certificate of Incorporation that alter or change the powers, preferences or special rights of a class of capital stock in a manner that affects its holders adversely, in which case the applicable class would be required to vote separately to approve the proposed amendment.

Holders of common stock are entitled to receive, ratably, dividends as may be declared by Vaxxinity's board of directors out of funds legally available therefor if the board of directors, in its discretion, determines to issue dividends.

The Company has reserved shares of common stock for issuance for the following purposes:

	June 30, 2022	December 31, 2021
Options and RSUs issued and outstanding	20,639,861	21,387,909
Options available for future grants	6,328,932	7,209,538
Warrants issued and outstanding	1,928,020	1,928,020
	28,896,813	30,525,467

11. Stock-Based Compensation

2021 Omnibus Incentive Compensation Plan

In November 2021, the Company established the 2021 Omnibus Incentive Compensation Plan (the "Plan"), which provides for the Company to grant nonqualified stock options, incentive (qualified) stock options, stock appreciation rights, restricted share awards, restricted stock units, performance awards, cash incentive awards and other equity-based awards (including fully vested shares).

The maximum number of shares of common stock that can be issued under the Plan is 8,700,000 Class A shares. This number increases automatically on January 1 of each year, commencing January 1, 2023, by the number of shares equal to the lesser of (i) 4% of the outstanding shares of our common stock on the immediately preceding December 31, (ii) the number of shares determined by the Compensation Committee, if any such determination is made, and (iii) the number of shares underlying any awards granted during the preceding calendar year, net of the shares underlying awards canceled or forfeited under the Plan.

Stock Options

As of June 30, 2022 there were options for 13,977,406 shares of Class A stock outstanding and options for 6,362,455 shares of Class B stock outstanding, of which 8,748,337 Class A and 4,921,089 Class B shares were exercisable, respectively. As of June 30, 2022, the maximum number of stock options awards available for future issuance under the Company's plans is 6,328,932.

The following table summarizes stock option activity during the six months ended June 30, 2022:

	Number of Stock Options Outstanding	Weighted Price Per Share	Weighted Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Balance at December 31, 2021	21,387,909	$ 5.25	7.4	$ 49,684
Granted	1,024,221	3.26		
Exercised	(1,013,541)	(3.40)		
Forfeited	(1,058,728)	(7.36)		
Balance at June 30, 2022	20,339,861	$ 5.12	7.3	$ 8,648
Options vested and exercisable at June 30, 2022	13,669,426	$ 4.50	6.9	$ 7,879

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the options and the fair value of the common stock for those options that had exercise prices lower than the fair value of the common stock as of June 30, 2022.

The intrinsic value of options exercised during the six months ended June 30, 2022 was $4.4 million.

The weighted-average grant-date fair value per share of options granted during the six months ended June 30, 2022 was $ 2.42.

Restricted Stock

The following table summarizes the Company's restricted stock activity for the six months ended June 30, 2022:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested at December 31, 2021	—	$ —
Issued	300,000	3.76
Unvested at June 30, 2022	300,000	$ 3.76

Stock-based compensation expense recognized on restricted stock was less than $0.1 million for the six months ended June 30, 2022.

Stock-Based Compensation Expense

The Company recorded stock-based compensation expense in the following expense categories in the accompanying unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
General and administrative	$ 1,008	$ 597	$ 2,379	$ 3,867
Research and development	818	205	1,625	375
Total stock-based compensation expense	$ 1,826	$ 802	$ 4,004	$ 4,242

As of June 30, 2022, total unrecognized compensation cost related to the unvested stock-based awards was $21.1 million, which is expected to be recognized over a weighted average period of 2.7 years.

12. Income Taxes

The Company computes its expected annual effective income tax rate in accordance with ASC 740 and makes changes on a quarterly basis, as necessary, based on certain factors such as changes in forecasted annual pre-tax income; changes to actual or forecasted permanent book to tax differences; impacts from tax audits with state, federal or foreign tax authorities; impacts from tax law changes; or change in judgment as to the realizability of deferred tax assets. The Company identifies items which are unusual and non-recurring in nature and treats these as discrete events. The tax effect of discrete items is recorded in the quarter in which the discrete events occur.

The Company's effective tax rate for the six months ended June 30, 2022 and 2021 was 0.00%, due primarily to its uncertainty of realizing a benefit from net operating losses incurred during the period.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the recorded deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on these items and the consecutive years of pretax losses (resulting from impairment), management determined that enough uncertainty exists relative to the realization of the deferred income tax asset balances to warrant the application of a full valuation allowance for all taxing jurisdictions.

The Company files income tax returns in the U.S. federal and various state and local jurisdictions. The Company also files returns in numerous foreign jurisdictions that have varied years remaining open for examination, but generally the statute of limitations is three to four years from when the return is filed. As of June 30, 2022, the Company currently has no ongoing audits.

The Company has US net operating loss ("NOL") carryforwards for federal and state income tax purposes. Use of the NOL carryforwards is limited under Section 382 of the Internal Revenue Code, as we have had a change in ownership of more than 50% of our capital stock over a three-year period as measured under Section 382 of the Internal Revenue Code. These complex changes of ownership rules generally focus on ownership changes involving shareholders owning directly or indirectly 5% or more of our stock, including certain public "groups" of shareholders as set forth under Section 382 of the Internal Revenue Code, including those arising from new stock issuances and other equity transactions. Some of these NOL carryforwards will expire if they are not used within

certain periods. At this time, we consider it more likely than not that we will not have sufficient taxable income in the future that will allow us to realize these NOL carryforwards.

13. Net Loss Per Share

The Company's unvested restricted common shares have been excluded from the computation of basic net loss per share.

The Company's potentially dilutive securities, which include options, unvested restricted stock, convertible notes payable and convertible preferred stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share as of June 30, 2022 because including them would have had an anti-dilutive effect:

	June 30, 2022	June 30, 2021
Series A preferred stock	—	39,989,083
Series B preferred stock	—	9,875,037
Options and RSUs issued and outstanding	20,639,861	20,325,228
Warrants issued and outstanding stock	1,928,020	128,702
	22,567,881	70,318,050

14. Commitments and Contingencies

Contractual Obligations

The Company enters into agreements with contract research organizations ("CROs") to conduct clinical trials and preclinical studies and contract manufacturing organizations ("CMOs") to produce vaccines and other potential product candidates. Contracts with CROs and CMOs are generally cancellable, with notice, at the Company's option.

As of June 30, 2022, the Company had remaining prepayments to CROs of $2.8 million and remaining prepayments to CMOs of $2.5 million for activities associated with the conduct of its clinical trials and for the production of the Company's anticipated vaccine product candidate.

Michael J. Fox Foundation Grant

On November 3, 2021, the Company was awarded a grant from the Michael J. Fox Foundation for Parkinson's Research ("MJFF") in the amount of $0.8 million to be used in a project for the exploration of markers for target engagement in individuals immunized with UB-312, an active **a**-Synuclein immunotherapy. The Company will oversee sample management, sample preparation (IgG fractions) and distribution, as well as characterize the binding properties of the antibodies against pathological forms of aSyn. As funding is expected to be received in tranches over a two-year period, and the amounts received in each tranche are expected to be utilized within twelve months, the funds received are recognized as a short-term accrued liability. The Company recognizes payments from MJFF as a reduction of research and development expenses, in the same period as the expenses that the grant is intended to reimburse are incurred. As of June 30, 2022, the balance of the short-term accrued liability was less than $0.1 million. For the six months ended June 30, 2022, the Company did not recognize any reduction of research and development expenses for amounts reimbursed through the grant.

