UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K/A

(Amendment No. 1)

CURRENT REPORT

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

Date of Report: June 19, 2019
(Date of earliest event reported)

Invitae Corporation

(Exact name of the registrant as specified in its charter)

Delaware	**001-36847**	**27-1701898**
(State or other jurisdiction of incorporation or organization)	**(Commission File Number)**	**(I.R.S. employer identification number)**

1400 16th Street, San Francisco, California 94103
(Address of principal executive offices, including zip

(415) 374-7782	**N/A**
(Registrant's telephone number, including area code)	**(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 obligation 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))

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. ☒

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, $0.0001 par value per share	NVTA	New York Stock Exchange

On June 24, 2019, Invitae Corporation (“Invitae”), filed a Current Report on Form 8-K (the “Original Form 8-K”) with the Securities and Exchange Commission (the “Commission”) to report the completion of its previously announced acquisition of Singular Bio, Inc. (“Singular Bio”) in accordance with the terms of the Agreement and Plan of Merger and Reorganization, dated as of June 17, 2019 (the “Merger Agreement”), among Invitae, Santa Barbara Merger Sub, Inc., a wholly owned subsidiary of Invitae, Singular Bio and Fortis Advisors LLC (as representative of Singular Bio’s stockholders), pursuant to which Merger Sub merged with and into Singular Bio, with Singular Bio surviving as a wholly owned subsidiary of Invitae.

This Amendment No. 1 to Current Report on Form 8-K/A amends the Original Form 8-K to include the financial statements and pro forma financial information required under Items 9.01 (a) and 9.01 (b), which were excluded from the Original Form 8-K in reliance on the instructions to such items. An unaudited pro forma condensed consolidated balance sheet has not been presented since the transaction was reflected in Invitae's balance sheet at June 30, 2019 included in its Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 6, 2019.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited financial statements of Singular Bio as of and for the years ended December 31, 2018, 2017, and 2016, together with the notes thereto and the auditors' report thereon are attached hereto as Exhibit 99.1.

The unaudited condensed interim financial statements of Singular Bio as of March 31, 2019 and for the three months ended March 31, 2019 and 2018, including the notes related thereto, are attached hereto as Exhibit 99.2.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined statements of operations data of the Company for the year ended December 31, 2018 and six months ended June 30, 2019 that give effect to the acquisition of Singular Bio are attached hereto as Exhibit 99.3.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Independent Auditors
99.1	Audited financial statements of Singular Bio, Inc., as of and for the years ended December 31, 2018, 2017 and 2016
99.2	Unaudited interim condensed financial statements of Singular Bio, Inc. as of March 31, 2019 and for the three months ended March 31, 2019 and 2018
99.3	Unaudited pro forma condensed combined statements of operations of the Company and Singular Bio for the year ended December 31, 2018 and the six months ended June 30, 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.

Dated: August 28, 2019

INVITAE CORPORATION

By:	/s/ Shelly D. Guyer
Name:	Shelly D. Guyer
Title:	Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-220053, 333-220054, 333-226756, 333-233109 and 333-233110), and Form S-8 (Nos. 333-202066, 333-216761, 333-223455, 333-229972, and 333-232208) of Invitae Corporation of our report dated May 6, 2019, with respect to the financial statements of Singular Bio, Inc. as of December 31, 2018, 2017, 2016 and for the years then ended, and included in this Amendment No. 1 to the Current Report on Form 8-K (No. 001-36847) of Invitae Corporation dated August 28, 2019.

/s/ Moss Adams LLP

Campbell, California
August 28, 2019

Exhibit 99.1

Singular Bio, Inc.

Financial Statements
Fiscal Years ended December 31, 2018, 2017 and 2016

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Report of Independent Auditors

The Board of Directors and Stockholders of
Singular Bio, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Singular Bio, Inc., which comprise the balance sheets as of December 31, 2018, 2017 and 2016, and the related statements of operations, convertible preferred stock and stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Singular Bio, Inc., as of December 31, 2018, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Moss Adams

Campbell, California
May 6, 2019

Singular Bio, Inc.
Balance Sheets
December 31, 2018, 2017 and 2016

	2018	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	$ 160,702	$ 1,140,362	$ 2,345,107
Prepaid expenses and other current assets	191,631	11,821	17,375
Total current assets	352,333	1,152,183	2,362,482
Property and equipment, net	299,221	367,217	426,408
Total assets	$ 651,554	$ 1,519,400	$ 2,788,890
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT			
Current liabilities			
Current portion of capitalized lease obligations	$ 46,300	$ 15,667	$ —
Accounts payable	370,853	252,700	126,498
Accrued expenses	188,853	175,543	66,755
Total current liabilities	606,006	443,910	193,253
Convertible promissory notes and accrued interest, net of debt discounts	750,747	427,903	2,788,069
Derivative liability	1,408,916	1,023,302	337,966
Capitalized lease obligations, less current portion	58,003	34,045	-
Total liabilities	2,823,672	1,929,160	3,319,288
Commitments and Contingencies (Note 11)			
Convertible preferred stock			
Series A and A-1 convertible preferred stock			
$0.0001 par value; 13,000,000 shares authorized: 7,068,855 shares issued and outstanding at December 31, 2018 and 2017 (aggregate liquidation preference of $11,310,000 at December 31, 2018)	11,173,041	11,173,041	—
Stockholders' deficit			
Series A convertible preferred stock			
$0.0001 par value; 11,406,250 shares authorized: 5,156,250 shares issued and outstanding at December 31, 2016	—	—	8,184,050
Common stock, $0.0001 par value; 20,000,000 shares authorized:			
6,061,602, 6,050,769 and 6,002,186 shares issued and outstanding at December 31, 2018, 2017 and 2016, respectively	606	605	600
Additional paid-in capital	471,119	455,009	35,849
Accumulated deficit	(13,816,884)	(12,038,415)	(8,750,897)
Stockholders' deficit	(13,345,159)	(11,582,801)	(530,398)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 651,554	$ 1,519,400	$ 2,788,890

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

Singular Bio, Inc.
Statement of Operations
December 31, 2018, 2017 and 2016

	2018	2017	2016
Operating expenses:			
Research and development	$ 1,231,895	$ 2,152,121	$ 2,192,066
General and administrative	816,642	631,243	978,213
Total operating expenses	2,048,537	2,783,364	3,170,279
Loss from operations	(2,048,537)	(2,783,364)	(3,170,279)
Interest and other income, net	978,526	2,626	3,596
Interest and derivative revaluation expense	708,458	506,780	168,999
Net loss	$ (1,778,469)	$ (3,287,518)	$ (3,335,682)

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

Singular Bio, Inc.
Statements of Convertible Preferred Stock and Stockholders' Deficit
December 31, 2018, 2017 and 2016

	Convertible preferred stock A		Convertible preferred stock A-1		Convertible preferred stock A		Convertible preferred stock A-1		Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2015	—	$ —	—	$ —	5,156,250	$ 8,184,050	—	$ —	5,979,791	$ 598	$ 21,293	$ (5,415,215)	$ 2,790,726
Exercise of common stock options	—	—	—	—	—	—	—	—	22,395	2	7,140	—	7,142
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	7,416	—	7,416
Net loss	—	—	—	—	—	—	—	—	—	—	—	(3,335,682)	(3,335,682)
Balance at December 31, 2016	—	—	—	—	5,156,250	8,184,050	—	—	6,002,186	600	35,849	(8,750,897)	(530,398)
Conversion of Series A to Series A-1	—	—	—	—	(4,893,750)	(7,830,000)	4,893,750	7,830,000	—	—	—	—	—
Conversion of June 2016 Convertible Notes into Series A-1 convertible preferred stock at $1.60 per share in October 2017	—	—	—	—	—	—	1,912,704	3,060,328	—	—	—	—	3,060,328
Reverse split on Series A-1 shares	—	—	—	—	—	—	(2,268,818)	(3,630,110)	—	—	3,630,110	—	—
Issuance of warrants in connection with unit purchase agreement in October 2017	—	—	—	—	—	—	—	(71,337)	—	—	71,337	—	—
Allocation of Series A convertible preferred stock for participating stockholders and new investors in Unit Purchase Agreement	—	—	—	—	2,268,819	3,630,110	—	—	—	—	(3,630,110)	—	—
Reclassification of Series A and Series A-1 convertible preferred stock to mezzanine upon obtaining control	2,531,319	3,984,160	4,537,636	7,188,881	(2,531,319)	(3,984,160)	(4,537,636)	(7,188,881)	—	—	—	—	(11,173,041)
Reclassification of derivative liability to equity upon conversion of convertible promissory notes	—	—	—	—	—	—	—	—	—	—	320,771	—	320,771
Exercise of common stock options	—	—	—	—	—	—	—	—	48,583	5	15,542	—	15,547
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	11,510	—	11,510
Net loss	—	—	—	—	—	—	—	—	—	—	—	(3,287,518)	(3,287,518)
Balance at December 31, 2017	2,531,319	3,984,160	4,537,636	7,188,881	—	—	—	—	6,050,769	605	455,009	(12,038,415)	(11,582,801)
Exercise of common stock options	—	—	—	—	—	—	—	—	10,833	1	3,466	—	3,467
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	12,644	—	12,644
Net loss	—	—	—	—	—	—	—	—	—	—	—	(1,778,469)	(1,778,469)
Balance at December 31, 2018	2,531,319	$ 3,984,160	4,537,636	$ 7,188,881	—	$ —	—	$ —	6,061,602	$ 606	$ 471,119	$ (13,816,884)	$ (13,345,159)

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

Singular Bio, Inc.
Statements of Cash Flows
December 31, 2018, 2017 and 2016

	2018	2017	2016
Cash flows from operating activities:			
Net loss	$ (1,778,469)	$ (3,287,518)	$ (3,335,682)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	160,795	140,916	107,688
Stock-based compensation	12,644	11,510	7,416
Non-cash interest expense	322,844	455,247	103,811
Non-cash debt expense	385,614	1,022	22,224
Changes in assets and liabilities:			
Prepaid expenses and other current assets	(179,810)	5,554	-
Accounts payable	118,153	126,202	49,130
Accrued expenses	13,310	108,788	18,202
Net cash used by operating activities	(944,919)	(2,438,279)	(3,027,211)
Cash flows from investing activities:			
Purchase of property and equipment	(3,127)	(30,767)	(170,169)
Net cash used by investing activities	(3,127)	(30,767)	(170,169)
Cash flows from financing activities:			
Proceeds from the issuance of convertible promissory notes	-	1,250,000	3,000,000
Repayment of capital leases	(35,081)	(1,246)	-
Cash from exercise of stock options	3,467	15,547	7,142
Net cash provided by (used in) by financing activities	(31,614)	1,264,301	3,007,142
Net decrease in cash and cash equivalents	(979,660)	(1,204,745)	(190,238)
Cash and cash equivalents at beginning of year	1,140,362	2,345,107	2,535,345
Cash and cash equivalents at end of year	$ 160,702	$ 1,140,362	$ 2,345,107
Supplemental disclosure of cash flow information:			
Non-cash investing and financing items:			
Property and equipment acquired under capital lease obligations	$ 89,672	$ 50,958	$ —
Conversion of convertible promissory notes and accrued interest into Series A-1 convertible preferred stock	$ —	$ 3,060,328	$ —

The accompanying notes are an integral part of these financial statements

Singular Bio, Inc.
Notes to Financial Statements
December 31, 2018, 2017 and 2016

1. The Company

Business and Organization

Singular Bio, Inc. ("the Company") is an early-stage molecular diagnostics company, based in San Francisco, California, USA. The Company was incorporated in the state of Delaware on June 6, 2012. The Company is developing novel technologies for single molecule detection, which could be used to detect various genetic conditions of clinical importance. The Company devotes substantially all of its time and efforts to performing research and development, raising capital and recruiting personnel, and has not yet begun commercial sales of its technology.

