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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

June 10, 2020
Date of Report (Date of earliest event reported)

Forte Biosciences, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-38052	26-1243872
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1124 W Carson Street MRL Building 3-320 Torrance, California	90502
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (310) 618-6994

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company ☒

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

Explanatory Note

As previously reported, on June 15, 2020, the Company completed its business combination with Forte Subdidiary, Inc. (“Forte Subsidiary”), in accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated February 19, 2020, as amended by that certain amendment dated May 11, 2020 (the “Merger Agreement”), by and among the Company, Telluride Merger Sub, Inc. (“Merger Sub”), and Forte Subsidiary, pursuant to which Merger Sub merged with and into Forte Subsidiary, with Forte Subsidiary surviving as a wholly owned subsidiary of the Company (the “Merger”). This Amendment No. 1 on Form 8-K/A is being filed by the Company to amend the Current Report on Form 8-K filed on June 15, 2020 (the “Original Report”), solely to provide the disclosures required by Item 9.01 of Form 8-K that were not previously filed with the Original Report.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

The financial statements required by Item 9.01(a) and the notes related thereto are filed as Exhibit 99.1 to this report.

(b) Pro Forma Financial Information

The pro forma financial information required by Item 9.01(b) and the notes related thereto are filed as Exhibit 99.2 to this report.

(d) Exhibits

Exhibit No.	Description
99.1	Unaudited condensed financial statements of Forte Biosciences, Inc., as of March 31, 2020 and December 31, 2019, and for the three months ended March 31, 2020 and 2019.
99.2	Unaudited pro forma condensed combined balance sheet as of March 31, 2020, the unaudited pro forma condensed combined statement of operations and comprehensive loss for the three months ended March 31, 2020 and the unaudited pro forma condensed combined statement of operations and comprehensive loss for the year ended December 31, 2019.

SIGNATURES

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

Forte Biosciences, Inc.

Date: August 10, 2020	By: /s/ Paul Wagner
	Paul Wagner
	Chief Executive Officer

FORTE BIOSCIENCES, INC.
CONDENSED BALANCE SHEETS
(in thousands, except share and par value data)

	March 31, 2020 (unaudited)	December 31, 2019
Assets		
Current assets:		
Cash	$ 4,119	$ 6,939
Prepaid expenses and other current assets	800	567
Total current assets	4,919	7,506
Property and equipment, net	137	152
Other assets	43	—
Total assets	$ 5,099	$ 7,658
Liabilities, convertible preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 668	$ 1,569
Accrued liabilities	688	343
Total current liabilities	1,356	1,912
Commitments and contingencies (Note 5)		
Series A Convertible Preferred Stock, $0.0001 par value; 15,072,819 shares authorized as of March 31, 2020 (unaudited) and December 31, 2019, respectively; and 15,072,814 issued and outstanding as of March 31, 2020 (unaudited) and December 31, 2019, respectively; aggregate liquidation preference of $10,821	10,515	10,515
Stockholders' deficit:		
Common stock, $0.0001 par value: 28,858,687 shares authorized as of March 31, 2020 (unaudited) and December 31, 2019; 10,250,000 and 10,000,000 shares issued and outstanding as of March 31, 2020 (unaudited) and December 31, 2019, respectively	1	1
Additional paid-in capital	247	200
Accumulated deficit	(7,020)	(4,970)
Stockholders' deficit:	(6,772)	(4,769)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 5,099	$ 7,658

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

FORTE BIOSCIENCES, INC.
CONDENSED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating expenses:		
Research and development	$ 1,354	$ 863
General and administrative	673	324
Total operating expenses	2,027	1,187
Loss from operations	(2,027)	(1,187)
Other income (expenses)	(23)	2
Net loss	$ (2,050)	$ (1,185)
Per share information:		
Net loss per share - basic and diluted	$ (0.20)	$ (0.12)
Weighted average shares outstanding, basic and diluted	10,032,967	10,000,000

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

FORTE BIOSCIENCES, INC.
CONDENSED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(unaudited)
(in thousands, except share data)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)
Balance — December 31, 2018	8,247,354	$ 5,659	10,000,000	$ 1	$ 164	$ (901)	$ (736)
Issuance of Series A convertible preferred stock, net of issuance cost of $44	6,825,460	4,856	—	—	—	—	—
Stock based compensation	—	—	—	—	2	—	2
Net loss	—	—	—	—	—	(1,185)	(1,185)
Balance — March 31, 2019	15,072,814	$ 10,515	10,000,000	$ 1	$ 166	$ (2,086)	$ (1,919)
Balance — December 31, 2019	15,072,814	$ 10,515	10,000,000	$ 1	$ 200	$ (4,970)	$ (4,769)
Exercise of employee stock options	—	—	250,000	—	45	—	45
Stock based compensation	—	—	—	—	2	—	2
Net loss	—	—	—	—	—	(2,050)	(2,050)
Balance — March 31, 2020	15,072,814	$ 10,515	10,250,000	$ 1	$ 247	$ (7,020)	$ (6,772)

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

FORTE BIOSCIENCES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Cash flows from operating activities:		
Net loss	$ (2,050)	$ (1,185)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	13	—
Stock based compensation expense	2	2
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(275)	21
Accounts payable	(900)	743
Accrued liabilities	345	44
Net cash used in operating activities	(2,865)	(375)
Cash flows from financing activities:		
Proceeds from issuance of convertible preferred stock, net of issuance costs	—	4,856
Proceeds from exercise of employee stock options	45	—
Net cash provided by financing activities	45	4,856
Net increase (decrease) in cash	(2,820)	4,481
Cash — beginning of period	6,939	5,016
Cash — end of period	$ 4,119	$ 9,497
Supplemental disclosure of non-cash investing and financing activities:		
Unpaid merger costs	$ 291	$ —

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

1. Organization and Description of Business

Forte Biosciences, Inc., or the “Company” is a Delaware Corporation, incorporated under the laws of the State of Delaware on May 3, 2017. The Company’s principal executive office is located in Torrance, California. The Company is developing a new topical therapeutic treatment for the treatment of atopic dermatitis.

Merger with Tocagen, Inc. and Name Change

On February 19, 2020 the Company entered into an Agreement and Plan of Merger and Reorganization (the “Merger Agreement”) with Tocagen, Inc. (“Tocagen”) and Telluride Merger Sub, Inc., a wholly-owned subsidiary of Tocagen (“Merger Sub”), pursuant to which Merger Sub merged with and into the Company, with the Company surviving as a wholly-owned subsidiary of Tocagen (the “Merger”). On June 16, 2020, the Merger was completed and Tocagen changed its name to Forte Biosciences, Inc. (See Note 9). All share and per share amounts have not been retrospectively adjusted to give effect to the exchange of the Company’s common stock and the reverse split of Tocagen common stock, unless otherwise noted

Liquidity and Risks

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The financial statements do not reflect any adjustments relating to the recoverability and reclassification of assets and liabilities that might be necessary if the Company is unable to continue as a going concern. Since inception, the Company has incurred losses and negative cash flows from operations. As of March 31, 2020, the Company had an accumulated deficit of $7.0 million and cash of approximately $4.1 million. The Company used $2.9 million of cash in operating activities for the three months ended March 31, 2020.