Coalition for Epidemic Preparedness Innovations ("CEPI") Grant

In April 2022, the Company entered into an agreement with the Coalition for Epidemic Preparedness Innovations ("CEPI") whereby CEPI has agreed to provide funding of up to $9.3 million to co-fund a Phase 3 clinical trial of Vaxxinity's next generation UB-612 COVID-19 vaccine candidate as a heterologous – or 'mix-and-match' – booster dose. The Phase 3 trial, which began earlier this year, is evaluating the ability of UB-612 to boost COVID-19 immunity against the original strain and multiple variants of concern including Omicron - in people aged 16 years or older, who have been previously immunized with an authorized COVID-19 vaccine.

The Company will also be performing further manufacturing scale-up work to enable readiness for potential commercialization. Under the terms of the agreement with CEPI, if successful, a portion of the released doses of the commercial product will be delivered to the COVID-19 Vaccines Global Access ("COVAX") consortium for distribution to developing countries at low cost.

Cash payments received in advance under the CEPI Funding Agreement are restricted as to their use until expenditures contemplated in the funding agreement are incurred. As funding is expected to be received in tranches over an eighteen month period, and the amounts received in each tranche are expected to the utilized within twelve months, the funds received are reflected within restricted cash with a corresponding short-term accrued liability. The Company recognizes payments from CEPI as a reduction of research and development expenses, in the same period as the expenses that the grant is intended to reimburse are incurred. As of June 30, 2022, the balance of the restricted cash and short-term accrued liability was $4.6 million. For the three and six months ended June 30, 2022, the Company recognized a reduction of $1.5 million of research and development expenses.

Lease Agreements

In April 2022, the Company entered into a facility lease agreement for 4,419 square feet of office space in New York, New York. The lease commenced in April 2022 and will expire March 2029 with no option to renew. This lease and its terms were reviewed using the guidance found in ASC 842. Since the lease has a non-cancellable period of one year, and after the first year both the Company and the landlord have the option to early terminate the lease for any or no reason, the Company has elected to apply the short-term expedient, which does not subject the New York lease to capitalization.

The Company's short-term leases resulted in $0.1 million short-term lease expense and less than $0.1 million variable lease expense during the three months ended June 30, 2022 and $0.2 million short-term lease expense and less than $0.1 million variable lease expense during the six months ended June 30, 2022.

License Agreements

In August 2021, Vaxxinity entered into a license agreement (the "Platform License Agreement") with UBI and certain of its affiliates that expanded intellectual property rights previously licensed under previously issued license agreements with UBI. As part of the agreement, Vaxxinity obtained a worldwide, sublicensable (subject to certain conditions), perpetual, fully paid-up, royalty-free license to research, develop, make, have made, utilize, import, export, market, distribute, offer for sale, sell, have sold, commercialize or otherwise exploit peptide-based vaccines in the field of all human prophylactic and therapeutic uses, except for such vaccines related to human immunodeficiency virus (HIV), herpes simplex virus (HSE) and Immunoglobulin E (IgE). The patents and patent applications licensed under the Platform License Agreement include claims directed to a CpG delivery system, artificial T helper cell epitopes and certain designer peptides and proteins utilized in UB-612. As described above, in consideration for the Platform License Agreement, the Company issued to UBI a warrant to purchase Class A common stock (the "UBI Warrant").

The Company considered ASC 805, "Business Combinations" ("ASC 805") and ASC 730, "Research and Development" ("ASC 730") in determining how to account for the issuance of the Class A common stock warrants. The Class A common stock warrants were issued to a related party in exchange for a license agreement. The majority of the voting interests in the related party and that of the Company were held by a group of immediate family members, at the time of the transaction, and as such the transaction constitutes a common control transaction, which requires the license to be accounted for at the carrying value in the books of the transferor. As the related party did not have any basis in the assets licensed, there was no accounting impact for the Company.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to employees, consultants, vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not aware of any indemnification arrangements that could have a material effect on its financial position, results of operations, or cash flows, and it has not accrued any liabilities related to such obligations as of June 30, 2022 and December 31, 2021.

Legal Proceedings

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of business. As of June 30, 2022 and December 31, 2021, the Company was not a party to any material legal matters or claims.

15. Benefit Plans

In March 2018, the Company established a defined contribution savings plan under Section 401(k) of the Code. This plan covers substantially all U.S. employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company does not make matching contributions to the Plan.

The Company offers its Ireland-based employees a Personal Retirement Savings Account ("PRSA") that allows participants to defer a portion of their annual compensation. The Company provides contributions equal to 4% of each participant's annual salary. During both of the three and six months ended June 30, 2022 and 2021, the Company contributed less than $0.1 million to PRSA accounts.

16. Related Party Transactions

The Company has related party arrangements with UBI and a number of its affiliated companies listed namely, United Biomedical, Inc., Asia ("UBI-Asia"), UBI Pharma, Inc. ("UBI-P"), United BioPharma, Inc ("UBP") and UBI IP Holding ("UBI-IP").

As of June 30, 2022 UBI owned 44% of the Company's stock. The majority of the voting interests in both UBI and the Company were held by a group of immediate family members, and as such the entities are under common control.

These related parties are governed by various Master Services Agreements ("MSA") detailed below.

UBI MSA - UBI provides research, development and clinical functions to the Company. There is also a purchase arrangement with UBI for the production and shipment of the Company's diagnostic test kits.

UBIA MSA - UBI-Asia for manufacturing, quality control, testing, validation, and supply services.

UBP MSA - United BioPharma, Inc provide the Company with manufacturing, testing and validation.

COVID MSA ("COVID MSA") - COVID MSA provides that UBI acts as COVAXX's agent with respect to matters relating the Company's COVID-19 program and provides research, development, manufacturing and back office administrative services to the Company.

COVID-19 Relief MSA - A four-company MSA with UBI, UBI-Asia and UBP. The Company is an exclusive licensee of technologies related to diagnostics, vaccines, and therapies for COVID-19. The MSA established the terms under which UBI-Asia provides research, development, testing and manufacturing services to the Company and UBP provides contract development and manufacturing services to the Company.

Total amounts due to related parties were $16.7 million and $19.4 million as of June 30, 2022 and December 31, 2021, respectively. Total amounts due from related parties were $0.4 million and $0.4 million as of June 30, 2022 and December 31, 2021, respectively. Total service fees incurred were $0.4 million and $13.9 million for the three months ended June 30, 2022 and 2021, respectively. Total service fees incurred were $1.2 million and $22.6 million for the six months ended June 30, 2022 and 2021, respectively.

Taiwan Centers for Disease Control Grant ("Taiwan CDC")

UBI-Asia, which is responsible for applying for and managing grants on our behalf under the COVID-19 program, was awarded a grant by the Taiwan CDC for COVID-19 vaccine development. The Company contracted with UBI-Asia to conduct a two-phase study of a COVID-19 vaccine clinical trial in Taiwan. The grant provides that costs incurred to complete the two phases of the clinical trial will be reimbursed based on the achievement of certain milestones as provided in the agreement.

The Company provides administrative services to UBI-IP. Under the arrangement, the Company issues vendor payments and provides technical services mostly for legal services on behalf UBI-IP. The Company bills UBI-IP for services based on the costs incurred with no markup.

