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

FORM 10-Q

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from to

Commission File Number: 001-38624

Vaccinex, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**16-1603202**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1895 Mount Hope Avenue	
Rochester, New York	**14620**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (585) 271-2700

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	VCNX	Nasdaq Capital Market

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 12, 2021, the registrant had 30,801,110 shares of common stock, $0.0001 par value per share, outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

VACCINEX, INC.

Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share data)

	As of June 30, 2021	As of December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,385	$ 10,596
Accounts receivable	-	157
Prepaid expenses and other current assets	1,057	533
Total current assets	23,442	11,286
Property and equipment, net	347	416
TOTAL ASSETS	$ 23,789	$ 11,702
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,721	$ 3,169
Accrued expenses	1,505	1,937
Senior secured convertible debt, net	2,489	8,074
Total current liabilities	5,715	13,180
Long-term debt	1,134	1,134
TOTAL LIABILITIES	6,849	14,314
Commitments and contingencies (Note 7)		
Stockholders' equity (deficit):		
Common stock, par value of $0.0001 per share; 100,000,000 shares authorized as of June 30, 2021, and December 31, 2020; 30,801,962 and 22,388,027 shares issued as of June 30, 2021 and December 31, 2020, respectively; 30,801,110 and 22,387,175 shares outstanding as of June 30, 2021 and December 31, 2020, respectively	3	3
Additional paid-in capital	306,972	250,914
Treasury stock, at cost; 852 shares of common stock as of June 30, 2021 and December 31, 2020, respectively	(11)	(11)
Accumulated deficit	(290,024)	(277,481)
Total Vaccinex, Inc. stockholders' equity (deficit)	16,940	(26,575)
Noncontrolling interests	-	23,963
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	16,940	(2,612)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 23,789	$ 11,702

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

VACCINEX, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	$ -	$ -	$ 850	$ -
Costs and expenses:				
Research and development	4,064	4,557	9,577	9,966
General and administrative	1,605	1,943	3,182	3,693
Total costs and expenses	5,669	6,500	12,759	13,659
Loss from operations	(5,669)	(6,500)	(11,909)	(13,659)
Interest expense	(351)	-	(683)	-
Other income (expense), net	51	(1)	49	9
Loss before provision for income taxes	(5,969)	(6,501)	(12,543)	(13,650)
Provision for income taxes	-	-	-	-
Net loss	(5,969)	(6,501)	(12,543)	(13,650)
Net loss attributable to noncontrolling interests	-	-	-	-
Net loss attributable to Vaccinex, Inc. common stockholders	$ (5,969)	$ (6,501)	$ (12,543)	$ (13,650)
Comprehensive loss	$ (5,969)	$ (6,501)	$ (12,543)	$ (13,650)
Net loss per share attributable to Vaccinex, Inc. common stockholders, basic and diluted	$ (0.21)	$ (0.39)	$ (0.47)	$ (0.84)
Weighted-average shares used in computing net loss per share attributable to Vaccinex, Inc. common stockholders, basic and diluted	28,577,779	16,689,399	26,897,283	16,345,211

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

VACCINEX, INC.

Condensed Consolidated Statements of Stockholders' Equity (Deficit) (Unaudited)
(in thousands, except share data)

	Common Stock			Treasury Stock					
	Shares	Amount	Additional Paid-in Capital	Common Stock Shares	Amount	Accumulated Deficit	Total Vaccinex, Inc. Stockholders' Deficit	Noncontrolling Interests	Total Stockholders' Deficit
Balance as of January 1, 2020	14,887,999	$ 1	$ 222,403	852	$ (11)	$ (248,630)	$ (26,237)	$ 23,963	$ (2,274)
Issuance of Common Shares	1,468,563	1	7,475	-	-	-	7,476	-	7,476
Stock-based compensation	20,000	-	204	-	-	-	204	-	204
Exercise of stock options	1,025	-	4	-	-	-	4	-	4
Net loss	-	-	-	-	-	(7,149)	(7,149)	-	(7,149)
Balance as of March 31, 2020	16,377,587	2	230,086	852	(11)	(255,779)	(25,702)	23,963	(1,739)
Issuance of common shares	642,112	-	2,296	-	-	-	2,296	-	2,296
Exchange of partnership units for common shares (Note 10)	4,125	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	366	-	-	-	366	-	366
Net loss	-	-	-	-	-	(6,501)	(6,501)	-	(6,501)
Balance as of June 30, 2020	17,023,824	$ 2	$ 232,748	852	$ (11)	$ (262,280)	$ (29,541)	$ 23,963	$ (5,578)