In June 2020, the Company completed financings in connection with the Merger (Note 9) which raised net proceeds of $24.0 million. The Company believes that its current cash resources will be sufficient to allow the Company to fund its operations for at least 12 months from the filing date of this Form 8-K/A. Future operations will be reliant on additional equity or financing arrangements. There can be no assurances that, in the event that the Company requires additional financing, such financing will be available on terms which are favorable to the Company, or at all. If the Company is unable to raise additional funding to meet its working capital needs in the future, it will be forced to delay or reduce the scope of its research programs and/or limit or cease its operations.

Because of the numerous risks and uncertainties associated with pharmaceutical development, the Company is unable to predict the timing or amount of increased expenses or when or if it will start to generate revenues. Even if the Company is able to generate revenues, it may not be able to achieve or maintain profitability. If the Company fails to become profitable or is unable to sustain profitability on a continuing basis, then it may be unable to continue its operations at planned levels and be forced to reduce its operations.

The pandemic caused by an outbreak of a new strain of coronavirus, or COVID-19, has resulted, and is likely to continue to result, in significant national and global economic disruption and may adversely affect the Company's operations. . The Company is actively monitoring the impact of COVID-19 and the possible effects on its financial condition, liquidity, operations, suppliers, industry, and workforce. However, the full extent, consequences, and duration of the COVID-19 pandemic and the resulting impact on the Company cannot currently be predicted. The Company will continue to evaluate the impact that these events could have on the operations, financial position, and the results of operations and cash flows during fiscal year 2020 and beyond.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed financial statements of the Company should be read in conjunction with the audited financial statements and accompanying notes thereto as of and for the year ended December 31, 2019 included in Tocagen's Registration Statement on Form S-4 (Registration No. 333-237371) as filed with the U.S. Securities and Exchange Commission (the "SEC") on March 25, 2020, as amended and declared effective by the SEC on May 13, 2020. The accompanying unaudited condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim condensed financial statements. Any reference in the Notes to applicable guidance is meant to refer to authoritative U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

In the opinion of management, the accompanying condensed financial statements include all adjustments that are of a normal and recurring nature and that are necessary for the fair presentation of the Company's financial position, the results of its operations and cash flows for the periods presented. Interim results are not necessarily indicative of results for the full year or any future period.

Use of Estimates

The preparation of the Company's condensed financial statements requires management to make estimates and assumptions that impact the reported amounts of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities in the Company's financial statements and accompanying notes. Significant management estimates that affect the reported amounts of assets and liabilities include useful lives of property and equipment, stock-based compensation, accrual for clinical trials and deferred tax assets. Although these estimates are based on the Company's knowledge of current events and actions it may undertake in the future, actual results may ultimately materially differ from these estimates and assumptions.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development expenses consist of costs incurred in performing research and development activities, including salaries and benefits, contract services, and other outside costs. The value of goods and services received from contract research organizations and contract manufacturing organizations in the reporting period are estimated based on the level of services performed, and progress in the period in cases when the Company has not received an invoice from the supplier.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of the assets may not be recoverable. Recoverability is measured by comparing the book values of the assets to future net undiscounted cash flows that the assets or the asset groups are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the book value of the assets exceed their fair value, which is measured based on the estimated discounted future net cash flows arising from the assets or asset groups. No impairment losses on long-lived assets have been recorded through to March 31, 2020.

Comprehensive Loss

Comprehensive loss includes net loss and other comprehensive income (loss) for the period. The Company did not have other comprehensive income (loss) items such as unrealized gains and losses. For the three months ended March 31, 2020 and 2019, the comprehensive loss was equal to the net loss.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss applicable to common stockholders by the weighted average number of common stock outstanding during the period, without consideration for common stock equivalents.

Diluted net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock and common share equivalents outstanding during the period. The following number of unexercised stock options and convertible preferred stock, which are common stock equivalents, have been excluded from the diluted net loss calculation as their effect would have been anti-dilutive for all periods presented:

	Three Months Ended March 31,	
	2020	2019
Options	2,525,000	2,450,000
Convertible preferred stock	15,072,814	15,072,814
Total	17,597,814	17,522,814

Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses*, which changes the accounting for recognizing impairments of financial assets. Under the new guidance, credit losses for certain types of financial instruments will be estimated based on expected losses. The new guidance also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. This Company adopted this ASU as of January 1, 2020, which did not have a material impact on its financial position or results of operations.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (“ASC 820”).* The new guidance removes, modifies and adds to certain disclosure requirements on fair value measurements in ASC 820. This Company adopted this ASU as of January 1, 2020, which did not have a material impact on its financial position or results of operations.

Recently Issued Accounting Standards

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by us as of a 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 the Company’s financial position or results of operations.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (“ASC 740”)*, which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is effective for calendar-year public business entities in 2021 and interim periods within that year. Early adoption is permitted. The Company does not expect adoption of this new guidance will have a material impact on its financial position or results of operations.

3. Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of March 31, 2020 and December 31, 2019 consist of the following (in thousands):

	As of March 31, 2020 (unaudited)	As of December 31, 2019
Prepaid manufacturing expenses	$ 100	$ 514
Deferred merger expenses	642	—
Other	58	53
Total Prepaid Expenses and Other Current Assets	$ 800	$ 567

Accrued Liabilities

Accrued liabilities, as of March 31, 2020 and December 31, 2019 consist of the following (in thousands):

	As of March 31, 2020 (unaudited)	As of December 31, 2019
Accrued legal and professional fees	$ 420	$ 168
Accrued compensation	222	175
Other	46	—
Total Accrued Liabilities	$ 688	$ 343

5. Commitments and Contingencies

Concentrations of Credit Risk

Bank accounts in the United States are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company's primary operating cash accounts significantly exceed FDIC limits.

Indemnifications

As permitted under Delaware law, the Company indemnifies its officers, directors, and employees for certain events, occurrences while the officer, or director is, or was, serving at the Company's request in such capacity.

License to Patented Technology

In December 2017, the Company entered into an exclusive license agreement with the Department of Health and Human Services ("DHHS"). Under the agreement, the DHHS granted the Company an exclusive, sublicensable, worldwide license to certain patent rights under which the Company may develop and commercialize pharmaceutical and biological compositions comprising Gram-negative bacteria for the topical treatment of dermatological diseases and conditions (the "DHHS License"). Under the DHHS License, the Company is obligated to meet certain development benchmarks within certain time periods. If the Company is unable to meet any of these development benchmarks, the DHHS could terminate the license. In addition, the DHHS may terminate or modify the DHHS License in the event of a material breach or upon certain insolvency events that remain uncured following the date that is 90 days following written notice of such material breach or insolvency event. The DHHS also has the right to require the Company to grant mandatory sublicenses to patent rights licensed from the DHHS to product candidates covered by other DHHS licenses under certain specified circumstances, including if it is necessary to meet health and safety needs that the Company is not reasonably satisfying or if necessary to meet requirements for public use specified by federal regulations, which the Company is not reasonably satisfying.