Total related party operating activity, including the activity described above, are as follows (in thousands):

	June 30, 2022	December 31, 2021
Consolidated balance sheet		
Assets		
Prepaid expenses and other current assets	$ 3,513	$ 3,517
Amounts due from related parties	400	393
Property and equipment, net	240	337
Liabilities		
Amounts due to related parties	16,724	19,407

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating expenses				
Research and development				
Services provided by related parties	$ 407	$ 20,090	$ 1,191	$ 30,723
Taiwan CDC grant reimbursement from related party	—	(6,575)	—	(8,992)
General and administrative				
Services provided by related parties	$ —	$ 355	$ —	$ 862

17. Subsequent Events

On July 29, 2022 the Company agreed to pay $592,665 to settle all outstanding claims related to disputed invoices on a clinical study that was terminated in 2021. The agreement represents full and final settlement of all claims, rights, and demands that each party or its Affiliates may have, and each party has released and discharged any future actions related to any services performed on the cancelled study. The full settlement amount was recorded as a charge to research and development expense in the three months ended June 30, 2022, and payment was made upon execution of the agreement.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes and other financial information appearing elsewhere in this Quarterly Report. We intend for this discussion to provide you with information that will assist you in understanding our unaudited condensed consolidated financial statements, the changes in key items in those unaudited condensed consolidated financial statements from period to period and the primary factors that accounted for those changes. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks, uncertainties and assumptions. See the section of this Quarterly Report titled "Special Note Regarding Forward-Looking Statements" for a discussion of forward-looking statements. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Quarterly Report, our actual results could differ materially from management's expectations and the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

Vaxxinity is engaged in the development and commercialization of rationally designed prophylactic and therapeutic vaccines to combat chronic disorders and infectious diseases with large global unmet medical needs. Vaccines offer significant cost, convenience and accessibility advantages over other forms of treatment, but have traditionally been unable to effectively and safely combat chronic diseases. We believe our platform may be able to do so, expanding access to, and reducing costs of, treatments across a potentially broad spectrum of illnesses. Our Vaxxine Platform relies on a synthetic peptide vaccine technology first developed by UBI and subsequently refined over the last two decades. We believe our vaccines have the potential to combat conditions that have not yet been successfully treated, or which have primarily been addressed with monoclonal antibodies ("mAbs") which, while generally effective, are far more costly and cumbersome to administer than vaccines, and thus are generally less accessible. Our pipeline is centered around chronic disease, pursuing validated targets in neurology, pain and cardiovascular indications. We have also leveraged our Vaxxine Platform's applicability to infectious disease and are advancing next-generation booster candidate for SARS-CoV-2.

We separated our business from UBI through two transactions: a spin-out from UBI in 2014 of operations focused on developing chronic disease product candidates that resulted in UNS, and a second spin-out from UBI in 2020 of operations focused on the development of a COVID-19 vaccine that resulted in COVAXX. On February 2, 2021, Vaxxinity was incorporated for the purpose of reorganizing and combining UNS and COVAXX and did so on March 2, 2021 through the Reorganization. The Reorganization was determined to be a common control transaction, so the carrying values of all contributed assets and assumed liabilities remained unchanged and the financial information for all periods in this section of the financial statements presented prior to the Reorganization are presented on a consolidated basis. Unless the context requires otherwise, in this section we use the terms "Vaxxinity," "we," "us" and "our" to refer to our operations (including through UNS and COVAXX) both prior to and after the Reorganization.

Since our spin-out transactions from UBI, we have focused on organizing and staffing our business, business planning, raising capital, developing our Vaxxine Platform and pipeline candidates, identifying and testing potential product candidates and conducting clinical trials. We have also developed a SARS CoV-2 antibody ELISA test, which received an EUA from the FDA in January 2021.

Our chronic disease pipeline consists of five programs from early to late-stage development. These include two primary programs focused on well-validated targets of chronic disease: UB-313, which targets CGRP to prevent migraines; and VXX-401, which targets PCSK9 to lower LDL cholesterol and reduce the risk of cardiac events. We consider these to be potential best-in-class based on their potential enhanced convenience, increased durability, and disruptive accessibility and cost-effectiveness. Moreover, for both of these programs, there is a known regulatory pathway to approval and either a surrogate marker or experimental provocation that can facilitate and accelerate development decisions. We are focused on progressing both of these into the clinic over the next two quarters.

We have three programs that comprise our neurodegenerative disease pipeline: UB-311, our leading neurology product candidate, in development for Alzheimer's Disease ("AD"); UB-312, in development for Parkinson's Disease ("PD") and other synucleinopathies; and an anti-tau product candidate which has the potential to address multiple neurodegenerative conditions, including AD. These programs have the unique potential to not only *treat* neurodegenerative diseases but also, depending on potential safety, convenience and accessibility advantages of our vaccine approach, *prevent* neurodegenerative diseases. Realizing that these neurodegenerative disease and disease prevention candidates will require significantly more time and resources in connection with regulatory approval, we are seeking strategic partnerships and/or dedicated investment in connection with the further advancement of these programs.

We believe in our Vaxxine Platform's capability to create candidates to address a wide range of other chronic diseases, including those that are or could potentially be successfully treated by mAbs, which increasingly dominate the treatment paradigm for many chronic diseases.

In addition to our chronic disease pipeline, we are advancing an infectious disease product candidate, UB-612, as a heterologous booster vaccine for SARS-CoV-2. We have reported results of our UB-612 Phase 1, Phase 2, and Phase 1 extension clinical trials. An EUA application for UB-612 was denied by the TFDA in August 2021. We are pursuing accelerated pathways to authorization with regulators in multiple jurisdictions, including high income countries and LMICs, based on a global Phase 3 heterologous booster trial of UB-612 that began in the first half of 2022.

We have principally funded our operations through financing transactions. Through June 30, 2022, we received gross proceeds of $306.1 million in connection with various financial instruments, including the sale of preferred and common stock, the issuance of promissory notes (including convertible promissory notes ("Convertible Notes")), the entry into simple agreements for future equity ("SAFEs"), and proceeds from our initial public offering. Additionally, we have been awarded grants totaling $10.1 million from the Coalition for Epidemic Preparedness Innovations and the Michael J. Fox Foundation. The Company will continue to pursue non-dilutive sources of financing, including grants, collaboration agreements, and revenue from the sale of our products. However, our ability to generate revenue sufficient to achieve profitability will depend on the eventual regulatory approval, and successful commercialization of one or more of our product candidates. To date, we have not yet obtained any regulatory approvals for our pipeline product candidates.

Costs associated with research and development are the most significant component of our expenses. These costs can vary greatly from period to period depending on the timing of various trials for our product candidates. We expect our general and administrative expenses to incur increased costs as a result of operating as a public company and allocated research and development costs to be in line with recent levels over the next 12 months and to thereafter increase over time as we expand the number of product candidates that we are advancing, whether exclusively or with partners. Further, we anticipate incurring greater selling and marketing expenses if we commercialize any of our product candidates in the future. Our product candidates are in clinical stage or pre-clinical stage development, and we have generated limited revenue to date and have incurred significant operating losses since inception. Net losses were $17.3 million and $26.9 million for the three months ended June 30, 2022 and 2021, respectively. Net losses were $35.5 million and $58.9 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, we had an accumulated deficit of $265.0 million. Our expenses and capital requirements may increase over time in connection with our operations, which include:

- continuing pre-clinical studies, existing clinical trials, and initiating new clinical trials for product candidates, including clinical trials of UB-313 and VXX-401;
- commercializing UB-612 and meeting post-marketing regulatory commitments;
- hiring additional clinical, quality control, medical, scientific and other technical personnel to support clinical and research and development programs;
- expanding operational, financial and management systems and infrastructure, expanding our facilities and increasing personnel to support operations;
- maintaining, expanding and protecting our intellectual property portfolio;
- seeking regulatory approvals for any product candidates that successfully complete clinical trials; and
- undertaking pre-commercialization activities to establish sales, marketing, pharmacovigilance and distribution capabilities for any product candidates for which we may receive regulatory approval in regions where we elect to commercialize products on our own or jointly with third parties.