Significant Risks and Uncertainties

The Company is subject to the risks associated with early stage enterprises, including the need to develop and refine its products and services, develop and execute its sales and marketing plans and obtain adequate financing to fulfill its development activities. Successful completion of the Company's development programs and, ultimately, the attainment of profitable operations, are dependent on future events, including, among other things, its ability to access potential markets; secure financing; develop a sufficient customer base; attract, retain and motivate qualified personnel; develop strategic alliances and develop the intellectual property, which underlie its proprietary technology. Although management believes that the Company will be able to successfully mitigate these risks, there can be no assurance that the Company will be able to do so or that the Company will ever operate profitably.

Basis of Presentation

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has incurred cumulative net losses of $13.8 million since inception and negative cash flow from operations since inception. During the years ended December 31, 2016, 2017 and 2018, the Company has incurred losses from operating expenses of $3.3 million, $3.3 million and $1.8 million, respectively. Management plans include plans to raise additional debt or equity financing. The Company's focus is on research and development while raising additional rounds of financing. However, there can be no assurance that the Company will be successful in obtaining sufficient debt or equity financing on acceptable terms, if at all. Failure to control operating costs or raise sufficient additional financing may require the Company to modify, delay or abandon some of its planned future product development, which could have a material adverse effect on the Company's business, operating results, financial condition and ability to achieve its intended business objectives.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the expenses during the reporting period, including the valuation of derivative instruments, deferred tax assets, useful lives of property and equipment and stock-based compensation. Actual results may differ materially from such estimates. Management believes that the estimates, and judgments upon which they rely, are reasonable based upon information available to them at the time that these estimates and judgments are made. To the extent that there are material differences between these estimates and actual results, the Company's financial statements will be affected.

Concentration of Credit Risk
Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents. The risk of concentration with respect to cash and cash equivalents is mitigated by banking with creditworthy financial institutions. All of the Company's cash and cash equivalents are held at one U.S. financial institution. Such deposits may, at times, exceed federally insured limits.

Cash and Cash Equivalents
The Company considers all highly liquid investments with stated maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include money market funds.

Fair Value of Financial Instruments
The carrying amounts of the Company's financial instruments, consisting of cash and cash equivalents, accounts payable and accrued liabilities and other current liabilities, approximate fair value due to their relatively short maturities. Derivative instruments are carried at fair value based on unobservable market inputs.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and amortization.

Depreciation and amortization on property and equipment is calculated using the straight-line method over the estimated useful lives of five years. Costs of maintenance and repairs that do not improve or extend the useful lives of assets are expensed as incurred. Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheets and the resulting gain or loss is reflected in the statements of operations.

Derivative Instruments
The Company analyzes embedded features in its convertible promissory notes and bifurcates and separately values as a derivative liability those provisions that require separate recognition. The derivative instruments are recorded at fair value at inception and are subject to remeasurement to fair value at each balance sheet date, with any changes to the fair value recognized in the statement of operations (Note 3).

Research and Development
Research and development expenses primarily consisting of personnel costs, laboratory supplies costs, capital expenses that have no alternative future use and other materials costs are charged to operations as incurred.

Stock-Based Compensation
The Company records compensation expense in connection with options granted to employees in accordance with Accounting Standards Codification ("ASC") 718, *Stock Compensation*. This guidance requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options on the date of grant. Calculating the fair value of stock options using the Black-Scholes model requires certain highly subjective inputs and assumptions. The Company estimates the expected term of options granted based on the simplified method under the guidance of Security and Exchange Commission's Staff Accounting Bulletin ("SAB") Topic 14 as codified into a new Accounting Standards Update ("ASU"). The Company estimates the volatility of its common stock on the date of grant based on the average historical stock price volatility of comparable, publicly-traded companies in its industry group.

The Company has adopted ASC 2016-09 and no longer records forfeitures on share-based awards and instead, has elected to record forfeitures as they occur.

The absence of an active market for the Company's stock also requires the Company's Board of Directors, which includes members who possess extensive business, finance and venture capital experience, to determine the fair value of its common stock for purposes of granting

options. The Company obtains contemporaneous third-party valuations to assist the board of directors in determining the fair value of the Company's common stock. All options granted are exercisable at a price per share not less than fair value of the shares of tying those options on their respective dates of grant. The Company records stock-based compensation expense for its stock options on a straight-line basis over the requisite service period, which is generally four years.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Deferred income taxes are recognized by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefit for which the future realization is uncertain.

The tax effects of a position are recognized only if it is more likely than not to be sustained based solely on its technical merits as of the reporting date. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35% to 21%; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax ("BEAT"), a new minimum tax; (7) creating a new limitation on deductible interest expense; and (8) changing rules related to uses and limitations of net operating loss ("NOL") carryforwards created in tax years beginning after December 31, 2017.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") under its ASC or other standard setting bodies and adopted by the Company as of the specified effective date, unless otherwise discussed below.

Recently Adopted Accounting Pronouncements

In May 2017, FASB issued ASU 2017-09, *Compensation-Stock Compensation* (Topic 718), Scope of Modification Accounting. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments in this update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Company adopted this new guidance beginning January 1, 2018, on prospective basis, which did not result in a material impact on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which requires changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update are effective for interim and annual periods beginning after December 15, 2017. The Company adopted this new guidance beginning January 1, 2018, on a retrospective basis, which did not result in a material impact on its financial statements and related disclosures.

In March 2016, FASB issued ASU 2016-09, *Stock Compensation Improvements to Employee Share-Based Payment Accounting*. On January 1, 2017, the Company adopted the amendments to ASC 718, which simplify accounting for share-based payment transactions. Prior to this amendment, excess tax benefits resulting from the difference between the deduction for tax purposes and the compensation costs recognized for financial reporting were not recognized until the deduction reduced taxes payable. Under the new method, the Company recognizes excess tax benefits in the current accounting period. In addition, the Company has stopped estimating forfeitures and elected to recognize the actual forfeitures by reducing the employee share-based compensation expense in the same period as the forfeitures occur. The Company has adopted these changes in accounting method using the modified retrospective method under which the Company should recognize the cumulative effect adjustment to the opening accumulated deficit as of January 1, 2017. The cumulative effect of the changes as of January 1, 2017 for the adoption of ASU 2016-09 was immaterial. Hence, the Company did not recognize the cumulative effect adjustment in its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The updated guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. The amendment to the standard is effective for financial statements issued for interim and annual periods beginning after December 15, 2017. The Company adopted this new guidance beginning January 1, 2018, on a retrospective basis, which did not result in a material impact on its financial statements and related disclosures.

In July 2017, FASB issued ASU 2017-11, *Earnings Per Share (Topic 260) Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815) (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. This update simplifies the accounting for certain financial instruments with down round features, a provision in an equity- linked financial instrument (or embedded feature) that provides a downward adjustment of the current exercise price based on the price of future equity offerings. Down round features are common in warrants, preferred shares and convertible debt instruments issued by private companies and early-stage public companies. This update requires companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability or equity classification. The provisions of this update related to down rounds are effective for public entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The amendments in Part I should be applied (1) retrospectively to outstanding financial instruments with a down round feature by means of a cumulative-effect adjustment to the statement of financial position as of the beginning of the first fiscal year and interim periods; (2) retrospectively to outstanding financial instruments with a down round feature for each prior reporting period presented. The Company early adopted this new guidance beginning January 1, 2017, on a retrospective basis, which did not result in a material impact on its financial statements and related disclosures.

New Accounting Pronouncements Not Yet Adopted

In June 2018, the FASB issued ASU 2018-07, *Compensation Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. The transition method provided by ASU 2018-07 is a modified retrospective basis which recognizes a cumulative-effect

adjustment to the opening balance of retained earnings in the period of adoption. The amendments in ASU 2018-07 are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company is currently evaluating the impact of adopting this guidance on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* ("ASC 842"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASC 842 supersedes the previous leases standard, ASC 840 *Leases*. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, an update which provides another transition method in addition to the existing modified retrospective transition method by allowing entities 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. The standard is effective for interim and annual periods beginning after December 15, 2018 and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, and early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2016-02 on its financial statements and related disclosures.

With the exception of the updated standards discussed above, there have been no new accounting pronouncements that have significance, or potential significance, to the Company's financial statements.

3. Fair Value Measurements

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 Inputs that are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

At December 31, 2016, 2017 and 2018, the financial assets and liabilities measured at fair value on a recurring basis were the embedded derivative liability associated with the convertible notes, which were classified as Level 3 because they were based on unobservable inputs.

The following table presents the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2016			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ 2,005,664	$ —	$ —	$ 2,005,664
Total	$ 2,005,664	$ —	$ —	$ 2,005,664
Liabilities:				
2016 embedded derivative liability	$ —	$ —	$ 337,966	$ 337,966
Total	$ —	$ —	$ 337,966	$ 337,966

	Fair Value Measurements at December 31, 2017			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ 907,238	$ —	$ —	$ 907,238
Total	$ 907,238	$ —	$ —	$ 907,238
Liabilities:				
2016 embedded derivative liability	$ —	$ —	$ 18,217	$ 18,217
2017 embedded derivative liability	—	—	1,005,085	1,005,085
Total	$ —	$ —	$ 1,023,302	$ 1,023,302

	Fair Value Measurements at December 31, 2018			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ 89,669	$ —	$ —	$ 89,669
Total	$ 89,669	$ —	$ —	$ 89,669
Liabilities:				
2016 embedded derivative liability	$ —	$ —	$ 59,879	$ 59,879
2017 embedded derivative liability	—	—	1,349,037	1,349,037
Total	$ —	$ —	$ 1,408,916	$ 1,408,916

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial instruments (in thousands):

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Fair value as of December 31, 2015:	$ —	$ —
Issuance of financial instruments	316	—
Change in fair value included in other income (expense), net	22	—
Fair value as of December 31, 2016	338	—
Issuance of financial instruments		1,005
Derecognition of financial instruments in connection with equity restructuring	(321)	—
Change in fair value included in other income (expense), net	1	—
Fair value as of December 31, 2017	18	1,005
Change in fair value included in other income (expense), net	41	344
Fair value as of December 31, 2018	$ 59	$ 1,349

The Company used a hybrid method between the probability-weighted expected return method ("PWERM") and the Black-Scholes option pricing model to estimate the fair value of the 2016 and 2017 embedded derivative liabilities. The PWERM is a scenario-based analysis that estimates value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to the Company, as well as the economic and control rights of each share class. The Company estimated the probability-weighted value across multiple scenarios, and using the Black Scholes option pricing model to determine the fair value of each scenario, in order to estimate the aggregate fair value of the embedded derivative liabilities present in each convertible note. In this valuation, the Company considered possible outcomes under PWERM including: (1) a qualified financing, (2) a change in control, (3) an IPO, (4) a voluntary conversion by the noteholders, (5) a litigation settlement against a third-party, (6) a repayment under an event of default or (7) a repayment at maturity. Estimates of fair value using the Black Scholes option pricing model are affected by assumptions regarding a number of complex variables, including expected term, expected volatility, expected dividend and risk-free interest rate. Specifically, at December 31, 2016, the fair values recognized for the 2016 embedded derivative liability assumed volatilities of 38-43%, risk-free rates of 0.74-1.56%, no dividends expected to be paid and an expected term based on the timing for each scenario ranging from 0.8 to 3.5 years. At December 31, 2017, the fair values recognized for the 2016 and 2017 embedded derivative liabilities assumed volatilities of 33-45%, risk-free rates of 1.35-2.10%, no dividends expected to be paid and an expected term based on the timing for each scenario ranging from 1.0 to 4.0 years. As of December 31, 2018, the Company was negotiating a term sheet for a qualified financing, which closed on January 31, 2019 (see Subsequent Event footnote below). At the time of the redemption of the convertible notes at the close of the qualified financing, the fair value of the 2016 and 2017 embedded derivative liabilities were determined to be $59,000 and $1.35 million, respectively.