Under the DHHS License, the Company is obligated to pay the DHHS a minimum annual payment of $20,000 and is required to reimburse the DHHS for certain patent-related expenses. In addition, Forte may also be obligated to make milestone payments to the DHHS aggregating up to $105.5 million, based on achieving specified development and regulatory milestones for the first licensed product. Such development milestone payments are the completion of patient enrollment in a phase 3 clinical trial and the completion of a phase 3 clinical trial demonstrating statistically significant efficacy benefit. The regulatory milestones are the receipt of the first FDA approval and the first non-USA regulatory agency approval. The commercial milestones are the first $100.0 million of annual net sales, the first $500.0 million of annual net sales, and the first $1,000.0 million of annual net sales. In addition, to the extent licensed products are approved for commercial sale, the Company is also obligated to pay the DHHS royalties within the range of 10% to 15% based on net sales of licensed products sold by the Company and if applicable, its sublicensees.

In May 2020, the Company and DHHS entered into a second amendment to the DHHS License agreement, where the Company agreed to pay a minimum annual royalty of $100,000 beginning January 1, 2021. The second amendment reduced total milestone payments to the DHHS from $105.5 million to $40.5 million, based on achieving specified development and regulatory milestones for the first licensed product. In addition, DHHS royalties were reduced to a new range of 5% to 10% based on net sales of licensed products sold by the Company and if applicable, its sublicensees. No milestones have been achieved as of June 30, 2020.

No milestones have been achieved as of March 31, 2020. The Company incurred $5,000 in minimum royalty expenses for each of the three months ended March 31, 2020 and 2019.

Lease Agreement

In April 2019, the Company entered into a lease agreement for certain office and laboratory space in Torrance, California. The lease agreement is cancellable by the Company at any time with 30-day notice. The Company recorded total rent expenses of $8,000 and $0 for the three months ended March 31, 2020 and 2019, respectively.

6. Equity

On May 3, 2017, the Corporation was incorporated with 1,500 shares of common stock authorized. On November 27, 2018, the Board of Directors approved an amendment to the Company's Certificate of Incorporation resulting in 28,858,687 shares of common stock and 15,072,819 shares of Series A convertible preferred stock being authorized.

Series A Convertible Preferred Stock

On November 27, 2018, the Company entered into a preferred stock purchase agreement which authorized the sale and issuance of up to 8,247,354 shares of preferred stock. The Company issued 7,104,051 shares at $0.7179 per share for net proceeds of $5,002,354 and 1,143,303 shares for the conversion of $656,623 in convertible notes and interest. In addition, on January 2, 2019, the Company completed a second round of the Series A preferred stock financing and issued 6,825,460 shares at $0.7179 per share for net proceeds of $4,855,661.

The holders of the convertible preferred stock have the following rights:

Voting Rights

The holders of convertible preferred stock are entitled to vote on all matters and have the number of votes equal to the number of shares of common stock into which the shares of convertible preferred stock are convertible. Certain directors comprising the Board of Directors shall be elected by majority vote of the holders of convertible preferred stock. A majority vote of the holders of convertible preferred stock is required to liquidate or dissolve the Company, amend the Certificate of Incorporation or Bylaws, reclassify common stock or establish another class of capital stock, create shares that would rank senior to or authorize additional shares of convertible preferred stock, declare a dividend or make a distribution, change the authorized number of directors constituting the Board of Directors, or establish a new employee stock option plan.

Dividends

The holders of the outstanding shares of Series A convertible preferred stock are entitled to first receive, when and if declared by the Board of Directors, a non-cumulative dividend of eight percent (8%) of the Series A original issue price, prior to any dividends being paid to the common stockholders. No dividends have been declared as of March 31, 2020.

Conversion

Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, into such number of fully paid shares as determined by dividing the original Series A issue price of $0.7179 by the Series A Conversion Price, which is initially $0.7179, with certain possible adjustments as defined in the Company's revised Articles of Incorporation.

Liquidation Preference

The holders of the Series A convertible preferred stock have preferences in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, as defined in the Restated Certificate of Incorporation. The holders of Series A Preferred Stock shall be paid out of the assets of the Company available for distribution before any payment shall be made to the holders of common stock, in an amount per share equal to $0.7179 plus any dividends declared but unpaid. In the event the assets of the Company are insufficient to pay the holders of Series A Preferred Stock the full amount to which they are due, the holders of Series A Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable.

In addition, the Series A Convertible Preferred Stock can be redeemed upon certain liquidation events that are outside of the Company's control.

Immediately before the closing of the Merger (Note 9) on June 15, 2020, all outstanding shares of the Series A convertible preferred stocks were converted into the Company's common stock in accordance with the conversion terms of the Company's Certificate of Incorporation, as amended.

Common Stock

The voting, dividend and liquidation rights of the holders of common stock are subject to and qualified by the rights, powers and preferences of the holders of convertible preferred stock as summarized above.

Voting

The holders of common stock are entitled to one vote for each share of common stock held at the meeting of stockholders. Holders of common stock are not entitled to vote on any amendment of the Company's Certificate of Incorporation that relates to solely to the terms of preferred stock, either separately or as a class.

7. Stock-Based Compensation

Equity Plans

In December 2018, the Company adopted the 2018 Equity Incentive Plan (the "2018 Incentive Plan"). The terms and conditions of stock-based awards are defined at the sole discretion of the Company's Board of Directors. The Company issues service-based awards, vesting over a defined period of service, and performance-based awards that vest upon the achievement of defined conditions. Service-based awards generally vest over a four-year period, with the first 25% of such awards vesting following twelve months of continued employment or service and the remaining awards vesting monthly in equal installments over the following thirty-six months. Stock options granted under the 2018 Incentive Plan expire ten years from the date of grant and the exercise price must be at least equal to the fair market value of common stock on the grant date.

As of March 31, 2020, there were 10,868 shares available for grant under the 2018 Incentive Plan.

Options

The risk-free interest rate assumption for options is based on the U.S. Treasury yield curve rate at the date of grant with a maturity approximating the expected term of the option.

The expected term assumption for options granted to employees is determined using the simplified method that represents the average of the contractual term of the option and the weighted average vesting period of the option. The Company uses the simplified method because it does not have sufficient historical option exercise data to provide a reasonable basis upon which to estimate expected term.

Assumptions as to expected volatility for the Company's common stock are based on estimates from the historical volatility of a peer group of public companies that the Company believes are similar in nature to the Company. The historical volatility is generally calculated based on a period of time commensurate with the expected term assumption.

The assumed dividend yield is based upon the Company's expectation of not paying dividends in the foreseeable future. The fair value per share is determined by the Company's Board of Directors, as of the date of each grant based on independent third-party valuations, taking into consideration various objective and subjective factors.