As of the date of this Report, we expect our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements for at least the next 12 months. We believe that cash and cash equivalents on hand will enable us to fund our operating expenses and capital requirements into the second half of 2023. Thereafter, our viability will depend on our ability to raise additional capital to finance operations through debt or equity raises, or non-dilutive sources such as grants, successful product commercialization and/or collaborations with third parties for the development of our product candidates. If we are unable to do any of the foregoing, we would be forced to delay, limit, reduce or terminate our product candidate development or future commercialization efforts. Our estimates are based on a variety of assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than expected. See "— Liquidity and Capital Resources."

Business Update Regarding COVID-19 Pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The onset of the pandemic led to our institutional prioritization of COVID-19 vaccine development efforts, which correlated to a decline in research and development expenditures for our chronic disease product candidates. To date, our operations have not been negatively impacted by the COVID-19 pandemic in a material manner. However, at this time, we cannot predict the specific extent, duration or full impact that the COVID-19 pandemic will have on our financial condition and operations, but the development of clinical supply materials could be delayed and enrollment of patients in our studies may be delayed or suspended, as hospitals and clinics in areas where we are conducting trials shift

resources to cope with the COVID-19 pandemic and may limit access or close facilities due to the COVID-19 pandemic. Additionally, if our trial participants are unable to travel to our clinical study sites as a result of quarantines or other restrictions resulting from the COVID-19 pandemic, we may experience higher drop-out rates or delays in our clinical studies. The impact of the COVID-19 pandemic on our financial performance will depend on future developments, including the duration and spread of the pandemic and related governmental advisories and restrictions. These developments and the impact of the COVID-19 pandemic on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, our results may be materially adversely affected. See "Risk Factors—Risks Related to Our Business and Industry in our Annual Report on Form 10-K for the year ended December 31, 2021—The ongoing coronavirus pandemic has caused interruptions or delays of our business plan. Delays caused by the coronavirus pandemic may have a significant adverse effect on our business."

Components of Our Unaudited Condensed Consolidated Results of Operations

Revenue

No revenue was generated during the three months ended June 30, 2022 and 2021. No revenue was generated during the six months ended June 30, 2022. Revenue for the six months ended June 30, 2021 was less than $0.1 million and consisted of commercial sales of our ELISA tests. We do not expect to generate any meaningful revenue unless and until we obtain regulatory approval of and commercialize our product candidates, and we do not know when, or if, this will occur. If our development efforts for our product candidates are successful and result in commercialization, we may generate additional revenue in the future from a combination of product sales or payments from collaboration or license agreements that we have entered into or may enter into with third parties. See "Risk Factors—Risks Related to the Discovery and Development of Product Candidates in our Annual Report on Form 10-K for the year ended December 31, 2021. We have incurred significant losses since our inception. We expect to incur losses for the foreseeable future and may never achieve or maintain profitability."

Cost of Revenue

Cost of revenue consists of kit production costs consisting of materials, labor and overhead expenses directly related to ELISA tests sold and the costs of expired ELISA tests, which are not available for commercial sale.

If our development efforts in respect of our current pipeline of product candidates are successful and result in regulatory approval, we expect our cost of revenue will increase in relative proportion to the level of our revenue as we commercialize the applicable product candidate. We expect that cost of revenue will increase in absolute dollars as and if our revenue grows and will vary from period to period as a percentage of revenue.

Research and Development Expenses

The design, initiation and execution of candidate discovery and development programs of our future potential product candidates is key to our success and involves significant expenses. Prior to initiating these programs, project teams incorporating individuals from the essential disciplines within Vaxxinity scope out the activities, timing, requirements, inclusion and exclusion criteria and the primary and secondary endpoint. Once we have decided to proceed, our Vaxxine Platform enables the iteration of drug candidates in the discovery phase through rapid, rational design and formulation. After we have identified drug candidates, the costs of scaling the formulation from research grade to clinical grade, then to commercial grade, typically consumes significant resources. In addition to internal research and development, we utilize service providers, including related parties, to complete activities we do not have the internal resources to handle.

Research and development expenses consist primarily of costs incurred for research activities, including drug discovery efforts and the development of our product candidates. We expense research and development costs as incurred, which include:

- expenses incurred to conduct the necessary preclinical studies and clinical trials required to obtain regulatory approval;
- expenses incurred under agreements with CROs that are primarily engaged in the oversight and conduct of our clinical trials, preclinical studies and drug discovery efforts and contract manufacturers that are primarily engaged to provide preclinical and clinical drug substance and product for our research and development programs;
- other costs related to acquiring and manufacturing materials in connection with our drug discovery efforts and preclinical studies and clinical trial materials, including manufacturing validation batches, as well as investigative sites and consultants that conduct our clinical trials, preclinical studies and other scientific development services;
- employee-related expenses, including salaries and benefits, travel and stock-based compensation expense for employees engaged in research and development functions;

- costs related to compliance with regulatory requirements; and
- facilities-related costs, depreciation and other expenses, which include rent and utilities.

We recognize external development costs based on an evaluation of the progress to completion of specific tasks using information provided to us by service providers. This process involves reviewing open contracts and purchase orders, communicating with personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual costs. Any advance payments that we make for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. Such amounts are expensed as the related goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered or the services rendered, at which point the net remainder is expensed.

We rely on related parties for certain services to advance our research and development programs, including manufacturing, quality control, testing, validation, supply services, research support, development and clinical functions. During the six months ended June 30, 2022 and 2021, related party expenses were approximately 5.4% and 73.6% of our research and development expenses, respectively. We expect this reliance on related parties to continue to diminish in the future.

Where appropriate, we allocate our third-party research and development expenses on a program-by-program basis. These expenses primarily relate to outside consultants, CROs, contract manufacturers and research laboratories in connection with pre-clinical development, process development, manufacturing and clinical development activities. We do not allocate our internal costs, such as employee costs, costs associated with our discovery efforts, laboratory supplies and facilities, including depreciation or other indirect costs, to specific programs because these costs often relate to platform development, to multiple programs simultaneously or to discovery of new programs, and any such allocation would necessarily involve significant estimates and judgments and, accordingly, would be imprecise. When we refer to the research and development expenses associated with a specific program, these refer exclusively to the allocated third-party expenses associated with that product candidate. All other research and development costs are referred to as unallocated costs.

Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. Additionally, greater research and development overhead is required to support broader and more rapid development of our Vaxxine Platform and new product candidates. As a result, we expect that our research and development expenses will increase as we continue our existing and planned clinical trials and conduct increased pre-clinical and clinical development activities, including submitting regulatory filings for product candidates, and focus more generally on the development of our chronic disease product candidates. A significant driver of such increases would be the initiation of our Phase 2b trial for UB-311. In an effort to help mitigate costs and use of capital, it is the Company's intention to advance UB-311 into its next large scale trial with a strategic partner. The anticipated timing for the Phase 2b trial initiation will be determined once a strategic partnership materializes. We believe the decision to share development costs with a partner will allow Vaxxinity to focus resources on the development of its other chronic disease candidates, as we initiate clinical trials for two potential best-in-class programs (UB-313 and VXX-401), in addition to supporting the anticipated launch of UB-612 as a heterologous boost option for COVID-19 (SARS-CoV-2).