	Common Stock			Treasury Stock					
	Shares	Amount	Additional Paid-in Capital	Common Stock Shares	Amount	Accumulated Deficit	Total Vaccinex, Inc. Stockholders' Equity (Deficit)	Noncontrolling Interests	Total Stockholders' Equity (Deficit)
Balance as of January 1, 2021	22,388,027	$ 3	$ 250,914	852	$ (11)	$ (277,481)	$ (26,575)	$ 23,963	$ (2,612)
Issuance of Common Shares	5,937,900	-	32,848	-	-	-	32,848	-	32,848
Common shares issuance costs	-	-	(985)	-	-	-	(985)	-	(985)
Stock-based compensation	-	-	104	-	-	-	104	-	104
Shares issued for compensation	9,979	-	-	-	-	-	-	-	-
Exchange of partnership units for common shares (Note 10)	109,900	-	2,000	-	-	-	2,000	(2,000)	-
Net loss	-	-	-	-	-	(6,574)	(6,574)	-	(6,574)
Balance as of March 31, 2021	28,445,806	3	284,881	852	(11)	(284,055)	818	21,963	22,781
Issuance of Common Shares	-	-	-	-	-	-	-	-	-
Stock-based compensation	-	-	128	-	-	-	128	-	128
Exchange of partnership units for common shares (Note 10)	2,356,156	-	21,963	-	-	-	21,963	(21,963)	-
Net loss	-	-	-	-	-	(5,969)	(5,969)	-	(5,969)
Balance as of June 30, 2021	30,801,962	$ 3	$ 306,972	852	$ (11)	$ (290,024)	$ 16,940	$ -	$ 16,940

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

VACCINEX, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Six Months Ended June 30,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (12,543)	$ (13,650)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	91	162
Debt related charges included in interest expense	371	-
Stock-based compensation	232	570
Changes in operating assets and liabilities:		
Accounts receivable	157	677
Prepaid expenses and other current assets	(524)	(1,275)
Accounts payable	(1,448)	2,055
Accrued expenses	(432)	(1,497)
Net cash used in operating activities	(14,096)	(12,958)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(22)	(254)
Net cash used in investing activities	(22)	(254)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	32,848	2,349
Redemption of convertible debt	(5,956)	-
Payments of common stock issuance costs	(985)	-
Proceeds from private offering of common stock	-	7,475
Proceeds from long-term debt	-	1,134
Proceeds from exercise of stock options	-	4
Net cash provided by financing activities	25,907	10,962
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,789	(2,250)
CASH AND CASH EQUIVALENTS–Beginning of period	10,596	2,776
CASH AND CASH EQUIVALENTS–End of period	$ 22,385	$ 526
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Capital expenditures incurred but not yet paid	$ -	$ (161)
Amortization of deferred offering costs in prepaid assets	$ -	$ (54)
Deferred offering costs in prepaid assets and accounts payable	$ -	$ 269

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

Note 1. COMPANY AND NATURE OF BUSINESS

Vaccinex, Inc. (together with its subsidiaries, the "Company") was incorporated in Delaware in April 2001 and is headquartered in Rochester, New York. The Company is a clinical-stage biotechnology company engaged in the discovery and development of targeted biotherapeutics to treat serious diseases and conditions with unmet medical needs, including cancer, neurodegenerative diseases, and autoimmune disorders. Since its inception, the Company has devoted substantially all of its efforts toward product research, manufacturing and clinical development, and raising capital.