The weighted average grant-date fair value of stock options granted to employees and non-employees in the three months ended March 31, 2020 was $0.16. The weighted-average assumptions used to value these stock options using the Black-Scholes option-pricing were as follows.

	Three months ended March 31, 2020
Fair value of common stock	$ 0.25
Risk-free interest rate	1.31%
Dividend yield	0.00%
Expected term of options (years)	6.08
Volatility	70.0%

There were no stock options granted during the three months ended March 31, 2019.

Stock-Based Compensation Expense

Stock-based compensation expenses included in the Company's statement of operations for the three months ended March 31, 2020 and 2019 were (in thousands):

	Three Months Ended March 31,	
	2020	2019
Research and development	$ 2	$ 2
General and administrative	—	—
Total	$ 2	$ 2

As of March 31, 2020, there was unrecognized stock-based compensation expense related to stock options with service conditions of $66,000, which is expected to be recognized over a weighted-average period of 2.7 years. Total unrecognized stock-based compensation related to stock options with performance conditions was approximately $232,000, which is expected to be recognized if and when performance conditions become probable.

The table below summarizes the stock option activity during the six months ended March 31, 2020:

	Number of Shares Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balances at December 31, 2019	2,450,000	$ 0.18	9.0	
Granted	325,000	0.25		
Exercised	(250,000)	0.18		
Cancelled/Forfeited	—	—		
Balances at March 31, 2020	2,525,000	$ 0.19	8.9	$ 183
Vested and expected to vest at March 31, 2020	2,525,000	$ 0.19	8.9	$ 183
Exercisable at March 31, 2020	62,948	$ 0.15	8.6	$ 7

The aggregate intrinsic value of options at March 31, 2020 is based on the Company's estimated fair value of the stock price on that date of $0.26 per share.

8. Related party transactions

Two members of the Company's board of directors received $22,000 during the three months ended March 31, 2020 for scientific consulting services provided to the Company. As of March 31, 2020, the Company had $250 in accounts payable to one of these directors.

9. Subsequent Events

Merger with Tocagen and Name Change

On June 15, 2020, the Company completed the Merger (see Note 1). In the Merger, each share of the Company's common stock outstanding immediately prior to the Merger was converted into the right to receive approximately 3.1624 ("Exchange Ratio) shares of Tocagen common stock. The shares of Tocagen common stock were then adjusted with a reverse split ratio of 1-for-15 ("Reverse Stock Split"). The par value per share of the capital stock was not adjusted as a result of the stock split. Immediately prior to the closing of the Merger, Tocagen changed its name to Forte Biosciences, Inc. ("Forte"). Forte's common stock is traded on the Nasdaq stock exchange under the ticker symbol "FBRX." Immediately following the Merger, the former Forte and Tocagen security holders owned approximately 84.7% and 15.3% of the number of shares of the combined company's common stock, respectively.

The Merger is expected to be accounted for as a reverse asset acquisition as Tocagen did not meet the definition of a business pursuant to *Topic 805, Business Combinations, as* Tocagen did not have the ability to create output, and substantially all of its fair value was concentrated in cash and in-process research and development ("IPR&D") assets. The Company is deemed to be the acquirer for accounting purposes because immediately following the merger: (i) former stockholders of the Company owned a substantial majority of the voting rights of the combined company; (ii) the Company designated a majority of the initial members of the board of directors of the combined company; and (iii) the Company's senior management will hold all key positions of the combined company and no employees will be retained from Tocagen. Accordingly, for accounting purposes: (i) the merger will be treated as the equivalent of the Company issuing stock to acquire the net assets of Tocagen, (ii) the transaction price will be allocated over the acquired Tocagen net assets based upon their relative fair value at the time of closing, (iii) the reported historical operating results of the combined company prior to the merger will be those of the Company and (iv) for periods prior to the transaction, shareholders' authorized capital of the combined company is presented based on the historical authorized capital of Tocagen.

Concurrent financings with the Merger

In connection with the Merger, the Company issued 3,804,817 shares (as adjusted for the Exchange Ratio and Reverse Stock Split) of its common stock, and warrants to purchase 2,752,546 shares (as adjusted for the Exchange Ratio and Reverse Stock Split) of the Company's common stock at an exercise price of $10.56 per share, for gross proceeds of $19.4 million.

In addition, on June 16, 2020, Forte issued an additional 411,112 shares (as adjusted for the Exchange Ratio and Reverse Stock Split) of common stock for gross proceeds of $4.6 million.

Equity plans

In connection with the Merger, the Company assumed Tocagen's 2017 Equity Incentive Plan, which was effective on April 12, 2017 and was subsequently amended September 30, 2018 and further amended February 12, 2019 (the "2017 Plan").

On July 26, 2020, Forte adopted the 2020 Inducement Equity Incentive Plan (the "2020 Inducement Plan") and reserved 500,000 shares for future grant under the 2020 Inducement Plan.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The Merger

On June 15, 2020, Forte Biosciences Inc. (the "Company" or "Forte") completed its business combination with the Delaware corporation that was previously known as "Tocagen, Inc." In accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated as of February 19, 2020 (the "Merger Agreement"), by and among the Company, Telluride Merger Sub, Inc. ("Merger Sub"), and Tocagen, Inc.("Tocagen"). Pursuant to the Merger Agreement, Telluride Merger Sub, Inc., a wholly-owned subsidiary of Tocagen, merged with and into Forte Subsidiary, Inc. ("Forte Sub"), with Forte Sub surviving the Merger as a wholly-owned subsidiary of Tocagen. Upon completion of the Merger, Tocagen changed its name to Forte Biosciences Inc. On June 15, 2020, in connection with, and prior to the completion of, the Merger, the Company effected a reverse stock split of the Company's common stock, par value $0.001 per share ("Common Stock"), at a ratio of one for fifteen (the "Reverse Stock Split"). Following the completion of the Merger, the business conducted by the Company became primarily the business conducted by Forte Subsidiary, which is to advance the Company's clinical program to and develop a live biotherapeutic for the treatment of inflammatory skin diseases, particularly for pediatric atopic dermatitis patients for which there is currently a significant unmet need for safe and effective therapies.

Under the terms of the Merger Agreement, the Company issued shares of common stock to Forte Subsidiary's stockholders at an exchange rate of 0.2108 shares of Common Stock, after taking into account the Reverse Stock Split, for each share of Tocagen's common stock outstanding immediately prior to the Merger. The exchange rate was determined through arms-length negotiations between the Company and Tocagen. In connection with the Merger, all outstanding stock options under the Forte Subsidiary's 2018 Equity Incentive Plan was exchanged into right to purchase a number of shares of the Company's common stock equal to 0.2108 multiplied by the number of shares of Forte Subsidiary's Common Stock previously represented by such options.