At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the pre-clinical and clinical development of any of our product candidates or when, if ever, material net cash inflows may commence from any of our product candidates

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and benefits, travel and stock-based compensation expense for personnel in the executive, business development, finance, human resources, legal, information technology and administrative functions. General and administrative expenses also include facility- related costs as well as insurance costs and professional fees for legal, patent, consulting, investor and public relations, accounting and audit services and other general operating expenses not otherwise classified as research and development expenses. We expense general and administrative costs as incurred.

We also anticipate that our general and administrative expenses will increase in the future if UB-612 becomes authorized by a regulatory authority and commercially available. Such cost increases will likely include the hiring of additional personnel and fees to outside consultants, personnel-related stock-based compensation costs, local regulatory compliance costs and post-marketing commitments, among other expenses. We will continue to incur public company-related expenses, including services associated with maintaining compliance with Nasdaq listing and SEC requirements, director and officer liability insurance and investor and public relations costs.

Other Expense (Income)

Interest Expense

Interest expense consists of (i) interest expense recognized on the note payable entered into during June 2020 for the acquisition of an airplane (the "2025 Note"), (ii) interest expense recognized on the Convertible Notes and (iii) interest expense recognized on other promissory notes, including $0.1 million borrowed from our Chief Executive Officer (the "Executive Note") and a related party Convertible Note payable for $2.0 million in aggregate proceeds that was received in three tranches (the "2018 Related Notes"). The Executive Note was repaid in full in August 2021 and the 2018 Related Notes were converted into Series A preferred stock concurrently with the Reorganization.

Interest Income

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

Change in Fair Value of Convertible Notes, SAFEs and Series A-1 Warrant Liability

We issued a series of Convertible Notes during the years 2018 through 2021, a series of SAFEs during 2020 and 2021, and warrants to purchase shares of our Series A-1 preferred stock ("Series A-1 Warrants") during 2020, each of which were measured and accounted for at fair value. We remeasured the fair value of each of the Convertible Notes, SAFEs and Series A-1 Warrants at each reporting date and recognize changes in the fair value in our unaudited condensed consolidated statements of operations. Inputs to the calculation of fair value generally included market and acquisition comparable(s) as well as other variables. In connection with the Reorganization, all outstanding Convertible Notes, SAFEs, and Series A-1 Warrants were exchanged for shares of Series A preferred stock, which were subsequently exchanged into shares of Class A common stock upon closing of the IPO in November 2021.

Loss on Foreign Currency Translation, Net

Our foreign subsidiaries, which are wholly-owned by Vaxxinity, use the U.S. dollar as their functional currency and maintain records in the local currency. Nonmonetary assets and liabilities are remeasured at historical rates and monetary assets and liabilities are remeasured at exchange rates in effect at the end of the reporting period. Income statement accounts are remeasured at average exchange rates for the reporting period. The resulting gains or losses are included in foreign currency (losses) gains in the unaudited condensed consolidated financial statements.

Provision for Income Taxes

We have not recorded any significant amounts related to income tax but have reserved $0.6 million of unrecognized tax benefits against NOLs. We have not recorded any income tax benefits for the majority of our net losses we incurred to date.

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the unaudited condensed consolidated financial statements or our tax returns.

Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax basis of existing assets and liabilities and for loss and credit carryforwards, which are measured using the enacted tax rates and laws in effect in the years in which the differences are expected to reverse. The realization of our deferred tax assets is dependent upon the generation of future taxable income, the amount and timing of which are uncertain. Valuation allowances are provided, if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of June 30, 2022, we continue to maintain a full valuation allowance against all of our deferred tax assets based on evaluation of all available evidence. We file income tax returns in the U.S. federal and state jurisdictions and may become subject to income tax audit and adjustments by related tax authorities. Our tax return periods (for entities then in existence) for U.S. federal income taxes for the tax years since 2017 remain open to examination under the statute of limitations by the Internal Revenue Service and state jurisdictions. We record reserves for potential tax payments to various tax authorities related to uncertain tax positions, if any. The nature of uncertain tax positions is subject to significant judgment by management and subject to change, which may be substantial. These reserves are based on a determination of whether and how much a tax benefit taken by us in our tax filings or positions is more likely than not to be realized following the resolution of any potential contingencies related to the tax benefit. We develop our assessment of uncertain tax positions, and the associated cumulative probabilities, using internal expertise and assistance from third-party experts. As additional information becomes available, estimates are revised and refined. Differences between estimates and final settlement may occur resulting in additional tax expense. Potential interest and penalties associated with such uncertain tax positions is recorded as a component of our provision for income taxes.

Factors Affecting the Comparability of Our Unaudited Condensed Consolidated Results of Operations

Reorganization

On March 2, 2021, Vaxxinity entered into the Contribution and Exchange Agreement, pursuant to which the outstanding equity interests of UNS and COVAXX were contributed to Vaxxinity in return for equity interests in Vaxxinity, resulting in UNS and COVAXX becoming wholly owned subsidiaries of Vaxxinity. Accordingly, all share and per share amounts prior to the Reorganization have been adjusted to reflect the Reorganization. As a result, the historical financial information between January 1, 2021 and March 2, 2021 described in this Quarterly Report refers to the combined historical financial information of UNS and COVAXX. Our operations for the six months ended June 30, 2022 reflects the operations of Vaxxinity and its subsidiaries. Our operations for the six months ended June 30, 2021 reflects the operations of UNS and COVAXX businesses on a condensed consolidated basis for the period from January 1, 2021 to March 1, 2021 and of Vaxxinity and its subsidiaries for the remainder of that six-month period. See Note 1 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.

Condensed Consolidated Results of Operations

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

The following table summarizes our unaudited condensed consolidated results of operations for the three and six months ended June 30, 2022 and 2021, together with the dollar change in those items from period to period (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
Revenue	$ —	$ —	$ —	$ —	$ 17	$ (17)
Costs of revenue	—	1,927	(1,927)	—	1,928	(1,928)
Gross (loss) profit	—	(1,927)	1,927	—	(1,911)	1,911
Operating expenses:						
Research and development	10,664	19,020	(8,356)	22,142	30,709	(8,567)
General and administrative	6,560	5,846	714	13,246	14,430	(1,184)
Total operating expenses	17,224	24,866	(7,642)	35,388	45,139	(9,751)
Loss from operations	(17,224)	(26,793)	9,569	(35,388)	(47,050)	11,662
Other (income) expense:						
Interest expense	105	109	(4)	210	620	(410)
Interest income	(75)	(2)	(73)	(80)	(2)	(78)
Change in fair value of convertible notes	—	—	—	—	2,667	(2,667)
Change in fair value of simple agreements for future equity	—	—	—	—	8,365	(8,365)
Change in fair value of warrant liability	—	—	—	—	214	(214)
Loss (gain) on foreign currency translation, net	(2)	8	(10)	(3)	16	(19)
Other (income) expense, net	28	115	(87)	127	11,880	(11,753)
Net loss	$ (17,252)	$ (26,908)	$ 9,656	$ (35,515)	$ (58,930)	$ 23,415

Revenue

Revenues for all periods presented are negligible. All revenue and comparable decreases were due to sales of our ELISA tests. We are not actively pursuing commercialization of our ELISA tests at this time.