4. Property and Equipment

Property and equipment as of December 31, 2016, 2017 and 2018 consisted of the following:

	2018	2017	2016
Computer and Office Equipment	$ 50,337	$ 48,189	$ 48,189
Laboratory Equipment	808,798	718,146	636,422
Total Property and Equipment	859,135	766,335	684,611
Less: Accumulated Depreciation	(559,914)	(399,118)	(258,203)
Net Property and Equipment	$ 299,221	$ 367,217	$ 426,408

The gross carrying amounts of capital leases included property and equipment were $0, $50,958 and $140,630 with associated accumulated depreciation of $0, $0 and $19,959 for the years ending December 2016, 2017 and 2018, respectively. Depreciation expense for the years ended December 31, 2016, 2017 and 2018 was $107,688, $140,916 and $160,795, respectively.

5. Convertible Notes

2016 Convertible Note

On June 21, 2016, the Company received $3.0 million in gross proceeds from the issuance of the 2016 Convertible Notes (the "2016 Convertible Notes") from related parties. Interest on the unpaid principal balance of the 2016 Convertible Notes accrues at an annualized rate of 6.0% and is payable at maturity. Unless converted or redeemed upon occurrence of certain events, the 2016 Convertible Notes mature on June 21, 2021. Under the 2016 Convertible Notes, the principal and interest become due at the earlier of (i) the maturity date or (ii) an event of default.

The 2016 Convertible Notes include embedded derivatives that are required to be bifurcated and accounted for separately as a single, compound derivative instrument. If the note had not been prepaid or converted prior to the maturity date, the principal and accrued interest of the Notes would automatically convert into equity at the initial closing of the next qualified financing round that raised an aggregate of at least $7.5 million. The 2016 Convertible Notes would convert at a rate of 75% of the price paid by the equity investors. If the 2016 Convertible Notes had not been prepaid or converted prior to maturity, and the Company completes a qualified financing or an Initial Public Offering or IPO, then the 2016 Convertible Notes will convert at the greater of the Base Conversion Price or 75% of the price per share paid by other investors in the financing. If the 2016 Convertible Notes had not been prepaid or converted prior to maturity, and the Company completes a change of control merger, then the investor could either get repaid the principal and accrued interest, or if the 2016 Convertible Notes convert into shares, they would convert into the Series A preferred shares at the Base Conversion Price. The choice of being paid in cash or converting into equity is up to the noteholder. The conversion to Series A in this scenario requires the election of the majority of stockholders. If there is a default under the 2016 Convertible Notes prior to the Maturity date, the entire principal and accrued interest will become payable in cash at par. The Company determined that the share settled redemption in the case of a qualified financing or an IPO represents an embedded derivative that is not clearly and closely related to the debt host and is accounting for these two settlement alternatives as separate embedded derivative liabilities.

The Company determined the fair value of the embedded derivatives liabilities on the 2016 Convertible Notes to be approximately $316,000 on the issuance date, which was recorded as a debt discount. The debt discount is being amortized over the five-year period through the maturity date using a straight-line method, which approximates the interest method. The Company used a combination of the PWERM and the Black Scholes option pricing model to determine the fair value (Note 3).

At the end of each reporting period on December 31, the Company remeasured the fair value of the embedded derivative, and any change in fair value is recognized in the statements of operations. The 2016 Convertible Notes interest expense for the years ended December 31, 2016, 2017 and 2018 was $95,178, $131,790 and $9,158, respectively, including debt discount amortization of $33,000, $49,000 and $3,000, respectively.

In October 2017, in connection with the Equity Recapitalization, a total of $3,060,000 in aggregate principal and accrued interest from 2016 Convertible Notes converted into a total of 1,912,704 shares of Series A preferred stock at $1.60 per share (see Note 8 below). At the time of the conversion, the associated embedded derivative liability of $321,000 was reclassified to equity.

The weighted average interest rate for borrowings outstanding at December 31, 2016, 2017 and 2018 was 6.0%, 6.0% and 6.0%, respectively.

2017 Convertible Note

On October 6, 2017, the Company received $1.25 million in gross proceeds from the issuance of the 2017 convertible notes (the "Convertible Notes") from related and unrelated parties under a Unit Purchase Agreement. Interest on the unpaid principal balance of the 2017 Convertible Notes accrues at an annualized rate of 6.0% and is payable at maturity. Unless converted or redeemed upon occurrence of certain events, the 2017 Convertible Notes mature on October 6, 2022. Under the 2017 Convertible Notes, the principal and interest become due at the earlier of (i) the maturity date, (ii) an event of default or (iii) a financing or a merger.

The 2017 Convertible Notes include embedded derivatives that are required to be bifurcated and accounted for separately as a single, compound derivative instrument. If the 2017 Convertible Notes have not been converted or prepaid prior to the maturity date, the principal and accrued interest of the 2017 Convertible Notes automatically convert into equity at the initial closing of the next financing round that raised an aggregate of at least $10.0 million or an amount agreed upon by the noteholders. The 2017 Convertible Notes would convert at a rate of 50% of the price paid by the equity investors. If the 2017 Convertible Notes had not been converted or prepaid prior to maturity, and the Company completes an IPO, then the 2017 Convertible Notes will convert at 50% of the price per share paid by other investors in the IPO.

If the 2017 Convertible Notes had not been converted or prepaid prior to maturity, and the Company completes a change of control merger, then the investor could either get repaid at 200% of the principal, or if the 2017 Convertible Notes convert into shares, they would convert at 50% of the Series A preferred stock issuance price. The choice of being paid in cash or converting into equity is up to the noteholder. The note holder may also voluntarily convert their note at any time prior to the maturity date into Series A preferred stock at 50% of the original issuance price or if a non-qualified financing has taken place, at 50% of the price paid by investors in that financing.

If there is a default under the 2017 Convertible Notes prior to the maturity date, the entire principal and accrued interest will become payable in cash at par. The Company determined that the share settled redemption in the case of a qualified financing, a change in control, an IPO or upon the voluntary conversion by the Noteholder, as well as the accelerated cash repayment in the case of change in control and a litigation settlement represents an embedded derivative that is not clearly and closely related to the debt host, and is accounting for these multiple settlement alternatives as embedded derivative liabilities.

The Company determined the fair value of the embedded derivative liabilities on the 2017 Convertible Notes to be approximately $1.0 million on the issuance date, which was recorded as a debt discount. The debt discount is being amortized over the five-year period through the maturity date using a straight-line method, which approximates the interest method. The Company used a combination of the PWERM and the Black Scholes option pricing model to determine the fair value (Note 3). At the end of each reporting period on December 31, the Company remeasured the fair value of the embedded derivative, and any change in fair value is recognized in the statement of operations. During 2018, the Company recorded an increase in the fair value of the embedded derivative liability of $344,000 as an expense in the statements of operations.

In conjunction with the 2017 Convertible Note issuance, the Company reclassified preferred stock into mezzanine capital.

The 2017 Convertible Notes interest expense for the years ended December 31, 2017 and 2018 was $17,671 and $75,000, respectively, including debt discount amortization of $47,337 and$200,907, respectively.

The weighted average interest rate for borrowings outstanding at December 31, 2017 and 2018 was 6.0% and 6.0%, respectively.

6. Accrued Liabilities

Accrued liabilities as of December 31, 2016, 2017 and 2018 consisted of the following:

	2018	2017	2016
Accrued Liabilities			
Accrued Payroll Expenses	$ 144,686	$ 136,935	$ 40,345
Accrued Interest	355	356	—
Accrued Taxes	1,650	1,719	4,100
Accrued Deferred Income	25,000	—	—
Accrued Other Expenses	17,162	36,533	22,310
Total	$ 188,853	$ 175,543	$ 66,755

7. Common Stock Warrants

In connection with the October 2017 Equity Restructuring described in Note 8, the Company issued warrants to certain investors to purchase 2,268,818 exercise price of $3.50 per share. These warrants are exercisable from the date of issuance until the earlier of ten years after the date of issuance or immediately prior to the closing of an initial public offering or change of control merger of the Company's stock. The value of the warrants was determined to be approximately $71,000, which was recorded as cost of financing in equity on the date of issuance. The Company determined the fair value of the outstanding convertible common stock warrants utilizing a Black Scholes option pricing model based on assumptions of a volatility of 45%, risk free rate of 2.37%, a contractual term of ten years and no dividends.

8. Equity

Preferred Stock
As of December 31, 2016, 2017 and 2018, the Company had outstanding Series A and A-1, preferred stock, par value of $0.0001 (individually referred to as “Series A or A-1”, or collectively “Preferred Stock”) as follows (in thousands, except share data).

December 31, 2017	Preferred Stock		Liquidation Value	Carrying Value
	Authorized	Outstanding		
Series A preferred stock	8,000,000	2,531,319	$ 4,050	$ 4,050
Series A-1 preferred stock	5,000,000	4,537,636	7,260	7,260
Total	13,000,000	7,068,955	$ 11,310	$ 11,310

December 31, 2018	Preferred Stock		Liquidation Value	Carrying Value
	Authorized	Outstanding		
Series A preferred stock	8,000,000	2,531,319	$ 4,050	$ 4,050
Series A-1 preferred stock	5,000,000	4,537,636	7.260	7.260
Total	13,000,000	7,068,955	$ 11,310	$ 11,310

Significant terms of the Preferred Stock are as follows:

Voting Rights
Each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Charter, holders of Preferred Stock shall vote together with the holders of

Common Stock as a single class. The holders of a majority of the Series A preferred shares are entitled to elect two members of the Board of Directors, and the holders of the majority of the common stock are entitled to elect two members of the Board of Directors, and one independent director is appointed to the Board of Directors.

Dividends
The holders of shares of the Company's preferred stock are entitled to receive dividends at the rate of 6% per year of the original issuance price, compounding quarterly on each outstanding share of preferred stock (as adjusted for any stock dividends, combinations or splits with respect to such shares). Such dividends are cumulative, meaning they accrue, until paid, from the date of issuance of each round of shares, whether or not declared.