Immediately after the Merger, there were 10,799,611 shares of common stock outstanding, including 3,177,744 shares of common stock issued for conversion of Forte Subsidiary's convertible preferred stock, and 3,804,817 shares of common stock issued for concurrent financing that raised gross proceeds of $19.4 million. Immediately after the Merger, the former stockholders of Tocagen owned approximately 15.3% of the fully-diluted common stock, with the Company's stockholders, option holders and warrant holders owning, or holding rights to acquire, approximately 84.7% of the Fully-Diluted Common Stock.

Unaudited Pro Forma Combined Financial Statements

The following unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting under U.S. GAAP. For accounting purposes, Forte is considered to be acquiring Tocagen and the merger is expected to be accounted for as an asset acquisition. Forte is considered the accounting acquirer even though Tocagen will be the issuer of the common stock in the merger. To determine the accounting for this transaction under U.S. GAAP, a company must assess whether an integrated set of assets and activities should be accounted for as an acquisition of a business or an asset acquisition. The guidance requires an initial screen test to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If that screen is met, the set is not a business. In connection with the acquisition, Tocagen does not have an organized workforce that significantly contributes to its ability to create output, and substantially all of its fair value is concentrated in cash and in-process research and development ("IPR&D"). As such, the acquisition is expected to be treated as an asset acquisition.

The unaudited pro forma condensed combined balance sheet data assumes that the merger took place on March 31, 2020 and combines the historical balance sheets of Tocagen and Forte as of such date. The unaudited pro forma condensed combined statements of operations and comprehensive loss assumes that the Merger took place as of January 1, 2019 and combines the historical results of Forte and Tocagen for the year ended December 31, 2019 and the three months ended March 31, 2020. The unaudited pro forma condensed combined financial information was prepared in accordance with U.S. GAAP and pursuant to the rules and regulations of Article 11 of SEC Regulation S-X. The historical financial statements of Tocagen and Forte have been adjusted to give pro forma effect to events that are (i) directly attributable to the transaction, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statements of operations and comprehensive loss, expected to have a continuing impact on the combined company's results.

Tocagen’s assets and liabilities will be measured and recognized as an allocation of the transaction price based on their relative fair values as of the transaction date with any value associated with IPR&D being expensed as it has no alternative future use, and combined with the assets, liabilities and results of operations of Forte after the consummation of the merger.

The merger is expected to be accounted for as a reverse asset acquisition in accordance with U.S. GAAP. Forte will be deemed to be the accounting acquirer for financial reporting purposes. This determination is based on the expectations that, immediately following the merger: (i) Forte stockholders will own a substantial majority of the voting rights of the combined organization; (ii) Forte will designate a majority (five of six) of the initial members of the board of directors of the combined organization; and (iii) Forte’s senior management will hold all key positions in senior management of the combined organization and no employees will be retained from Tocagen. The transaction is expected to be accounted for as a reverse asset acquisition as Tocagen does not meet the definition of a business because Tocagen does not have an organized workforce that significantly contributes to its ability to create output, and substantially all of its fair value is concentrated in cash and IPR&D. Accordingly, for accounting purposes: (i) the merger will be treated as the equivalent of Forte issuing stock to acquire the net assets of Tocagen, (ii) the net assets of Tocagen will be allocated a portion of the transaction price and recorded based upon their relative fair values in the financial statements at the time of closing, (iii) the reported historical operating results of the combined company prior to the merger will be those of Forte and (iv) for periods prior to the transaction, shareholders’ equity of the combined company is presented based on the historical equity structure of Tocagen.

The unaudited pro forma condensed combined financial information is based on the assumptions and adjustments that are described in the accompanying notes. Accordingly, the pro forma adjustments are preliminary, subject to further revision as additional information becomes available and additional analyses are performed and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final accounting, expected to be completed after the closing of the merger, will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company’s future results of operations and financial position. In addition, differences between the preliminary and final amounts will likely occur as a result of changes in exchange ratio contingent upon the amount of cash used for Tocagen’s operations, changes in the fair value of Tocagen common stock and other changes in Tocagen’s assets and liabilities.

The unaudited pro forma condensed combined financial information does not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the integration of the two companies. The unaudited pro forma condensed combined financial information is preliminary and has been prepared for illustrative purposes only and is not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had Tocagen and Forte been a combined company during the specified periods. The actual results reported in periods following the merger may differ significantly from those reflected in the unaudited pro forma condensed combined financial information presented herein for a number of reasons, including, but not limited to, differences in the assumptions used to prepare this pro forma financial information.

The unaudited pro forma condensed combined financial information, including the notes thereto, should be read in conjunction with the separate historical financial statements of Tocagen and Forte, and their respective management’s discussion and analysis of financial condition and results of operations included in Form S-4/A filed with the Securities and Exchange Commission (“SEC”) by Tocagen (now known as “Forte Biosciences Inc.”) on May 13, 2020. Tocagen’s audited statements of operations and comprehensive loss for the year ended December 31, 2019 is derived from Tocagen’s Annual Report on Form 10-K for the year ended December 31, 2019, and unaudited financial statements for the three months ended March 31, 2020 are derived from Tocagen’ Quarterly Report on Form 10-Q.

Accounting rules require evaluation of certain assumptions, estimates, or determination of financial statement classifications which are completed during the measurement period as defined in current accounting standards. The accounting policies of Tocagen may materially vary from those of Forte. During preparation of the unaudited pro forma condensed combined financial information, management has performed a preliminary analysis and is not aware of any material differences, and accordingly, this unaudited pro forma condensed combined financial information assumes no material differences in accounting policies. Following the acquisition, management will conduct a final review of Tocagen's accounting policies in order to determine if differences in accounting policies require adjustment or reclassification of Tocagen's results of operations or reclassification of assets or liabilities to conform to Forte's accounting policies and classifications. As a result of this review, management may identify differences that, when conformed, could have a material impact on these unaudited pro forma condensed combined financial statements.

Concurrent Financing

Concurrent with the Merger, certain new investors entered into an Investment and Subscription Agreement to purchase shares of Forte Subsidiary's common stock and warrants to purchase Forte's common stock in private financings prior to consummation of the Merger for gross proceeds of approximately $19.4 million, referred to as the Concurrent Financing. In addition, all of the outstanding Series A convertible preferred stock of Forte Subsidiary are converted into Forte's common stock on a one-for-one basis immediately prior to the Merger.