Gross Margin

Gross margin was negative for the three and six months ended June 30, 2021. All gross margin and comparable decreases were due to sales of our ELISA tests. During the six months ended June 30, 2021, we wrote off, to cost of revenue, $1.9 million in expired ELISA tests that had no commercial value, driving a significant change in gross profit percentage.

Research and Development Expenses

Comparison of the three months ended June 30, 2022 to the three months ended June 30, 2021

Research and development expenses were $10.7 million and $19.0 million for the three months ended June 30, 2022 and 2021, respectively. The $8.3 million decrease was comprised of a $13.7 million decrease in allocated costs (i.e., costs that can be directly attributed to a specific clinical program), and a $5.3 million increase in unallocated costs. The decrease in allocated costs was primarily due to a decrease of $16.9 million in costs related to UB-612, partially offset by increases in spend of $1.3 million on our UB-313 migraine program, $0.7 million on our UB-312 Parkinson's Disease program, and $0.3 million on our VXX-401 cholesterol program. The $5.3 million increase in unallocated costs was driven by increased salaries and personnel-related costs of $3.6 million, stock-based compensation expense of $0.6 million, and $0.1 million in rent and other overhead associated with laboratory space in Florida.

Comparison of the six months ended June 30, 2022 to the six months ended June 30, 2021

Research and development expenses were $22.1 million and $30.7 million for the six months ended June 30, 2022 and 2021, respectively. The $8.6 million decrease was comprised of a $17.1 million decrease in allocated costs (i.e., costs that can be directly attributed to a specific clinical program), and a $8.4 million increase in unallocated costs. The decrease in allocated costs was primarily due to a decrease of $22.9 million in costs related to UB-612, partially offset by increases in spend of $2.2 million on our UB-313 migraine program, $1.4 million on our UB-312 Parkinson's Disease program, and $1.2 million on our VXX-401 cholesterol program. The $8.4 million increase in unallocated costs was driven by increased salaries and personnel-related costs of $6.1 million, stock-based compensation expense of $1.1 million, and $0.3 million in rent and other overhead associated with laboratory space in Florida.

General and Administrative Expenses

Comparison of the three months ended June 30, 2022 to the three months ended June 30, 2021

General and administrative expenses were $6.6 million and $5.8 million for the three months ended June 30, 2022 and 2021, respectively. The $0.8 million increase was primarily due to increases in Directors and Officers (D&O) insurance costs of $0.9 million and salaries and personnel-related costs of $0.7 million, partially offset by decreases of $1.0 million consulting costs and professional services.

Comparison of the six months ended June 30, 2022 to the six months ended June 30, 2021

General and administrative expenses were $13.2 million and $14.4 million for the six months ended June 30, 2022 and 2021, respectively. The $1.2 million decrease was primarily due to decreases of $1.8 million in stock-based compensation and recruiting expenses and decreases in professional services and other expenses of $1.1 million related to our March 2021 Reorganization, partially offset by increased D&O insurance costs of $1.8 million, salaries and personnel-related costs of $1.1 million, and audit and advisory fees of $0.7 million.

Interest Expense

Comparison of the three months ended June 30, 2022 to the three months ended June 30, 2021

Interest expense was $0.1 million and $0.1 million for the three months ended June 30, 2022 and 2021, respectively.

Comparison of the six months ended June 30, 2022 to the six months ended June 30, 2021

Interest expense was $0.2 million and $0.6 million for the six months ended June 30, 2022 and 2021, respectively. The $0.4 million decrease was due to the exchange of Convertible Notes for Series A preferred stock in connection with the Reorganization.

Interest Income

Comparison of the three months ended June 30, 2022 to the three months ended June 30, 2021

Interest income on cash was less than $0.1 million for each of the three months ended June 30, 2022 and 2021, respectively.

Comparison of the six months ended June 30, 2022 to the six months ended June 30, 2021

Interest income on cash was less than $0.1 million for each of the six months ended June 30, 2022 and 2021, respectively.

Change in Fair Value of Convertible Notes, SAFEs and Series A-1 Warrant Liability

In connection with the Reorganization, all outstanding Convertible Notes, SAFEs and Series A-1 Warrants were exchanged into shares of Series A preferred stock, which were subsequently exchanged into shares of Class A common stock upon the closing of the IPO in November 2021.

The $2.7 million change in fair value of the Convertible Notes recognized during the six months ended June 30, 2021 related to the revaluation of the Convertible Notes upon conversion to equity. The $8.4 million change in fair value of SAFEs recognized during the six months ended June 30, 2021 related to insight into the pricing of Vaxxinity's next stock issuance at a higher valuation. The $0.2 million change in fair value of Series A-1 Warrants recognized during the six months ended June 30, 2021 related to an increase in value of the Series A-1 preferred stock.

Loss on Foreign Currency Translation, Net

The net loss of foreign currency translation reflected a de minimis increase in the foreign exchange rate for the three months ended June 30, 2022 compared to the three months ended June 30, 2021 and the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

Liquidity and Capital Resources

Sources of Liquidity

We have generated limited revenue from sales of our ELISA tests and have not yet commercialized any of our product candidates, which are in various phases of pre-clinical and clinical development. Prior to going public in late 2021, we financed operations primarily through the issuance of convertible preferred stock, borrowings under promissory notes (including Convertible Notes) and the execution of SAFEs. Through December 31, 2020, we received gross proceeds of $99.3 million in connection with the issuance of various financial instruments, including the sale of preferred stock, the issuance of promissory notes (including Convertible Notes), and the execution of SAFEs. In addition, we also generated revenue from the sale of an option to negotiate a license with UNS (which option has expired) and the sales of ELISA tests in 2020 and 2021. During the year ended December 31, 2021, we raised a total of $198.8 million, which consisted of $71.1 million in net proceeds from the issuance of common stock in connection with the IPO, $122.8 million in net proceeds from the issuance of Series B preferred shares, $2.0 million in net proceeds from the issuance of convertible debt, and $2.9 million in net proceeds from the issuance of SAFEs. At June 30, 2022, we had $109.1 million in cash and cash equivalents, compared to $144.9 million as of December 31, 2021. The decrease in cash and cash equivalents balances for the periods reported are primarily due to the factors described under "Cash Flows" below.

Cash Flows

The following table provides information regarding our cash flows for the six months ended June 30, 2022 and 2021 (in thousands):

	June 30, 2022	December 31, 2021
Balance Sheet Data:		
Cash and cash equivalents	$ 109,066	$ 144,885
Restricted cash	4,708	172
Total assets	136,996	166,673
Total liabilities	39,655	38,054
Total stockholders' equity (deficit)	$ 97,341	$ 128,619

	Six Months Ended June 30,	
	2022	2021
Statement of Cash Flow Data:		
Net cash used in operating activities	$ (30,051)	$ (45,952)
Net cash used in investing activities	(1,252)	—
Net cash provided by financing activities	20	125,657
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (31,283)	$ 79,705

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2022 was $30.1 million, primarily resulting from a $35.5 million net loss, an unfavorable $0.7 million change in operating assets and liabilities and total non-cash items of $4.8 million. The changes in net operating assets and liabilities were primarily due to a decrease of $2.7 million in amounts due to related party, a $7.3 million increase in accrued expenses and other current liabilities, a $2.9 million decrease in accounts payable and other liabilities, a $1.0 million increase in prepaid expenses, and a $2.1 million decrease in long-term deposits. The primary non-cash adjustments to net loss consisted of $4.0 million of stock-based compensation and $0.7 million in depreciation.