No dividends had been declared or paid by the Company as of December 31, 2016, 2017 and 2018. The Company had unrecorded cumulative dividends of $1,647,881, $266,987 and $977,412 as of December 31, 2016, 2017 and 2018, respectively.

Liquidation

In the event of any liquidation event, the holders of the Series A and Series A-1 preferred stock are entitled to receive in any distribution of any of the assets of the Company in preference to the holders of the common stock, an amount equal to the greater of (a) the original issue price, adjusted for any stock splits, stock dividends, recapitalizations, reclassifications, combinations or similar-dilution all accruing but unpaid dividends, whether or not declared on such shares, or (b) such amount per share as would have been payable had all shares of preferred stock been converted into common stock immediately before such liquidation. After the payment of the liquidation preference to the Series A and Series A-1 preferred holders, all remaining assets available for distribution will be distributed ratably among the holders of the common stock. If available assets are insufficient to pay the full liquidation preference of a given series of preferred stock, the assets available for distribution to holders of such preferred stock will be distributed among such holders on a pro rata basis.

Conversion

Shares of any series of preferred stock can be converted, at the option of the stockholder, into such number of fully paid and non-assessable shares of common stock. The conversion price is determined by dividing the original issuance price applicable to each series of preferred stock, adjusted for any anti-dilution adjustments, by the applicable conversion price for such series. As of December 31, 2016, 2017 and 2018, the Company's preferred stock is convertible into the Company's shares of common stock on a one-for-one basis.

Shares of preferred stock shall automatically be converted into shares of common stock at the then effective conversion rate for such share, upon earlier to occur of: (1) the date, or the occurrence of event, specified by the vote of or written consent of the holders of at least a majority of the preferred stock voting together as a single class on an as-converted basis; and (2) immediately prior to the consummation of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act, covering the offer and sale of t common stock, provided that the per share price is at least three times the original issuance price and gross proceeds to the Company are equal to or greater than $50.0 million.

Redemption

The Series A and A-1 preferred stock are not redeemable.

October 2017 Equity Restructuring

In October 2017, in connection with the then outstanding shares of Series A and 2016 convertible notes were subject to an overall recapitalization structure.

The impact of the recapitalization on the various securities outstanding depended upon whether the holder of an affected security participated in the 2017 Convertible Note financing by purchasing the 2017 Convertible Notes for cash on at least a pro rata basis, as described in the agreements underlying the 2017 Convertible Notes.

For those existing holders of Series A preferred shares who participated in the financing as part of the recapitalization, shares of their then outstanding Series A were subject to a 4.11152381-for-1 forward stock split. The original issuance price, liquidation value and dividend rights remained the same. As a result of the recapitalization, 262,500 shares owned by the participating Series A preferred stock with a liquidation preference of $420,000 were converted into 1,079,275 shares with a liquidation preference of $1,726,800. All of the participants in the 2017 Convertible Notes were issued a total of 2,268,818 shares of Series A preferred stock with an aggregate liquidation value of $3,630,108, which was recorded as a charge to additional paid in capital at the time of the issuance.

For those existing Series A preferred stockholders and 2016 noteholders who did not participate in their pro rata portion of the 2017 Convertible Notes, their Series A preferred stock was 3-for-2 reverse split and they were mandatorily converted into Series A-1 preferred stock. The Series A-1 preferred stock had the same liquidation and dividend rights as the Series A preferred stock. The 2016 noteholders who did not participate had their principal and accrued interest under the 2016 Convertible Notes totaling $3.1 million convert into 1,912,704 shares of Series A preferred stock (before the 3-to-2 reverse stock split). These 1,912,704 Series A shares, along with 4,893,750 shares of Series A preferred stock owned prior to the equity restructuring by the non-participating stockholders with an aggregate liquidation value of $10,890,000, then converted into 4,537,636 shares of Series A-1 preferred stock having a liquidation value of $7,260,000. The non-participating stockholders were then granted a total of 2,268,818 warrants to purchase common stock with an exercise price of $3.50 per share. The Company determined the fair value of these warrants to be approximately $71,000 using a Black Sholes option pricing model, which was recorded as a cost of financing in additional paid in capital on the balance sheet.

The recapitalization has been accounted for as an extinguishment of the various securities involved as the changes to the terms of the affected securities were significantly modified. The carrying values of the Series A shares, the 2016 convertible notes, 2016 embedded derivative liability for the non-participating stockholders and noteholders were removed and the fair value of the new securities (Series A, Series A-1) issued was recorded. The gain (loss) on extinguishment has been recorded as a change to additional paid-in-capital of $3.6 million for the related party components of the recapitalization.

Common Stock

As of December 31, 2016, 2017 and 2018, the Company's certificate of incorporation authorized the Company to issue 20,000,000, 20,000,000 and 20,000,000, respectively, shares of common stock at the par value of $0.0001 per share. The holder of each share of common stock is entitled to one vote per share. As of December 31, 2016, 2017 and 2018, the Company had shares of common stock reserved for future issuance as follows:

	December 31, 2016	December 31, 2017	December 31, 2018
Conversion of Series A preferred stock	5,156,250	2,531,319	2,531,319
Conversion of Series A-1 preferred stock	—	4,537,636	4,537,636
Exercise of common stock warrants	—	2,268,818	2,268,818
Exercise of outstanding options under the Plan	308,036	374,769	404,238
Issuance of common stock under the Plan	452,828	337,512	297,210
Total	5,917,114	10,050,054	10,039,221

9. Stock-Based Compensation

Stock Option Plan

Under the Company's 2014 stock option plan (the "Plan"), the Company may grant options to purchase, or directly issue in the form of stock awards, 786,800 shares of common stock at prices equal to the fair market value at the date of grant or issue. The options generally expire ten years from the date of grant and generally vest over four years. Options can be exercised prior to vesting and the Company has the right to repurchase any unvested shares at the original exercise price. The right of repurchase expires over the vesting period of the initial option award. As of December 31, 2016, 2017 and 2018, 20,000, 28,000 and 0, respectively, of the shares of common stock options have been early exercised and are subject to repurchase.

A summary of option activity under the Plan through December 31, 2016, 2017 and 2018 is as follows:

	Shares Available for Grant	Number of Shares Underlying Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Balances at December 31, 2015	516,265	270,535	$ 0.32	
Options granted	(92,501)	92,501	0.32	
Options exercised	22,395	(22,395)	0.32	
Options cancelled and forfeited	32,605	(32,605)	0.32	
Balances at December 31, 2016	478,764	308,036	0.32	8.72
Options vested at December 31, 2016		170,904	0.32	
Options vested and expected to vest at December 31, 2016		308,036	0.32	
Balances at December 31, 2016	478,764	308,036	0.32	
Options granted	(172,193)	172,193	0.32	
Options exercised	48,583	(48,583)	0.32	
Options cancelled and forfeited	56,877	(56,877)	0.32	
Balances at December 31, 2017	412,031	374,769	0.32	8.26
Options vested at December 31, 2017		281,968	0.32	
Options vested and expected to vest at December 31, 2017		374,769	0.32	
Balances at December 31, 2017	412,031	374,769	0.32	
Options granted	(95,000)	95,000	0.32	
Options exercised	10,833	(10,833)	0.32	
Options cancelled and forfeited	54,698	(54,698)	0.32	
Balances at December 31, 2018	382,562	404,238	0.32	7.92
Options vested at December 31, 2018		(1,246)	0.32	
Options vested and expected to vest at December 31, 2018		15,547	0.32	

Stock option exercises above include unvested early exercises subject to repurchase.

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2016, 2017 and 2018:

	Range of Exercise Prices	Shares	Outstanding Weighted-Average Remaining Contractual Term	Weighted-Average Exercise Price	Exercisable Number of Vested Shares	Weighted-Average Exercise Price
December 31, 2016	$0.320	308,036	8.72	$0.320	170,904	$0.320
December 31, 2017	$0.320	374,769	8.26	$0.320	281,968	$0.320
December 31, 2018	$0.320	404,238	7.92	$0.320	293,918	$0.320

The weighted-average grant date fair value of options granted in the years ended December 31, 2016, 2017 and 2018 was $0.1410, $0.1382 and $0.1332, per share, respectively.

As of December 31, 2016, 2017 and 2018, there were approximately $11,512, $180,596 and$172,018, respectively, of total unrecognized compensation cost related to outstanding stock options. That cost is expected to be recognized over a weighted-average period of 4 years, the average life of an option grant.

Total stock-based compensation expense was $7,416, $11,510 and $12,644 for the year ended December 31, 2016, 2017 and 2018, respectively.

Risk-Free Interest Rate
The Company bases the risk-free interest rate on the implied yield available on the U.S. Treasury zero-coupon issues with a remaining term equivalent to the expected term of the option.

Expected Volatility
As the Company is privately held, there is no observable market for the Company's common stock. Accordingly, expected volatility has been estimated based on the volatilities of similar publicly traded companies.

Expected Dividend
The expected dividend assumption is based on the Company's current expectations about its anticipated dividend policy.

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

The fair value of the Company's stock-based awards issued to employees for the years ended December 31, 2016, 2017 and 2018 were estimated using the following weighted-average assumptions:

Employee Grants	2018	2017	2016
Risk-free interest rate	2.47-2.79%	2.05-2.12%	1.26%
Volatility	38-41%	38-39%	38%
Expected dividend yield	-	-	-
Expected term (in years)	6.08	6.08	6.08

Non-Employee Grants	2018	2017	2016
Risk-free interest rate	2.79%	2.33%	1.57%
Volatility	41%	46%	46%
Expected dividend yield	-	-	-
Expected term (in years)	10.00	10.00	10.00

Valuation Method

The Company estimates the fair value of stock options granted using the Black-Scholes valuation model.

10. Income Taxes

There were no significant components of income tax expense attributable to continuing operations for the years ended December 31, 2018, 2017 and 2016. Income taxes paid to taxing authorities, which were not significant, are included in "Interest and other income, net".

The effective tax rate on operations of 0% for the year ended December 31, 2018 varied from the effective rate on operations of 0% for the year ended December 31, 2017 varied from the statutory allowance. The effective tax rate on operations of 0% for the year ended December 31, 2016 varied from the statutory rate of 34% primarily due to change in tax rate and the increase in the Company's valuation allowance. The effective tax rate on operations of 0% for the year ended December 31, 2016 varied from the statutory rate of 34%, primarily due to the increase in the Company's valuation allowance.

On December 22, 2017, President Trump signed into law the "Tax Cuts and Jobs Act" (TCJA) that significantly reformed the Internal Revenue Code of 1986, as amended. The TCJA reduces the corporate tax rate to 21% beginning with years starting January 1, 2018. Because a change in tax law is accounted for in the period of enactment, the deferred tax assets and liabilities have been adjusted to the newly enacted U.S. corporate rate, and the related impact to the tax expense has been recognized as of both December 31, 2018 and 2017.