Unaudited Pro Forma Condensed Combined Balance Sheet
March 31, 2020
(in thousands)

	March 31, 2020				
	Tocagen Inc.	Forte Bioscience	Pro Forma Adjustments	Note	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 14,232	$ 4,119	$ 19,435	A	$ 37,786
			(4,981)	F	$ (4,981)
Prepaid expenses and other current assets	277	800	—		1,077
Total current assets	14,509	4,919	14,454		33,882
Property and equipment, net	694	137	(622)	I	209
Operating lease right-of-use asset	3,429	—	(3,429)	I	—
Other assets	0	43	—		43
Total assets	$ 18,632	$ 5,099	$ 10,403		$ 34,134
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 1,627	$ 668	$ —		$ 2,295
Accrued liabilities	6,030	688	3,027	B	8,226
			(2,628)	C	
			43	A	
			(434)	I	
			1,500	I	
Notes payable, current portion	4,981	—	(4,981)	F	—
Total current liabilities	12,638	1,356	(3,473)		10,521
Operating lease liability, net of current portion	3,912	—	(3,912)	I	—
Total liabilities	16,550	1,356	(7,385)		10,521
Series A Convertible Preferred Stock	—	10,515	(10,515)	D	—
Stockholders' equity					0
Common Stock	23	1	(13)	E	11
Additional paid-in capital	291,739	247	(229,670)	H	62,316
Accumulated deficit	(289,680)	(7,020)	257,986	G	(38,714)
Total stockholders' equity (deficit)	2,082	(6,772)	28,303		23,613
Total liabilities, convertible preferred and stockholders' equity (deficit)	$ 18,632	$ 5,099	$ 10,403		$ 34,134

Unaudited Pro Forma Condensed Combined Statement of Operations and Comprehensive Loss
For the Three Months Ended March 31, 2020 and For the Year Ended December 31, 2019
(in thousands, except share and per share amounts)

	Three Months Ended March 31, 2020		Pro Forma Adjustments	Note	Pro Forma Combined
	Tocagen Inc.	Forte Bioscience			
	(in thousands, except share and per share data)				
Statements of Operations Data					
License revenue	$ —	$ —	$ —		$ —
Operating expenses:					
Research and development	3,141	1,354	—		4,495
General and administrative	5,556	1,316	(1,304)	L	5,568
Total operating expenses	8,697	2,670	(1,304)		10,063
Loss from operations	(8,697)	(2,670)	1,304		(10,063)
Other income (expense), net:					
Interest income	58	—	—		58
Interest expense	(756)	—	756	M	—
Loss on disposal of assets	(885)	—	885	N	—
Other Expense	—	(22)	—		(22)
Loss before income taxes	(10,280)	(2,692)	2,945		(10,027)
Income tax expense	—	—	—		—
Net loss	$ (10,280)	$ (2,692)	$ 2,945		$ (10,027)
Other comprehensive income (loss):					
Net unrealized gain (loss) on investments	(10)	—	—		(10)
Comprehensive loss	$ (10,290)	$ (2,692)	$ 2,955		$ (10,017)
Net loss per common share, basic and diluted	$ (6.46)	$ (1.27)			$ (0.93)
Weighted-average number of common shares outstanding, basic and diluted	1,593,526	2,115,216	7,070,942	J	10,779,684

	Year Ended December 31, 2019		Pro Forma Adjustments	Note	Pro Forma Combined
	Tocagen Inc.	Forte Bioscience			
	(in thousands, except share and per share data)				
Statements of Operations Data					
License revenue	$ 36	$ —	$ —		$ 36
Operating expenses:					
Research and development	45,299	2,684	—		47,983
General and administrative	16,248	1,380	(250)	L	17,378
Total operating expenses	61,547	4,064	(250)		65,361
Loss from operations	(61,511)	(4,064)	250		(65,325)
Other income (expense), net:					
Interest income	1,564	3	—		1,567
Interest expense	(3,820)	—	3,820	M	—
Loss on disposal of assets	(1,187)	—	—		(1,187)
Gain on lease modification	1,439	—	—		1,439
Other Expense	—	(7)	—		(7)
Loss before income taxes	(63,515)	(4,068)	4,070		(63,513)
Income tax expense	1	—	—		1
Net loss	$ (63,516)	$ (4,068)	$ 4,070		$ (63,514)
Other comprehensive income (loss):					
Net unrealized gain (loss) on investments	33	—	—		33
Comprehensive loss	$ (63,483)	$ (4,068)	$ 4,070		$ (63,481)
Net loss per common share, basic and diluted	$ (40.30)	$ (1.93)			$ (5.90)
Weighted-average number of common shares outstanding, basic and diluted	1,575,361	2,108,267	7,070,942	K	10,754,570

Notes to the Unaudited Pro Forma Condensed Combined Financial Information

1. Description of the Merger

Description of the Merger

On February 19, 2020, Tocagen, Inc. ("Tocagen"), a Delaware corporation, Telluride Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Tocagen ("Merger Sub"), and Forte Biosciences, Inc. ("Forte"), a Delaware corporation, focused on developing novel therapies for the treatment of inflammatory skin diseases, entered into the Agreement and Plan of Merger and Reorganization (the "Merger Agreement"). The Merger Agreement contains the terms and conditions of the merger among Tocagen, Merger Sub and Forte, which was closed on June 15, 2020. Pursuant to the Merger Agreement, Merger Sub merged with and into Forte, with Forte surviving as a wholly owned subsidiary of Tocagen. This Merger is referred to as the "Merger." Pursuant to the Merger Agreement, Tocagen acquired all of the outstanding shares of Forte in exchange for newly-issued shares of Tocagen in an all-stock Merger. The exchange is intended to constitute a Merger qualifying for federal income tax purposes as a tax-free exchange under the provisions of Section 351(a) of the Internal Revenue Code of 1986, as amended. In connection with the Merger, Forte became a wholly-owned subsidiary of Tocagen and the name of Tocagen was changed from "Tocagen Inc." to "Forte Biosciences, Inc."

Concurrent with the Merger, Forte issued shares of its common stock and warrants to purchase Forte's common stock in private financings immediately prior to consummation of the Merger for gross proceeds of $19.4 million referred to as the Concurrent Financing. In addition, all of Forte's outstanding Series A convertible preferred stock of Forte were converted into Forte's common stock on a one-for-one basis immediately prior to the Merger.

Under the exchange ratio provided in the Merger Agreement, as of and immediately after the merger and assuming no additional adjustments for Tocagen's net cash balance (as described below) or for the purchase price in Forte's Concurrent Financing, all as provided for in the Merger Agreement, at the closing of the Merger, the Forte security holders owned approximately 84.7% of the aggregate number of shares of the combined company's common stock issued and outstanding, or the Post-Closing Shares, and the stockholders of Tocagen owned approximately 15.3% of the aggregate number of Post-Closing Shares, as of the closing of the Merger.

Per the Merger Agreement, the purchase consideration will be adjusted dollar-for-dollar by the amount of Tocagen's net cash amount that is less than $7.5 million or greater than $10.0 million. The pro forma financial statements reflect management's estimates of the fair value of Tocagen's net assets that will be contributed to Forte as part of the Merger and assume Tocagen has a net cash balance of $1.1 million as of Closing. However, the actual purchase consideration will be adjusted based on the net cash calculation prior to Closing and the Exchange Ratio as described above and that difference could be material. As such, the estimated purchase consideration reflected in these unaudited pro forma condensed combined financial statements does not purport to represent what the actual purchase consideration will be when the Merger is completed.