Investing Activities

Net cash used in investing activities totaled $1.3 million for the six months ended June 30, 2022. The cash used in investing activities consisted primarily of the acquisition of equipment.

Financing Activities

Net cash provided by financing activities was less than $0.1 million for the six months ended June 30, 2022. We repaid $0.2 million in relation to a note payable and received $0.2 million from the exercise of stock options.

Funding Requirements

We have generated approximately $3.7 million in revenue since inception and have incurred net losses in each reporting period since inception. We do not expect to generate any meaningful revenue unless and until we obtain regulatory approval of and commercialize our product candidates. We do not know when, or if, this will occur. If we do not receive regulatory approval for any of our product candidates, or if we receive approval but our commercialization results fall short of our expectations, we will continue to incur significant losses for the foreseeable future, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our product candidates and begin to commercialize any approved products.

As of the date of this Quarterly Report, we expect our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements for at least the next 12 months. As of June 30, 2022, other than our 2025 Note, we have no material debt obligations.

We have based our projections of operating capital requirements on assumptions that may prove to be incorrect, and we may use all of our available capital resources sooner than we expect. Our future capital requirements will depend on many factors, which include:

- the number of discovery and pre-clinical programs that we pursue and the speed with which they are advanced;
- the number, size, and nature of clinical trials that we conduct;
- the length of time it takes for regulators to review and approve any product candidates that successfully complete clinical trials;
- the timing and manner in which we manufacture our pre-clinical and clinical drug material, the terms on which we can have such manufacturing completed, and the extent to which we undertake commercialization of any drug products, if approved;
- the extent to which we establish sales, marketing, medical affairs and distribution infrastructure to commercialize any product candidates;
- the timing and extent to which we expand our operational, financial and management systems and infrastructure, and facilities;
- the timing and extent to which we increase our personnel to support operations, including necessary increases in headcount to conduct and expand our clinical trials, commercialize any approved products and support our operations as a public company; and
- the number of patent applications we must file and claims we must defend in order to maintain, expand and protect our intellectual property portfolio, and the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights.

Until such time, if ever, as we can generate positive cash flows from operations, we expect to finance our cash needs through public or private equity offerings, strategic collaborations and debt financing. To the extent that we raise additional capital through the sale of our Class A common stock, convertible securities or other equity securities, shareholders' ownership interest will be diluted and the terms

of these securities could include liquidation or other preferences and anti-dilution protections. In addition, debt financing, if available, may result in fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures, creating liens, redeeming shares or declaring dividends.

If we raise additional funds through strategic collaborations or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our product candidate development or future commercialization efforts or grant rights to third parties to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Contract Research and Manufacturing Organizations

We recorded accrued expenses of $1.9 million and $1.5 million in our balance sheet for expenditures incurred by CROs and contract manufacturers as of June 30, 2022 and December 31, 2021, respectively.

Tax-Related Obligations

We have reserved $0.6 million of unrecognized tax benefits against NOLs. Additionally, as of June 30, 2022, we accrued $0.2 million in interest and penalties related to prior year tax filings.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the SEC.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in our unaudited condensed consolidated financial statements and accompanying notes. Management bases its estimates on historical experience, market and other conditions, and various other assumptions it believes to be reasonable. Although these estimates are based on management's best knowledge of current events and actions that may impact us in the future, the estimation process is, by its nature, uncertain given that estimates depend on events over which we may not have control. In addition, if our assumptions change, we may need to revise our estimates, or take other corrective actions, either of which may also have a material effect on our unaudited condensed consolidated financial statements. Significant estimates contained within these unaudited condensed consolidated financial statements include, but are not limited to, the estimated fair value of our common stock, stock-based compensation, income tax valuation allowance and the accruals of research and development expenses. We base our estimates on historical experience, known trends and other market-specific or other relevant factors that we believe to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates, as there are changes in facts and circumstances. If market and other conditions change from those that we anticipate, our unaudited condensed consolidated financial statements may be materially affected.

While our significant accounting policies are described in more detail in the notes to our unaudited condensed consolidated financial statements appearing elsewhere in this Quarterly Report, we believe that the following critical accounting policies and estimates have a higher degree of inherent uncertainty and require our most significant judgments.

Accrued Research and Development Expenses

As part of the process of preparing our unaudited condensed consolidated financial statements, we are required to estimate accrued research and development expenses. As we advance our programs, we anticipate conducting more complex clinical studies resulting in greater research and development expenses, which will place even greater emphasis on the accrual. This process involves reviewing open contracts and purchase orders, communicating with our applicable personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual costs. The majority of our service providers invoice in arrears for services performed, on a pre-determined schedule or when contractual milestones are met; however, some require advance payments. We make estimates of accrued expenses as of each balance sheet date in the unaudited condensed consolidated financial statements based on facts and circumstances known to us at that time. We periodically confirm the accuracy of the estimates with the service providers and make adjustments if necessary. Examples of estimated accrued research and development expenses include fees paid to:

- vendors, including research laboratories, in connection with pre-clinical development activities;
- CROs and investigative sites in connection with pre-clinical studies and clinical trials; and

- contract manufacturers in connection with drug substance and drug product formulation of pre-clinical studies and clinical trial materials.

We base our expenses related to pre-clinical studies and clinical trials on our estimates of the services received and efforts expended pursuant to quotes and contracts with multiple research institutions and CROs that supply, conduct and manage pre-clinical studies and clinical trials on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the expense. Payments under some of these contracts depend on factors such as the successful enrollment of patients and the completion of clinical trial milestones. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from the estimate, we adjust the accrual or the prepaid expense accordingly. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in reporting amounts that are too high or too low in any particular period. To date, our estimated accruals have not differed materially from actual costs incurred.

Stock-Based Compensation

We measure all stock-based awards granted to employees, directors and non-employees based on their fair value on the date of the grant and recognize the corresponding compensation expense of those awards over the requisite service period, which is generally the vesting period of the respective award. Forfeitures are accounted for as they occur. We grant stock options and restricted stock awards that are subject to service vesting conditions.

We classify stock-based compensation expense in our unaudited condensed consolidated statements of operations in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

We estimate the fair value of each stock option grant using the Black-Scholes option-pricing model, which requires the use of subjective assumptions that could materially impact the estimation of fair value and related compensation expense to be recognized. These assumptions include (i) the expected volatility of our stock price, (ii) the periods of time over which recipients are expected to hold their options prior to exercise (expected lives), (iii) expected dividend yield on our common stock, and (iv) risk-free interest rates, which are based on quoted U.S. Treasury rates for securities with maturities approximating the options' expected lives. Developing these assumptions requires the use of judgment. Both prior to and after the IPO, we lacked company-specific historical and implied volatility information. Therefore, we estimate our expected stock volatility based on the historical volatility of a publicly traded set of peer companies. The expected term of the Company's options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The expected term of options granted to non-employees is equal to the contractual term of the option award. The expected dividend yield is zero as we have never paid dividends and do not currently anticipate paying any in the foreseeable future.