Significant components of our deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017	December 31, 2016
Deferred tax assets:			
Net operating loss carryforwards	$ 2,652,232	$ 2,519,275	$ 2,740,361
Section 179 deduction	180,419	160,931	232,767
Startup cost	274,474	200,866	220,352
R&D credit	662,596	603,910	504,613
Other liabilities	154,130	109,891	76,981
Total deferred tax assets	3,923,851	3,594,873	3,775,074
Deferred tax liabilities			
Fixed assets	(83,733)	(102,760)	(169,857)
Prepaid expense	(2,938)	(1,461)	(4,292)
Total deferred tax liabilities	(86,681)	(104,221)	(174,149)
Valuation allowance	(3,837,180)	(3,490,652)	(3,600,925)
Net deferred taxes	$ -	$ -	$ -

The federal and state NOL tax liabilities in future years. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for

financial reporting purposes and the amounts of assets and liabilities used for income tax purposes. The Company had cumulative federal and state NOLs carryforwards of approximately $9.5 million, $9.0 million and $6.9 million as of December 31, 2018, 2017 and 2016, respectively. The Company had cumulative federal Section 179 deduction carryforwards of approximately $859,000, $766,000 and $685,000, as of December 31, 2018, 2017 and 2016, respectively. Additionally, as of December 31, 2018, the Company had research and development credits of approximately $383,000 and $612,000 for federal and state purposes, respectively. The Federal credit carryforwards begin to expire in 2033. State credit carryforwards have no expiration date.

The Company has established a full valuation allowance against its net deferred tax assets due to the uncertainty surrounding realization of such assets. The net change in the valuation allowance was an increase of approximately $347,000 for the year ended December 31, 2018, a decrease of approximately $110,000 for the year ended December 31, 2017 and an increase of approximately $1,343,000 for the year ended December 31, 2016. The net changes in the valuation allowance were primarily related to additional operating loss incurred, Section 179 deduction increases and differences in tax and book basis of fixed asset and other liabilities.

The NOLs arising in the tax year beginning before January 1, 2018 can be carried back two years and forward twenty years. Under the new TCJA law, the NOLs arising in the tax year beginning after December 31, 2017 can only offset 80% of taxable income in any given tax year, but the remaining can be carried forward indefinitely. The new TCJA law also increases the maximum Section 179 deduction to $1.0 million and the phase-out threshold amount to $2.5 million beginning January 1, 2018.

The Company accounts for uncertain tax positions utilizing the provisions of ASC 740-10*, Accounting for Uncertainty in Income Taxes*. As of December 31, 2018, the Company had approximately $127,000 and $204,000 of federal and state cumulative unrecognized tax benefits, respectively. Realization of the unrecognized tax benefits is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The Company does not have any tax positions for which it is reasonably possible that the total amount of gross unrecognized would increase or decrease within 12 months of the year ended December 31, 2017.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. There was no such expense recorded during 2017.

The Company is subject to federal and state income tax. The statute of limitations is open for all years in all jurisdictions.

11. Commitments and Contingencies

Commitments

The Company's commitments consist of non-cancelable operating leases for office facilities and capital leases for laboratory equipment contractual obligations at December 31, 2018 are as follows:

Years Ending December 31:	Capital Lease Obligations	Facility Lease Obligations	Total
2019	$ 52,386	$ 26,813	$ 79,199
2020	52,386	-	52,386
2021	8,265		8,265
Total	$ 113,037	$ 26,813	$ 139,850

The Company’s current operating lease, entered into as of March 2018, for office space allows for termination of the lease with 60 days’ notice, after the first 6 months.

Rent expense for the years ended December 31, 2016, 2017 and 2018 was $129,300, $129,300 and $256,522, respectively.

Capital Leases
Singular Bio maintains capital leases on two pieces of laboratory equipment. The lease liability reported on the balance sheets in long-term and short-term portions. The fair value of the assets is $138,407, and the value and associated depreciation are included in the Property and Equipment section above.

Fiscal years ending December 31:		
2019	$	52,386
2020		52,386
2021		8,265
Total		113,037
Less: interest portion		8,734
Less: current portion		46,300
	$	58,003

Other Commitments
On August 20, 2017, the Company entered into an agreement with an investment bank, to assist with the Company's Series B funding efforts. In the event of a change in control, the Company owes investment bank $150,000 in fees.

Contingencies
From time to time, the Company may become involved in litigation. Management is not currently aware of any matters that could have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

12. Co-Development Agreement

In September 2018, the Company entered into a co-development agreement, which provides the Company fees of $3,000,000. The duration of the agreement is twelve months and requires the Company's performance under the agreement to be entitled to the $3,000,000. The Company has determined that ratable recognition of the fees over the twelve-month term to be the appropriate basis of recognition. Through December 31, 2018, the Company had invoiced and collected $1,000,000 under the agreement, and recognized $975,000 as other income, which is included in "Interest and other income, net" in the Company's statements of operations and the remaining $25,000 was recorded in "Accrued expenses" in the Company's balance sheets.

13. Subsequent Events

Management has evaluated events occurring after December 31, 2018, and through May 6, 2019, the date the financial statements were available for issuance, for items that may require adjustment to or disclosure in the financial statements.

On January 2, 2019, Singular Bio received co-development fees of $2.0 million. On January 31, 2019, Singular Bio closed its Series B financing for $5,049,778. The completion of this financing resulted in the conversion of the remaining 2016 Convertible Notes and the 2017 Convertible Note into equity and all liens against non-core Intellectual Property owned by Singular Bio were discharged.

Singular Bio, Inc.

Interim Condensed Financial Statements (unaudited)
As of March 31, 2019 and for the three months ended March 31, 2019 and 2018 and notes related thereto

Singular Bio, Inc.
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Singular Bio, Inc.
Balance Sheets

	March 31, 2019 (unaudited)	December 31, 2018
Current assets		
Cash and cash equivalents	$ 5,716,163	$ 160,702
Prepaid expenses and other current assets	6,600	191,631
Total current assets	5,722,763	352,333
Property and equipment, net	302,760	299,221
Total assets	$ 6,025,523	$ 651,554
Current liabilities		
Current portion of capitalized lease obligations	$ 47,158	$ 46,300
Accounts payable	172,976	370,853
Accrued expenses	56,257	188,853
Total current liabilities	276,391	606,006
Convertible promissory notes and accrued interest, net of debt discounts	—	750,747
Derivative liability	—	1,408,916
Capitalized lease obligations, less current portion	45,886	58,003
Total liabilities	322,277	2,823,672
Commitments and Contingencies (Note 9)		
Convertible preferred stock		
Series A and A-1 convertible preferred stock	11,173,041	11,173,041
Series B convertible preferred stock	6,054,499	—
Stockholders' deficit		
Series A convertible preferred stock	—	—
Series B convertible preferred stock	—	—
Common stock	741	606
Additional paid-in capital	1,829,642	471,119
Accumulated deficit	(13,354,677)	(13,816,884)
Stockholders' deficit	(11,524,294)	(13,345,159)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 6,025,523	$ 651,554

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

Singular Bio, Inc.
Statement of Operations

	Three Months Ended	
	March 31, 2019	March 31, 2018
	(unaudited)	
Operating expenses:		
Research and development	$ 476,494	$ 399,488
General and administrative	324,882	155,437
Total operating expenses	801,376	554,925
Loss from operations	(801,376)	(554,925)
Interest and other income, net	2,037,433	978
Interest and derivative revaluation expense	773,850	82,196
Net loss	$ 462,207	$ (636,143)

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

Singular Bio, Inc.
Statements of Convertible Preferred Stock and Stockholders' Deficit
(Unaudited)

	Convertible preferred stock A		Convertible preferred stock A-1		Convertible preferred stock B		Convertible preferred stock B		Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2017	2,531,319	$3,984,160	4,537,636	$7,188,881	—	$ —	—	$ —	6,050,769	$ 605	$ 455,009	$(12,038,415)	$(11,582,801)
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	3,161	—	3,161
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance at March 31, 2018	2,531,319	$3,984,160	4,537,636	$7,188,881	—	—	—	$ —	6,050,769	$ 605	$ 458,170	$(12,038,415)	$(11,579,640)
Balance at December 31, 2018	2,531,319	$3,984,160	4,537,636	$7,188,881	—	$ —	—	$ —	6,061,602	$ 606	$ 471,119	$(13,816,884)	$(13,345,159)
Conversion of June 2016 convertible Notes into Series B convertible preferred stock at $1.20 per share in January 2019	—	—	—	—	—	—	147,147	235,434	—	—	—	—	235,434
Conversion of October 2017 convertible Notes into Series B convertible preferred stock at $0.80 per share in January 2019	—	—	—	—	—	—	1,686,299	1,349,041	1,349,039	—	1,349,037	—	2,698,078
Issuance of Series B convertible preferred stock in January 2019 at $1.60 per share	—	—	—	—	—	—	3,156,111	4,470,024	—	—	—	—	4,470,024
Reclassification of Series B convertible preferred stock to mezzanine upon obtaining control	—	—	—	—	4,989,557	6,054,499	(4,989,557)	(6,054,499)	—	—	—	—	(6,054,499)
Exercise of common stock options	—	—	—	—	—	—	—	—	3,125	135	868	—	1,003
Stock-based compensation	—	—	—	—	—	—	—	—	—	—	8,618	—	8,618
Net income	—	—	—	—	—	—	—	—	—	—	—	462,207	462,207
Balance at March 31, 2019	2,531,319	$3,984,160	4,537,636	$7,188,881	4,989,557	$6,054,499	—	$ —	7,413,766	$ 741	$1,829,642	$(13,354,677)	$(11,524,294)

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

Singular Bio, Inc.
Statements of Cash Flows

	Three Months Ended	
	March 31, 2019	March 31, 2018
	(unaudited)	
Cash flows from operating activities:		
Net cash provided by (used in) operating activities	$ 557,444	$ (536,838)
Cash flows from investing activities:		
Purchase of property and equipment	(40,642)	88
Net cash used in investing activities	(40,642)	88
Cash flows from financing activities:		
Issuance of convertible preferred stock, net of issuance costs	5,049,778	—
Other	(11,119)	(2,744)
Net cash provided by (used in) by financing activities	5,038,659	(2,744)
Net decrease in cash and cash equivalents	5,555,461	(539,494)
Cash and cash equivalents at beginning of year	160,702	1,140,362
Cash and cash equivalents at end of year	$ 5,716,163	$ 600,868

The accompanying notes are an integral part of these financial statements

Singular Bio, Inc.
Notes to Interim Condensed Financial Statements (Unaudited)

1. The Company

Business and Organization

Singular Bio, Inc. ("the Company") is an early-stage molecular diagnostics company, based in San Francisco, California, USA. The Company was incorporated in the state of Delaware on June 6, 2012. The Company is developing novel technologies for single molecule detection, which could be used to detect various genetic conditions of clinical importance. The Company devotes substantially all of its time and efforts to performing research and development, raising capital and recruiting personnel, and has not yet begun commercial sales of its technology.

Significant Risks and Uncertainties

The Company is subject to the risks associated with early stage enterprises, including the need to develop and refine its products and services, develop and execute its sales and marketing plans and obtain adequate financing to fulfill its development activities. Successful completion of the Company's development programs and, ultimately, the attainment of profitable operations, are dependent on future events, including, among other things, its ability to access potential markets; secure financing; develop a sufficient customer base; attract, retain and motivate qualified personnel; develop strategic alliances and develop the intellectual property, which underlie its proprietary technology. Although management believes that the Company will be able to successfully mitigate these risks, there can be no assurance that the Company will be able to do so or that the Company will ever operate profitably.