In connection with the Merger, Tocagen's stockholders approved the issuance of shares to the Forte security holders, and the amendment of Tocagen's certificate of incorporation to effect a reverse split of its shares and to change its name to Forte Biosciences, Inc. The unaudited pro forma condensed combined financial information presented herein does not give effect to the proposed reverse stock split of Tocagen's common stock.

2. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial information has been prepared in accordance with SEC Regulation S-X Article 11 and by using the acquisition method of accounting in accordance with the asset acquisition accounting guidance set forth in Accounting Standards Codification 805, *Business Combinations* ("ASC 805"). The unaudited pro forma condensed combined statements of operations and comprehensive loss for the year ended December 31, 2019 and three months ended March 31, 2020, give effect to the merger as if it had been consummated on January 1, 2019.

The unaudited pro forma condensed combined balance sheet as of March 31, 2020 gives effect to the merger as if it had been consummated on March 31, 2020. Based on Forte's preliminary review of Forte's and Tocagen's summary of significant accounting policies and preliminary discussions between management teams of Forte and Tocagen, the nature and amount of any adjustments to the historical financial statements of Tocagen to conform its accounting policies to those of Forte are not expected to be material. Upon completion of the merger, further review of Tocagen's accounting policies may result in additional revisions to Tocagen's accounting policies and classifications to conform to those of Forte.

The unaudited pro forma condensed combined financial information has been prepared with the expectation that the merger will be treated as an asset acquisition, with Forte treated as the accounting acquirer. Since Tocagen is the legal acquirer, the merger will be accounted for as a reverse asset acquisition. To determine the accounting for this transaction under U. S. GAAP, a company must assess whether an integrated set of assets and activities should be accounted for as an acquisition of a business or an asset acquisition. Substantially all of the fair value is included in IPR&D and no substantive processes are being acquired. As such, the merger is expected to be treated as an asset acquisition. Asset acquisitions are to be accounted for by allocating costs, including transaction costs, of the acquisition to the acquired assets based on their relative fair value basis. For the purpose of measuring the estimated fair value of the assets acquired and liabilities assumed, Forte estimated the fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The fair value measurements utilize estimates based on key assumptions of the merger, including historical and current market data. The unaudited pro forma adjustments included herein are preliminary and will be adjusted as additional information becomes available and as additional analyses are performed. The final purchase price allocation will be determined subsequent to the merger, and the final amounts of the assets acquired, and liabilities assumed may differ materially from the values recorded in the pro forma financial information.

The historical financial information has been adjusted to give effect to matters that are (i) directly attributable to the merger, (ii) factually supportable and (iii) with respect to the statements of operations and comprehensive loss, expected to have a continuing impact on the operating results of the combined company. Estimated transaction costs have been excluded from the unaudited pro forma condensed combined statements of operations and comprehensive loss as they reflect charges directly related to the merger which do not have an ongoing impact. However, the anticipated transaction costs are reflected in the unaudited pro forma condensed combined balance sheet as an increase to accrued liabilities. In addition, the unaudited pro forma condensed combined statements of operations and comprehensive loss do not include one-time costs directly attributable to the transaction, employee retention costs or professional fees incurred or expected to be incurred by Forte or Tocagen pursuant to provisions contained in the Merger Agreement, as those costs are not considered part of the purchase price.

Forte and Tocagen expect to incur significant costs associated with integrating the operations of Forte and Tocagen after the merger is completed. The unaudited pro forma condensed combined financial information does not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies expected to result from the merger.

The unaudited pro forma condensed combined financial information may differ from the final purchase accounting for a number of reasons, including the fact that the estimates of fair values of assets and liabilities acquired are preliminary and subject to change when the valuation and other studies are finalized. In addition, the values will be based on the actual values as of the closing date of the Merger. Furthermore, final assets and liabilities of Tocagen will change from the estimates included herein due to Tocagen's ongoing business operations from now through the closing of the Merger. The differences that may occur between the preliminary estimates and the final purchase accounting could have a material impact on the accompanying unaudited pro forma condensed combined financial information.

3. Preliminary Estimate of Consideration Expected to be Transferred

For accounting purposes, Forte has been determined (i) to be the accounting acquirer based upon the terms of the Merger and other factors including: (x) Forte's security holders are expected to own 84.7% of the company immediately following the closing of the Merger, (y) Forte directors will hold a majority of the board seats in the company, and (z) Forte management will hold all key positions of the combined company, and (ii) that the Merger will be accounted for as a reverse asset acquisition of Tocagen by Forte because on the Merger date, the primary pre-combination assets of Tocagen are expected to be cash and IPR&D assets.

The accompanying unaudited pro forma condensed combined financial statements reflect an estimated reverse asset acquisition price of approximately $33.0 million, including estimated transaction costs incurred by Forte. In accordance with GAAP, the fair value of the equity securities comprising the consideration will be measured on the closing date of the merger at the then-current market price per share of Tocagen. The estimated purchase price consideration for Tocagen is approximately $33.0 million, solely to the extent that Tocagen's net cash at closing is $1.1 million. For purposes of these pro forma financial statements, this estimated purchase price consideration consists of the following:

Number of shares of the combined organization to be owned by Tocagen stockholders (1)	1,683,051
Multiplied by the assumed price per share of Tocagen common stock (2)	$ 18.90
Estimated fair value of shares of combined organization to be owned by Tocagen stockholders.	$31,809,496
Estimated transaction costs	$ 1,172,347
Estimated purchase price	$32,981,843

(1) Reflects the number of outstanding common shares of the combined organization to be owned by Tocagen stockholders based on 1,594,670 share of Tocagen's total outstanding common stock immediately before the Merger, 61,406 restricted stock awards and 26,975 in-the-money Tocagen options, each as adjusted for the Reverse Stock Split;

(2) Reflects the assumed price per share of Tocagen common stock, which is the closing trading price of Tocagen common stock on June 15, 2020 of $18.90 per share, as adjusted for Reverse Stock Split.

For purposes of this pro forma analysis, the above estimated purchase price has been allocated based on a preliminary estimate of the fair value of assets and liabilities to be acquired as follows (in thousands):

Historical net assets of Tocagen as of March 31, 2020		$ 2,082
Less:		
Reduction of cash for repayment of Tocagen's note payable (F, Note 5)	(4,981)	
Increase of liabilities for Merger related expenses (B, Note 5)	(1,856)	
Reversal of liabilities for Merger related severance expenses (C, Note 5)	2,628	
Increase of liabilities for lease termination and related fixed assets write off	(1,204)	
Reduction of note payable due to repayment (F, Note 5)	4,981	
Pro forma net assets of Tocagen as of March 31, 2020		$ 1,650
In-process research and development(i)		31,332
Total estimated purchase price		$32,982

(i) IPR&D represents the research and development assets of Tocagen which were in-process, but not yet completed, and which Forte has the opportunity to advance. Current accounting standards require that the fair value of IPR&D projects acquired in an asset acquisition with no alternative future use be allocated a portion of the consideration transferred and charged to expense at the acquisition date. The acquired assets did not have outputs or employees. The actual purchase price allocated to IPR&D will fluctuate until the closing date of the merger, and the final valuation of the IPR&D consideration could differ significantly from the current estimate.