Simple Agreement for Future Equity

During the three months ended March 31, 2021, we entered into SAFEs. The SAFEs were not mandatorily redeemable, nor did they require us to repurchase a fixed number of shares. We determined that the SAFEs contained a liquidity event provision that embodied an obligation indexed to the fair value of the equity shares and could require us to settle the SAFE obligation by transferring assets or cash. Our SAFEs represented a recurring measurement that is classified within Level 3, of the fair value hierarchy, as disclosed and defined in Note 3 in our Annual Report on Form 10-K for the year ended December 31, 2021, wherein fair value is estimated using significant unobservable inputs, including an estimate of the number of months to a liquidity event, volatility rates and the estimation of the most likely conversion feature for converting the SAFE.

The fair value of the SAFEs on the date of issuance was determined to equal the proceeds we received. The value of the SAFEs on the date of conversion into Series A preferred stock was determined to be equal to the fair value of the Series A preferred stock issued in connection with the Reorganization.

Convertible Notes

Beginning in 2018, we issued Convertible Notes that bore simple interest at annual rates ranging from 4.8% to 6%. All unpaid principal, together with the accrued interest thereon, for the Convertible Notes were payable upon the event of default or upon maturity, which ranged from one to three years. The Convertible Notes contained a number of provisions addressing automatic and optional conversion, events of default and prepayment provisions. We determined that a portion of the Convertible Notes contained a liquidity event provision, requiring them to be measured and accounted for at fair value at each reporting date. We determined that Convertible Notes requiring a measurement to fair value represented a recurring measurement that was classified within Level 3 of the fair value hierarchy wherein fair value is estimated using significant unobservable inputs, as disclosed and defined in Note 3 in our Annual Report on Form 10-K for the year ended December 31, 2021.

Taiwan Centers for Disease Control Grant

UBIA, which is responsible for applying for and managing grants on our behalf, was awarded a grant by the Taiwan Centers for Disease Control ("TCDC") for COVID-19 vaccine development. The grant provides that costs incurred to complete the two phases of the clinical trial will be reimbursed based on the achievement of certain milestones as defined in the agreement. We are entitled to reimbursement under the TCDC grant. At each reporting date, we assess the status of all of the activities involved in completing the clinical study in relation to the milestones. We account for the amounts that have been received from the TCDC to reimburse costs incurred on the clinical study and not expected to be refunded back to the TCDC as contra research and development expenses in the accompanying unaudited condensed consolidated statement of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk in the ordinary course of our business. These risks primarily relate to foreign currency and changes in interest rates.

Foreign Currency Exchange Risk

We have limited exposure to foreign currency exchange risk as most of our operating activities are primarily denominated in U.S. dollars. We believe actual foreign exchange gains and losses did not have a significant impact on our results of operations for any periods presented herein. The results of the analysis based on our financial position as of June 30, 2022, indicated that a hypothetical 10% increase or decrease in applicable foreign currency exchange rates would not have a material effect on our financial results.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates. As of June 30, 2022 and December 31, 2021, our cash equivalents consisted of interest-bearing checking accounts and money market accounts. We issued Convertible Notes, which Convertible Notes were exchanged for Series A preferred stock in connection with the Reorganization. The Convertible Notes bore simple interest at the annual rates ranging from 4.8% to 6%, with redemption terms payable at the earlier of one year, or upon the event of default. In addition, the Convertible Notes contained provisions addressing automatic and optional conversion. Given the redemption of the Convertible Notes, and the short-term nature and fixed interest rate, we believe there is no material exposure to interest rate risk. Additionally, the 2025 Note we entered into for the year ended December 31, 2020 bears an annual interest rate of 3.4% and matures in June 2025. Given the fixed interest rate of the 2025 Note, we believe there is no material exposure to interest rate risk. The results of the analysis based on our financial position as of June 30, 2022, indicated that a hypothetical 100 basis point increase or decrease in risk-free rates would not have a material effect on our financial results.

Our measurement of interest rate risk involves assumptions that are inherently uncertain and, as a result, cannot precisely estimate the impact of changes in interest rates on net interest revenues. Actual results may differ from simulated results due to balance growth or decline and the timing, magnitude, and frequency of interest rate changes, as well as changes in market conditions and management strategies, including changes in asset and liability mix.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal accounting officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based on management's evaluation and, our principal executive officer and principal accounting officer concluded that, as of June 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

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

We invested resources to remediate the material weaknesses identified in the preparation of our audited consolidated financial statements for the year ended December 31, 2021 and in the preparation of our unaudited consolidated financial statements for the quarter ended March 31, 2022. These remediation activities involved the following:

- hiring additional accounting personnel with the appropriate level of skill and experience for public company financial reporting;
- designing and implementing a formal financial close process that includes multiple levels of reviews of accounting entries; and
- supplementing our resources for evaluating and accounting for complex transactions and stock options through the use of third-party advisors.

Other than the measures described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including the principal executive officer and principal financial and accounting officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time we are a party to various litigation matters incidental to the conduct of our business. We are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

Item 1A. Risk Factors.

As a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act), we are not required to provide the information called for by this Item 1A. Risk factors describing the major risks to our business can be found under Item 1A., "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the quarterly period ended June 30, 2022.

Use of Proceeds

On November 15, 2021, the Company closed its IPO, as discussed in Note 1 of our consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2021. The aggregate net proceeds to us from the offering, after deducting underwriting discounts and commissions and other offering expenses payable by us, was approximately $71.1 million. The proceeds from our IPO have been invested primarily in money market accounts. There has been no material change in the expected use of the net proceeds from our IPO as described in our prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on November 12, 2021.

Item 6. Exhibits.

The following exhibits required by Item 601 of Regulation S-K are filed herewith or have been filed previously with the SEC as indicated below:

Exhibit No.	Index to Exhibits
3.1	Amended and Restated Certificate of Incorporation of Vaxxinity, Inc. to be in effect upon the completion of this offering (incorporated by reference to Exhibit 3.1 of our Current Report on Form 8-K (File No. 001-41058) filed on November 17, 2021).
3.2	Amended and Restated Bylaws of Vaxxinity, Inc. to be in effect upon the completion of this offering (incorporated by reference to Exhibit 3.2 of our Current Report on Form 8-K (File No. 001-41058) filed on November 17, 2021).
4.1	Warrant to Purchase Shares of Class A Common Stock of Vaxxinity, Inc. (incorporated by reference to Exhibit 4.1 of our Registration Statement on Form S-1/A (File No. 333-260163) filed on November 5, 2021).

31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Taxonomy Extension Schema Document*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document*
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded within the Inline XBRL document).*

* Filed herewith.

** Furnished herewith.

† Indicates management contract or compensatory plan, contract or arrangement.

§ Portions of the exhibit, marked by brackets, have been omitted because the omitted information (i) is not material and (ii) would likely cause competitive harm if publicly disclosed.

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 on August 11 , 2022.

VAXXINITY, INC.

By: /s/ Mei Mei Hu
Mei Mei Hu,
President and Chief Executive Officer
(Principal executive officer)

By: /s/ Jason Pesile
Jason Pesile
Senior Vice President, Finance & Accounting
(Principal financial and accounting officer)

Exhibit 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

I, Mei Mei Hu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vaxxinity, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 11, 2022

By: /s/ Mei Mei Hu
Mei Mei Hu
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 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

I, Jason Pesile, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vaxxinity, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: August 11, 2022

By: /s/ Jason Pesile
Jason Pesile
Senior Vice President, Finance and Accounting
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Vaxxinity, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of their knowledge:

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

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

Date: August 11, 2022 By: /s/ Mei Mei Hu
Mei Mei Hu
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 11, 2022 By: /s/ Jason Pesile
Jason Pesile
Senior Vice President, Finance and Accounting
(Principal Financial and Accounting Officer)