Basis of Presentation

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has incurred cumulative net losses of $13.4 million since inception and negative cash flow from operations since inception. During the periods ended March 31, 2018 and March 31, 2019, the Company has incurred a loss from operating expenses of $0.6 million and a gain of $0.5 million, respectively. Management plans include plans to raise additional debt or equity financing. The Company's focus is on research and development while raising additional rounds of financing. However, there can be no assurance that the Company will be successful in obtaining sufficient debt or equity financing on acceptable terms, if at all. Failure to control operating costs or raise sufficient additional financing may require the Company to modify, delay or abandon some of its planned future product development, which could have a material adverse effect on the Company's business, operating results, financial condition and ability to achieve its intended business objectives.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the expenses during the reporting period, including the valuation of derivative instruments, deferred tax assets, useful lives of property and equipment and stock-based compensation. Actual results may differ materially from such estimates. Management believes that the estimates, and judgments upon which they rely, are reasonable based upon information available to them at the time that these estimates and judgments are made. To the extent that there are material differences between these estimates and actual results, the Company's financial statements will be affected.

Concentration of Credit Risk
Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents. The risk of concentration with respect to cash and cash equivalents is mitigated by banking with creditworthy financial institutions. All of the Company's cash and cash equivalents are held at one U.S. financial institution. Such deposits may, at times, exceed federally insured limits.

Cash and Cash Equivalents

The Company considers all highly liquid investments with stated maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include money market funds.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, consisting of cash and cash equivalents, accounts payable and accrued liabilities and other current liabilities, approximate fair value due to their relatively short maturities. Derivative instruments are carried at fair value based on unobservable market inputs.

Property and Equipment
Property and equipment are stated at cost, less accumulated depreciation and amortization.

Depreciation and amortization on property and equipment is calculated using the straight-line method over the estimated useful lives of five years. Costs of maintenance and repairs that do not improve or extend the useful lives of assets are expensed as incurred. Upon retirement or sale, the cost and related accumulated depreciation are removed from the balance sheets and the resulting gain or loss is reflected in the statements of operations.

Derivative Instruments

The Company analyzes embedded features in its convertible promissory notes and bifurcates and separately values as a derivative liability those provisions that require separate recognition. The derivative instruments are recorded at fair value at inception and are subject to remeasurement to fair value at each balance sheet date, with any changes to the fair value recognized in the statement of operations (Note 3).

Research and Development
Research and development expenses primarily consisting of personnel costs, laboratory supplies costs, capital expenses that have no alternative future use and other materials costs are charged to operations as incurred.

Stock-Based Compensation
The Company records compensation expense in connection with options granted to employees in accordance with Accounting Standards Codification ("ASC") 718, *Stock Compensation*. This guidance requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options on the date of grant. Calculating the fair value of stock options using the Black-Scholes model requires certain highly subjective inputs and assumptions. The Company estimates the expected term of options granted based on the simplified method under the guidance of Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") Topic 14 as codified into a new Accounting Standards Update ("ASU"). The Company estimates the volatility of its common stock on the date of grant based on the average historical stock price volatility of comparable, publicly-traded companies in its industry group.

The Company has adopted ASC 2016-09 and no longer records forfeitures on share-based awards and instead, has elected to record forfeitures as they occur.

The absence of an active market for the Company's stock also requires the Company's Board of Directors, which includes members who possess extensive business, finance and venture capital experience, to determine the fair value of its common stock for purposes of granting options. The Company obtains contemporaneous third-party valuations to assist the board of directors in determining the fair value of the Company's common stock. All options granted are exercisable at a price per share not less than fair value of the shares of the Company's common stock underlying those options on their respective dates of grant. The Company records stock-based compensation expense for its stock options on a straight-line basis over the requisite service period, which is generally four years.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") under its ASC or other standard setting bodies and adopted by the Company as of the specified effective date, unless otherwise discussed below.

Recently Adopted Accounting Pronouncements

In May 2017, FASB issued ASU 2017-09, *Compensation-Stock Compensation* (Topic 718), Scope of Modification Accounting. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments in this update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Company adopted this new guidance beginning January 1, 2018, on prospective basis, which did not result in a material impact on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which requires changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update are effective for interim and annual periods beginning after December 15, 2017. The Company adopted this new guidance beginning January 1, 2018, on a retrospective basis, which did not result in a material impact on its financial statements and related disclosures.

In March 2016, FASB issued ASU 2016-09, *Stock Compensation—Improvements to Employee Share-Based Payment Accounting*. On January 1, 2017, the Company adopted the amendments to ASC 718, which simplify accounting for share-based payment transactions. Prior to this amendment, excess tax benefits resulting from the difference between the deduction for tax purposes and the compensation costs recognized for financial reporting were not recognized until the deduction reduced taxes payable. Under the new method, the Company recognizes excess tax benefits in the current accounting period. In addition, the Company has stopped estimating forfeitures and elected to recognize the actual forfeitures by reducing the employee share-based compensation expense in the same period as the forfeitures occur. The Company has adopted these changes in accounting method using the modified retrospective method under which the Company should recognize the cumulative effect adjustment to the opening accumulated deficit as of January 1, 2017. The cumulative effect of the changes as of January 1, 2017 for the adoption of ASU 2016-09 was immaterial. Hence, the Company did not recognize the cumulative effect adjustment in its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The updated guidance enhances the reporting model for financial instruments, which includes amendments to address aspects of recognition, measurement, presentation and disclosure. The amendment to the standard is effective for financial statements issued for interim and annual periods beginning after December 15, 2017. The Company adopted this new guidance beginning January 1, 2018, on a

retrospective basis, which did not result in a material impact on its financial statements and related disclosures.

In July 2017, FASB issued ASU 2017-11, *Earnings Per Share (Topic 260) Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815) (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. This update simplifies the accounting for certain financial instruments with down round features, a provision in an equity-linked financial instrument (or embedded feature) that provides a downward adjustment of the current exercise price based on the price of future equity offerings. Down round features are common in warrants, preferred shares and convertible debt instruments issued by private companies and early-stage public companies. This update requires companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability or equity classification. The provisions of this update related to down rounds are effective for public entities for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The amendments in Part I should be applied (1) retrospectively to outstanding financial instruments with a down round feature by means of a cumulative-effect adjustment to the statement of financial position as of the beginning of the first fiscal year and interim periods; (2) retrospectively to outstanding financial instruments with a down round feature for each prior reporting period presented. The Company early adopted this new guidance beginning January 1, 2017, on a retrospective basis, which did not result in a material impact on its financial statements and related disclosures.

New Accounting Pronouncements Not Yet Adopted

In June 2018, the FASB issued ASU 2018-07, *Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of Topic 718 to include all share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which the grantor acquires goods and services to be used or consumed in its own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under ASC 606. The transition method provided by ASU 2018-07 is a modified retrospective basis which recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The amendments in ASU 2018-07 are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted, but no earlier than an entity’s adoption date of Topic 606. The Company is currently evaluating the impact of adopting this guidance on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* (“ASC 842”), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASC 842 supersedes the previous leases standard, ASC 840 *Leases*. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, an update which provides another transition method in addition to the existing modified retrospective transition method by allowing entities 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. The standard is effective for interim and annual periods beginning after December 15, 2018 and should be applied through a modified

retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, and early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2016-02 on its financial statements and related disclosures.

With the exception of the updated standards discussed above, there have been no new accounting pronouncements that have significance, or potential significance, to the Company’s financial statements.

3. Fair Value Measurements

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 - Inputs that are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities and which reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

The financial liabilities measured at fair value on a recurring basis were the embedded derivative liability associated with the convertible notes, which were classified as Level 3 because they were based on unobservable inputs.

The following table presents the Company’s fair value hierarchy for assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2018			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ 89,669	$ —	$ —	$ 89,669
Total	$ 89,669	$ —	$ —	$ 89,669
Liabilities:				
2016 embedded derivative liability	$ —	$ —	$ 59,879	$ 59,879
2017 embedded derivative liability	—	—	1,349,037	1,349,037
Total	$ —	$ —	$ 1,408,916	$ 1,408,916

	Fair Value Measurements at March 31, 2019			
	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Money market funds	$ 5,591,488	$ —	$ —	$ 5,591,488
Total	$ 5,591,488	$ —	$ —	$ 5,591,488

The following table sets forth a summary of the changes in the fair value of the Company's Level 3 financial instruments (in thousands):

	2016 Embedded Derivative Liability	2017 Embedded Derivative Liability
Fair value as of December 31, 2018	$ 59	$ 1,349
Derecognition of financial instruments in connection with equity restructuring	(59)	(1,349)
Fair value as of March 31, 2019	$ —	$ —

The Company used a hybrid method between the probability-weighted expected return method ("PWERM") and the Black-Scholes option pricing model to estimate the fair value of the 2016 and 2017 embedded derivative liabilities. The PWERM is a scenario-based analysis that estimates value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to the Company, as well as the economic and control rights of each share class. The Company estimated the probability-weighted value across multiple scenarios, and using the Black Scholes option pricing model to determine the fair value of each scenario, in order to estimate the aggregate fair value of the embedded derivative liabilities present in each convertible note. In this valuation, the Company considered possible outcomes under PWERM including: (1) a qualified financing, (2) a change in control, (3) an IPO, (4) a voluntary conversion by the noteholders, (5) a litigation settlement against a third-party, (6) a repayment under an event of default or (7) a repayment at maturity. Estimates of fair value using the Black Scholes option pricing model are affected by assumptions regarding a number of complex variables, including expected term, expected volatility, expected dividend and risk-free interest rate. Specifically, at December 31, 2016, the fair values recognized for the 2016 embedded derivative liability assumed volatilities of 38-43%, risk-free rates of 0.74-1.56%, no dividends expected to be paid and an expected term based on the timing for each scenario ranging from 0.8 to 3.5 years. At December 31, 2017, the fair values recognized for the 2016 and 2017 embedded derivative liabilities assumed volatilities of 33-45%, risk-free rates of 1.35-2.10%, no dividends expected to be paid and an expected term based on the timing for each scenario ranging from 1.0 to 4.0 years. In January 2019, the Company closed its Series B financing and at the time of the redemption of the convertible notes at the close of the qualified financing, the fair value of the 2016 and 2017 embedded derivative liabilities were determined to be $59,000 and $1.35 million, respectively. See more details regarding the Series B financing in Note 7 below.

4. Property and Equipment

Property and equipment consisted of the following:

	March 31, 2019	December 31, 2018
Computer and Office Equipment	$ 50,337	$ 50,337
Laboratory Equipment	849,440	808,798
Total Property and Equipment	899,777	859,135
Less: Accumulated Depreciation	(597,017)	(559,914)
Net Property and Equipment	$ 302,760	$ 299,221

The gross carrying amounts of capital leases included property and equipment were $140,630 and $140,630 with associated accumulated depreciation of $19,959 and $26,190 for the three months ending December 31, 2018 and March 31, 2019, respectively. Depreciation expense for the three months ending March 31, 2018 and March 31, 2019 was $38,280 and $37,104, respectively.

5. Convertible Notes

2016 Convertible Note

On June 21, 2016, the Company received $3.0 million in gross proceeds from the issuance of the 2016 Convertible Notes (the “2016 Convertible Notes”) from related parties. Interest on the unpaid principal balance of the 2016 Convertible Notes accrues at an annualized rate of 6.0% and is payable at maturity. Unless converted or redeemed upon occurrence of certain events, the 2016 Convertible Notes mature on June 21, 2021. Under the 2016 Convertible Notes, the principal and interest become due at the earlier of (i) the maturity date or (ii) an event of default.