To the extent there are significant changes to the business following completion of the Merger, the assumptions and estimates set forth in the unaudited pro forma condensed financial statements could change significantly. Accordingly, the pro forma adjustments are subject to further adjustments as additional information becomes available and as additional analyses are conducted following the completion of the Merger. There can be no assurances that these additional analyses will not result in material changes to the estimates of fair value.

4. Shares of Tocagen Common Stock Issued to Forte Stockholders upon Closing of the Merger

Prior to the Merger, all outstanding shares of Forte convertible preferred stock are expected to be converted into Forte common stock, which will be exchanged for shares of Tocagen common stock as described above. The number of shares of common stock Tocagen will issue to Forte securityholders, for purposes of these pro forma condensed combined financial statements as of March 31, 2020, is calculated pursuant to the terms of the Merger Agreement, using an exchange ratio that assumes Tocagen has net cash of $1.1 million as of Closing, assuming the conversion of the existing convertible preferred stock into Forte common stock and the consummation of the concurrent financings all had occurred on March 31, 2020, as follows:

Outstanding shares of Tocagen as of June 15, 2020, including assumed equity awards	1,656,076
Divided by the assumed Tocagen ownership percentage of combined organization	15.3%
Estimated fully-diluted adjusted total shares of common stock of combined organization	10,799,611
Less: outstanding shares of Tocagen, including assumed equity awards shares of Tocagen	1,656,076
Total fully-diluted shares of combined organization to be allocated to Forte security holders	9,143,535

5. Pro forma adjustments

The historical financial statements of Tocagen, which are contained in Tocagen's annual report on Form 10-K for the year ended December 31, 2019 that Tocagen previously filed with the SEC and that are incorporated by reference into the Form S-4/A (the "Form S-4/A") filed with the SEC by Tocagen (now known as "Forte Biosciences Inc.") on May 13, 2020, and in Tocagen's quarterly report on Form 10-Q for the three months ended March 31, 2020, as well as the historical financial statements of Forte for the year ended December 31, 2019 that Tocagen filed in the Form S-4/A, and for the three months ended March 31, 2020 have been adjusted to give pro forma effect to events that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the statements of operations and comprehensive loss, expected to have a continuing impact on the combined results. The historical financial statements of Forte shall become the historical financial statements of the combined organization.

The pro forma adjustments, based on preliminary estimates that may change significantly as additional information is obtained, are as follows:

A. Adjustments to reflect an estimated $19.4 million in proceeds from the sale of common stock and warrants to be raised by Forte as Concurrent Financings prior to consummation of the Merger. Estimated cost of offering of $43 thousand is recorded as accrued liabilities.

B. To accrue on the unaudited pro forma condensed combined balance sheet for estimated net Merger costs directly attributable to the Merger. The $3.0 million in Merger costs includes the following costs to be incurred by Tocagen: $1.2 million for investment banking services, $1.1 million in insurance costs, and $0.8 million in legal, accounting and other expenses; and the following are Merger costs to be incurred by Forte: $1.1 million in legal, accounting and other expenses, offset by $1.0 million accrued compensation costs that would be avoided as a result of the Merger. These amounts impact the balance sheet only as those amounts are not expected to have a continuing effect on the operating results of the combined company.

C. To reflect the reversal of accrued liabilities of approximately $2.6 million associated with severance obligations payable to Tocagen's officers and employees.

D. To reflect the exchange of Forte convertible preferred stock for Forte common stock.

E. To reflect the change in common stock par value due to exchange of Tocagen common stock for Forte's common stock upon closing of the Merger (in thousands, except for number of shares and exchange ratio).

Total number of shares held by Forte stockholders post Merger, as adjusted for the exchange ratio and Reverse Stock Split		9,143,535
Total number of shares held by Tocagen stockholder post Merger, as adjusted for Reverse Stock Split		1,656,076
Total number of outstanding common stock of combined company		10,799,611
Tocagen common stock par value	$	0.001
Par value of combined company outstanding common stock	$	11
Less: Par value of Tocagen common stock as of March 31, 2020	$	23
Less: Par value of Forte common stock as of March 31, 2020	$	1
Pro Forma Adjustment	$	(13)

F. To record anticipated repayment of Tocagen's note payable along with final payment totaling $5.0 million upon closing of the Merger.

G. To record the following adjustments to accumulated deficit (in thousands):

Elimination of Tocagen's historical accumulated deficit as of March 31, 2020	$289,680
To record the impact of expensed IPR&D acquired from Tocagen	(31,332)
To record pre-combination compensation costs of Tocagen equity awards that vest upon the Merger	(363)
	$257,985

H. To record the following adjustments to additional paid-in-capital (in thousands):

Elimination of Tocagen's historical APIC	$(291,739)
To record proceeds raised from concurrent financing (A), net of par value of $4 and offering cost of $43	19,388
To record conversion of Forte preferred stock into common stock (D), less par value of $3	10,511
To record pre-combination compensation costs of Tocagen equity awards that vest upon the merger	363
To record capitalization of fair value of the estimated number of shares of the combined company to be owned by Tocagen stockholders, less par value of $3	31,807
	$(229,670)

I. To derecognize operating lease liability and related right of use assets, $1.5 million of early termination fee and $0.6 million of fixed assets impairment related to exiting the office lease prior to the original lease termination date.

J. Reflects the pro forma weighted average shares outstanding including the issuance of common shares to finance the Merger, as adjusted for exchange ratio and the Reverse Stock Split.

	Three Months Ended March 31, 2020
Historical Forte weighted-average shares of common stock outstanding	2,115,216
Historical Forte convertible preferred stock outstanding	3,177,744
Forte common shares issued in concurrent financing	3,804,817
Total	9,097,777
Historical Tocagen weighted-average shares of common stock outstanding	1,593,526
Number of assumed Tocagen share based awards	88,361
Total weighted-average shares outstanding	**10,779,684**

K Reflects the pro forma weighted average shares outstanding including the issuance of common shares to finance the Merger, as adjusted for exchange ratio and the Reverse Stock Split.

	Year Ended December 31, 2019
Historical Forte weighted-average shares of common stock outstanding	2,108,267
Historical Forte convertible preferred stock outstanding	3,177,744
Forte common shares issued in concurrent financing	3,804,817
Total	9,090,828
Historical Tocagen weighted-average shares of common stock outstanding	1,575,361
Number of assumed Tocagen share based awards	88,381
Total weighted-average shares outstanding	**10,754,570**

L. Reflects adjustment for Merger costs recorded in historical period that will not have a continuing impact on the pro forma income statement.

M. To reflect the reversal of interest expense incurred on Tocagen's note payable which is expected to be repaid upon closing of the Merger.

N. To reflect the reversal of fixed assets impairment recorded in historical period that will not have a continuing impact on the pro forma income statement.