The 2016 Convertible Notes include embedded derivatives that are required to be bifurcated and accounted for separately as a single, compound derivative instrument. If the note had not been prepaid or converted prior to the maturity date, the principal and accrued interest of the Notes would automatically convert into equity at the initial closing of the next qualified financing round that raised an aggregate of at least $7.5 million. The 2016 Convertible Notes would convert at a rate of 75% of the price paid by the equity investors. If the 2016 Convertible Notes had not been prepaid or converted prior to maturity, and the Company completes a qualified financing or an Initial Public Offering or IPO, then the 2016 Convertible Notes will convert at the greater of the Base Conversion Price or 75% of the price per share paid by other investors in the financing. If the 2016 Convertible Notes had not been prepaid or converted prior to maturity, and the Company completes a change of control merger, then the investor could either get repaid the principal and accrued interest, or if the 2016 Convertible Notes convert into shares, they would convert into the Series A preferred shares at the Base Conversion Price. The choice of being paid in cash or converting into equity is up to the noteholder. The conversion to Series A in this scenario requires the election of the majority of stockholders. If there is a default under the 2016 Convertible Notes prior to the Maturity date, the entire principal and accrued interest will become payable in cash at par. The Company determined that the share settled redemption in the case of a qualified financing or an IPO represents an embedded derivative that is not clearly and closely related to the debt host and is accounting for these two settlement alternatives as separate embedded derivative liabilities.

The Company determined the fair value of the embedded derivatives liabilities on the 2016 Convertible Notes to be approximately $316,000 on the issuance date, which was recorded as a debt discount. The debt discount is being amortized over the five-year period through the maturity date using a straight-line method, which approximates the interest method. The Company used a combination of the PWERM and the Black Scholes option pricing model to determine the fair value (Note 3).

In October 2017, in connection with the Equity Recapitalization, a total of $3,060,000 in aggregate principal and accrued interest from 2016 Convertible Notes converted into a total of 1,912,704 shares of Series A preferred stock at $1.60 per share (see Note 7 below). At the time of the conversion, the associated embedded derivative liability of $321,000 was reclassified to equity.

2017 Convertible Note

On October 6, 2017, the Company received $1.25 million in gross proceeds from the issuance of the 2017 convertible notes (the “2017 Convertible Notes”) from related and unrelated parties under a Unit Purchase Agreement. Interest on the unpaid principal balance of the 2017 Convertible Notes accrues at an annualized rate of 6.0% and is payable at maturity. Unless converted or redeemed upon occurrence of certain events, the 2017 Convertible Notes mature on October 6, 2022. Under the 2017 Convertible Notes, the principal and interest become due at the earlier of (i) the maturity date, (ii) an event of default or (iii) a financing or a merger.

The 2017 Convertible Notes include embedded derivatives that are required to be bifurcated and accounted for separately as a single, compound derivative instrument. If the 2017 Convertible Notes have not been converted or prepaid prior to the maturity date, the principal and accrued

interest of the 2017 Convertible Notes automatically convert into equity at the initial closing of the next financing round that raised an aggregate of at least $10.0 million or an amount agreed upon by the noteholders. The 2017 Convertible Notes would convert at a rate of 50% of the price paid by the equity investors. If the 2017 Convertible Notes had not been converted or prepaid prior to maturity, and the Company completes an IPO, then the 2017 Convertible Notes will convert at 50% of the price per share paid by other investors in the IPO.

If the 2017 Convertible Notes had not been converted or prepaid prior to maturity, and the Company completes a change of control merger, then the investor could either get repaid at 200% of the principal, or if the 2017 Convertible Notes convert into shares, they would convert at 50% of the Series A preferred stock issuance price. The choice of being paid in cash or converting into equity is up to the noteholder. The note holder may also voluntarily convert their note at any time prior to the maturity date into Series A preferred stock at 50% of the original issuance price or if a non-qualified financing has taken place, at 50% of the price paid by investors in that financing.

If there is a default under the 2017 Convertible Notes prior to the maturity date, the entire principal and accrued interest will become payable in cash at par. The Company determined that the share settled redemption in the case of a qualified financing, a change in control, an IPO or upon the voluntary conversion by the Noteholder, as well as the accelerated cash repayment in the case of change in control and a litigation settlement represents an embedded derivative that is not clearly and closely related to the debt host, and is accounting for these multiple settlement alternatives as embedded derivative liabilities.

The Company determined the fair value of the embedded derivative liabilities on the 2017 Convertible Notes to be approximately $1.0 million on the issuance date, which was recorded as a debt discount. The debt discount is being amortized over the five-year period through the maturity date using a straight-line method, which approximates the interest method. The Company used a combination of the PWERM and the Black Scholes option pricing model to determine the fair value (Note 3). At the end of each reporting period on December 31, the Company remeasured the fair value of the embedded derivative, and any change in fair value is recognized in the statement of operations.

In conjunction with the 2017 Convertible Note issuance, the Company reclassified preferred stock into mezzanine capital.

6. Accrued Liabilities

Accrued liabilities consisted of the following:

	March 31, 2019	December 31, 2018
Accrued Liabilities		
Accrued Payroll Expenses	$ 44,633	$ 144,686
Accrued Interest	—	355
Accrued Taxes	—	1,650
Accrued Deferred Income	—	25000
Accrued Other Expenses	11,624	17,162
Total	$ 56,257	$ 188,853

7. Stockholders' Equity

Preferred Stock

As of December 31, 2018 and March 31, 2019 the Company had outstanding Series A, A-1 and B preferred stock, par value of $0.0001 (individually referred to as “Series A or A-1 or B”, or collectively “Preferred Stock”) as follows (in thousands, except share data):

December 31, 2018	Preferred Stock		Liquidation Value	Carrying Value
	Authorized	Outstanding		
Series A preferred stock	8,000,000	2,531,319	$ 4,050	$ 4,050
Series A-1 preferred stock	5,000,000	4,537,636	7,260	7,260
Total	13,000,000	7,068,955	$ 11,310	$ 11,310

March 31, 2019	Preferred Stock		Liquidation Value	Carrying Value
	Authorized	Outstanding		
Series A preferred stock	8,000,000	2,531,319	$ 4,050	$ 4,050
Series A-1 preferred stock	5,000,000	4,537,636	7,260	7,260
Series B preferred stock	4,989,557	4,989,557	7,983	$ 7,983
Total	17,989,557	12,058,512	$ 19,293	$ 19,293

Significant terms of the Preferred Stock are as follows:

Voting Rights

Each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Charter, holders of Preferred Stock shall vote together with the holders of Common Stock as a single class. The holders of a majority of the Series A preferred shares are entitled to elect two members of the Board of Directors, and the holders of the majority of the common stock are entitled to elect two members of the Board of Directors, and one independent director is appointed to the Board of Directors.

Dividends

The holders of shares of the Company’s preferred stock are entitled to receive dividends at the rate of 6% per year of the original issuance price, compounding quarterly on each outstanding share of preferred stock (as adjusted for any stock dividends, combinations or splits with respect to such shares). Such dividends are cumulative, meaning they accrue, until paid, from the date of issuance of each round of shares, whether or not declared.

No dividends had been declared or paid by the Company as of December 31, 2018. The Company had unrecorded cumulative dividends of $977,412 as of December 31, 2018. All unrecorded dividends were cancelled in conjunction with the Series B financing event on January 31, 2019.

Liquidation

In the event of any liquidation event, the holders of the preferred stock are entitled to receive in any distribution of any of the assets of the Company in preference to the holders of the common stock, an amount equal to the greater of (a) the original issue price, adjusted for any stock splits, stock dividends, recapitalizations, reclassifications, combinations or similar transactions (“anti-dilution adjustments”), plus all accruing but unpaid dividends, whether or not declared on such shares, or (b) such amount per share as would have been payable had all shares of preferred stock been converted into common stock immediately before such liquidation. After the payment of the liquidation preference to the preferred holders, all remaining assets available for distribution will be distributed ratably among the holders of the common stock. If available assets are insufficient to pay the full liquidation preference of a

given series of preferred stock, the assets available for distribution to holders of such preferred stock will be distributed among such holders on a pro rata basis.

Conversion

Shares of any series of preferred stock can be converted, at the option of the stockholder, into such number of fully paid and non-assessable shares of common stock. The conversion price is determined by dividing the original issuance price applicable to each series of preferred stock, adjusted for any anti-dilution adjustments, by the applicable conversion price for such series. The Company's preferred stock is convertible into the Company's shares of common stock on a one-for-one basis.

Shares of preferred stock shall automatically be converted into shares of common stock at the then effective conversion rate for such share, upon earlier to occur of: (1) the date, or the occurrence of event, specified by the vote of or written consent of the holders of at least a majority of the preferred stock voting together as a single class on an as-converted basis; and (2) immediately prior to the consummation of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act, covering the offer and sale of the Company's common stock, provided that the per share price is at least three times the original issuance price and gross proceeds to the Company are equal to or greater than $50.0 million.

Redemption

The Series A, A-1 and B preferred stock are not redeemable.

Common Stock

As of December 31, 2018 and March 31, 2019, the Company's certificate of incorporation authorized the Company to issue 20,000,000 and 26,000,000, respectively, shares of common stock at the par value of $0.0001 per share. The holder of each share of common stock is entitled to one vote per share. As of December 31, 2018 and March 31, 2019 the Company had shares of common stock reserved for future issuance as follows:

	December 31, 2018	March 31, 2019
Conversion of Series A preferred stock	2,531,319	2,531,319
Conversion of Series A-1 preferred stock	4,537,636	4,537,636
Conversion of Series B preferred stock	—	4,989,557
Exercise of common stock warrants	2,268,818	2,268,818
Exercise of outstanding options under the Plan	404,238	404,238
Issuance of common stock under the Plan	297,210	140,775
Total	10,039,221	14,872,343

Series B Financing

On January 31, 2019, Singular Bio closed its Series B financing which resulted in preferred stock issued of $6,054,499, net of issuance costs. The completion of this financing resulted in the conversion of the remaining 2016 Convertible Notes and the 2017 Convertible Note into Series B equity. The convertible promissory notes and accrued interest, net of debt discount of $750,747 and derivative liability of $1,408,916, were settled and all liens against non-core Intellectual Property owned by Singular Bio were discharged.

8. Stock-Based Compensation

Stock Option Plan

Under the Company's 2014 stock option plan (the "Plan"), the Company may grant options to purchase, or directly issue in the form of stock awards, 786,800 shares of common stock at prices equal to the fair market value at the date of grant or issue. The options generally expire ten years from the date of grant and generally vest over four years. Options can be exercised prior to vesting and the Company has the right to repurchase any unvested shares at the original exercise price. The right of repurchase expires over the vesting period of the initial option award. As of December 31, 2018 and March 31, 2019, no common stock options have been early exercised and subject to repurchase.

Total stock-based compensation expense was $3,161 and $8,618 for the three months ending March 31, 2018 and March 31, 2019, respectively.

9. Commitments and Contingencies

Commitments

The Company s commitments consist of capital leases for laboratory equipment. The Company's contractual obligations at March 31, 2019 were as follows:

		Capital Lease Obligations
2019	$	39,289
2020		52,386
2021		8,265
Total	$	99,940

Capital Leases

Singular Bio maintains capital leases on two pieces of laboratory equipment. The lease liability reported on the balance sheets in long-term and short-term portions. The fair value of the assets is $138,407, and the value and associated depreciation are included in the Property and Equipment section above.

Contingencies

From time to time, the Company may become involved in litigation. Management is not currently aware of any matters that could have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

10. Co-Development Agreement

In September 2018, the Company entered into a co-development agreement, which provides the Company fees of $3,000,000. The duration of the agreement is twelve months and requires the Company's performance under the agreement to be entitled to the $3,000,000. The Company received $1,000,000 in fees in the year ending December 31, 2018 and the remaining $2,000,000 fees in January 2019 and recognized the fees income in "Interest and Income, net".

11. Subsequent Events

In June 2019, 100% of the Company's fully diluted equity was acquired by Invitae Corporation for approximately $57.3 million, comprised of $53.9 million in the form of 2.5 million shares of Invitae's common stock and the remainder in cash.

Exhibit 99.3

INVITAE CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of Invitae Corporation (hereinafter referred to as the "Company" or "Invitae" or "we" and similar terms unless the context indicates otherwise) and Singular Bio, Inc. ("Singular Bio") and are adjusted to give effect to the June 2019 acquisition of Singular Bio. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2018 and six months ended June 30, 2019 give effect to the acquisition of Singular Bio as if it had occurred on January 1, 2018. An unaudited pro forma condensed consolidated balance sheet has not been presented since the transaction was reflected in the Company's balance sheet at June 30, 2019 included in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission ("SEC") on August 6, 2019.

The acquisition has been accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805 - Business Combinations. Under the acquisition method of accounting, the total purchase consideration of the acquisition is allocated to the tangible assets and identifiable intangible assets and liabilities assumed based on their relative fair values. The excess of the purchase consideration over the net tangible and identifiable intangible assets is recorded as goodwill. The purchase price allocation is preliminary because valuation of the net tangible and identifiable intangible assets is still being finalized. Accordingly, the pro forma adjustments related to the purchase price allocation and certain other estimates, assumptions, and adjustments are preliminary and subject to change during the measurement period (up to one year from the acquisition date).

The following unaudited pro forma condensed combined statements of operations and related notes present the historical statements of operations of the Company adjusted to reflect the Company’s acquisition of Singular Bio on June 19, 2019. The historical consolidated statements of operations have been adjusted in the unaudited pro forma condensed combined statements of operations to give effect to pro forma events that are: (1) directly attributable to the acquisition, (2) factually supportable, and (3) expected to have a continuing impact on the combined results following the acquisition. The pro forma condensed combined financial statements do not necessarily reflect what the combined companies' financial condition or results of operations would have been had the acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company.

The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not intended to represent or be indicative of the consolidated financial results of operations in future periods or the results that actually would have been achieved if Invitae and Singular Bio had been a combined company during the periods presented. The actual results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The unaudited pro forma condensed combined statement of operations does not reflect any operating efficiencies and/or cost savings that Invitae may achieve with respect to the combined companies.

These unaudited pro forma condensed combined financial statements should be read in conjunction with the following:

- Invitae's historical consolidated financial statements and accompanying notes included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the SEC on February 28, 2019;
- Invitae's historical consolidated financial statements and accompanying notes included in its Quarterly Report on Form 10-Q as of and for the six months ended June 30, 2019 filed with the SEC on August 6, 2019;
- Singular Bio's historical financial statements and related notes for the years ended December 31, 2018, 2017, and 2016 included as Exhibit 99.1 hereto; and
- Singular Bio's financial statements and notes thereto for the three months ending March 31, 2019 included as Exhibit 99.2 hereto.

INVITAE CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(in thousands, except per share data)

	Historical				
	Invitae	Singular Bio	Pro Forma Adjustments		Pro Forma Combined
Revenue:					
Test revenue	$ 91,921	$ —	$ —		$ 91,921
Other revenue	2,107	—	—		2,107
Total revenue	94,028	—	—		94,028
Cost of revenue	49,260	—	—		49,260
Research and development	43,296	866	(2,586)	A	41,576
Selling and marketing	54,972	—	—		54,972
General and administrative	34,593	1,752	(7,188)	B, C, D	29,157
Loss from operations	(88,093)	(2,618)	9,774		(80,937)
Other income (expense), net	2,019	2,051	(2,025)	C	2,045
Interest expense	(4,229)	(774)	774	E	(4,229)
Net loss before taxes	(90,303)	(1,341)	8,523		(83,121)
Income tax benefit	(3,950)	—	3,950	F	—
Net loss	$ (86,353)	$ (1,341)	$ 4,573		$ (83,121)
Net loss per share, basic and diluted	$ (1.01)				$ (0.95)
Shares used in computing net loss per share, basic and diluted	85,148		2,347	G	87,495

See accompanying notes to unaudited pro forma condensed combined financial statements

INVITAE CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands, except per share data)

	Historical				
	Invitae	Singular Bio	Pro Forma Adjustments		Pro Forma Combined
Revenue:					
Test revenue	$ 144,560	$ —	$ —		$ 144,560
Other revenue	3,139	—	—		3,139
Total revenue	147,699	—	—		147,699
Cost of revenue	80,105	—	—		80,105
Research and development	63,496	1,232	—		64,728
Selling and marketing	74,428	—	—		74,428
General and administrative	52,227	817	(1,000)	C	52,044
Loss from operations	(122,557)	(2,049)	1,000		(123,606)
Other income (expense), net	(2,568)	979	(975)	C	(2,564)
Interest expense	(7,030)	(708)	708	E	(7,030)
Net loss before taxes	(132,155)	(1,778)	733		(133,200)
Income tax benefit	(2,800)	—	—		(2,800)
Net loss	$ (129,355)	$ (1,778)	$ 733		$ (130,400)
Net loss per share, basic and diluted	$ (1.94)				$ (1.88)
Shares used in computing net loss per share, basic and diluted	66,747		2,499	G	69,246

See accompanying notes to unaudited pro forma condensed combined financial statements

INVITAE CORPORATION
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2018 and six months ended June 30, 2019 combine the results of operations of Invitae and Singular Bio as if the acquisition had occurred on January 1, 2018.

1. Acquisition of Singular Bio

In June 2019, we acquired 100% of the fully diluted equity of Singular Bio, a privately held company developing single molecule detection technology, for approximately $57.3 million, comprised of $53.9 million in the form of 2.5 million shares of our common stock and the remainder in cash.

Prior to the acquisition, in September 2018 we entered into a co-development agreement with Singular Bio whereby we paid Singular Bio $3.0 million for a 12-month right of first refusal and an opportunity to conduct due diligence on its business. As of January 2019, we made all required payments under the terms of this co-development agreement.

In connection with the acquisition, all of Singular Bio's equity awards that were outstanding and unvested prior to the acquisition became fully vested per the terms of the merger agreement. The acceleration of vesting required us to allocate the fair value of the equity attributable to pre-combination service to the purchase price and the remaining was considered our post-combination expense. We recognized post-combination expense related to the acceleration of unvested equity of $3.2 million which was recorded as Invitae's general and administrative expense during the three months ended June 30, 2019.

Assets acquired and liabilities assumed are recorded based on valuations derived from estimated fair value assessments and assumptions used by us. While we believe that our estimates and assumptions underlying the valuations are reasonable, different estimates and assumptions could result in different valuations assigned to the individual assets acquired and liabilities assumed, and the resulting amount of goodwill. The following table summarizes the fair values of assets acquired and liabilities assumed at the date of acquisition (in thousands):

Cash	$	4,988
Property and equipment		303
In-process research and development		29,988
Total identifiable assets acquired		35,279
Current liabilities assumed		(479)
Deferred tax liability		(3,950)
Net identifiable assets acquired		30,850
Goodwill		26,461
Total purchase price	$	57,311

Our purchase price allocation for our acquisition of Singular Bio is preliminary and subject to revision as additional information about fair value of assets and liabilities becomes available. Additional information that existed as of the acquisition date but at the time was unknown to us may become known to us during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The acquisition of Singular Bio resulted in the recognition of $26.5 million of goodwill which we believe consists primarily of technological expertise and capabilities within nucleic acid analysis and the ability to utilize the technology outside non-invasive prenatal screening. Goodwill created as a result of the acquisition of Singular Bio is not deductible for tax purposes.

We recorded an income tax benefit of $4.0 million during the three months ended June 30, 2019 due to net deferred tax liabilities assumed in connection with our acquisition of Singular Bio which provided a future source of income to support the realization of our legacy deferred tax assets and resulted in a partial release of our valuation allowance.

We granted approximately $90.0 million of restricted stock units ("RSUs") under our 2015 Stock Incentive Plan as inducement awards to new employees who joined Invitae in connection with our acquisition of Singular Bio. $45.0 million of the RSUs are time-based and vest in three equal installments in December 2019, June 2020, and December 2020, subject to the employee's continued service with us ("Time-based RSUs") and $45.0 million of the RSUs are performance-based RSUs ("PRSUs") that vest upon the achievement of certain performance conditions over a period of approximately 12 months, subject to the employee's continued service with us. Since the number of awards granted is based on a 30-day volume weighted-average share price with a fixed dollar value, these Time-based RSUs and PRSUs are liability-classified and the fair value will be estimated at each reporting period based on the number of shares that are expected to be issued at each reporting date and our closing stock price. Therefore, fair value of the RSUs and the number of shares to be issued will not be fixed until the RSUs vest.

During the three months ended June 30, 2019, we recorded research and development stock-based compensation expense of $0.9 million related to the Time-based RSUs and $1.7 million related to the PRSUs based on our evaluations of the probability of achieving performance conditions.

***2.* Pro forma adjustments**

The following pro forma adjustments are included in the unaudited pro forma condensed combined statements of operations:

A To remove the $2.6 million of stock-based compensation related to the Time-based RSUs and PRSUs granted in connection with the Singular Bio acquisition.

B To eliminate the nonrecurring post-combination expense of $3.2 million recorded due to the acceleration of unvested equity.

C To eliminate the effects of the $3.0 million co-development agreement between Invitae and Singular Bio. Invitae recognized expense related to the co-development agreement from September 2018 through June 2019 through general and administrative expense with $1.0 million recognized during the year ended December 31, 2018 and the remaining $2.0 million during the six months ended June 30, 2019. Singular Bio recognized other income (expense) related to this co-development agreement of $1.0 million during the year ended December 31, 2018 and $2.0 million during the six months ended June 30, 2019.

D To eliminate $2.0 million of nonrecurring transaction costs incurred by both Invitae and Singular Bio that were incurred during the three months ended June 30, 2019 and were directly related to the transaction.

E To remove interest expenses related to extinguished debt and debt-like items incurred by Singular Bio of $0.7 million during the year ended December 31, 2018 and $0.8 million during the six months ended June 30, 2019. This debt was not assumed by Invitae in connection with the acquisition.

F To remove the income tax benefit recognized due to net deferred tax liabilities assumed in connection with our acquisition of Singular Bio.

G To reflect the 2.5 million shares of Invitae common stock issued in connection with the acquisition of Singular Bio.