The Company is subject to a number of risks and uncertainties common to other early-stage biotechnology companies including, but not limited to, dependency on the successful development and commercialization of its product candidates, rapid technological change and competition, dependence on key personnel and collaborative partners, uncertainty of protection of proprietary technology and patents, clinical trial uncertainty, fluctuation in operating results and financial performance, the need to obtain additional funding, compliance with governmental regulations, technological and medical risks, management of growth and effectiveness of marketing by the Company. The Company is also subject to risks related to the ongoing COVID-19 pandemic, discussed under "COVID-19 Pandemic" below. If the Company does not successfully commercialize or partner any of its product candidates, it will be unable to generate product revenue or achieve profitability.

Going Concern

These condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has incurred significant losses and negative cash flows from operations since inception and expects to incur additional losses until such time that it can generate significant revenue from the commercialization of its product candidates. The Company had negative cash flow from operations of $14.1 million and $13.0 million for the six months ended June 30, 2021, and 2020, respectively, and an accumulated deficit of $290.0 million and $277.5 million as of June 30, 2021, and December 31, 2020, respectively. Given the Company's projected operating requirements and its existing cash and cash equivalents, the Company is projecting insufficient liquidity to sustain its operations through one year following the date that the condensed consolidated financial statements are issued. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

In response to these conditions, management is currently evaluating different strategies to obtain the required funding of future operations. Financing strategies may include, but are not limited to, the public or private sale of equity, debt financings or funds from other capital sources, such as government funding, collaborations, strategic alliances, or licensing arrangements with third parties. There can be no assurances that the Company will be able to secure additional financing, or if available, that it will be sufficient to meet its needs or on favorable terms. Because management's plans have not yet been finalized and are not within the Company's control, the implementation of such plans cannot be considered probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern.

The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

COVID-19 Pandemic

In order to mitigate the spread of COVID-19, governments have at times imposed unprecedented restrictions on business operations, travel, and gatherings, resulting in a global economic downturn and other adverse economic and societal impacts. The Company has complied with state reopening guidance and has allowed research and development staff to begin working in the laboratory when necessary and using recommended health and safety precautions. The COVID-19 pandemic has impacted the expected timing of the Company's clinical trials, the economy, the biotechnology industry, and the Company's business. For example, the Company previously anticipated initiating a trial of pepinemab in Alzheimer's disease in mid-2020, but the initial enrollment date was delayed until the third quarter of 2021. In addition, to mitigate the impacts of the COVID-19 pandemic, including impacts on the Company's ability to raise capital and to maintain its personnel, the Company applied for and received a loan from the Small Business Administration's (the SBA's) Paycheck Protection Program (the "PPP Loan"). The Company may experience further disruptions as a result of the COVID-19 pandemic that could adversely impact its business, including disruption of research and clinical development activities, plans for release of data, manufacturing, supply, and interactions with regulators and other third parties, and difficulties in raising additional capital. The extent to which the COVID-19 pandemic may impact the Company's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

These condensed consolidated financial statements reflect the accounts and operations of the Company and those of its subsidiaries in which the Company has a controlling financial interest. As of June 30, 2021, and 2020, the Company's accounts include Vaccinex Products, LP, a Delaware limited partnership (Vaccinex Products), and VX3 (DE) LP, a Delaware limited partnership (VX3). VX3 was established in October 2017 by a group of Canadian investors and was determined to be a variable interest entity ("VIE") in which the Company is the primary beneficiary. The Company consolidates any VIE of which it is the primary beneficiary. The Company presents its noncontrolling interests as a separate component of stockholders' equity (deficit). The Company presents the net loss of VX3 equal to the percentage ownership interest retained in such entity by the respective noncontrolling party ("VX3"), and as a separate component within its consolidated statements of operations and comprehensive loss. The financial position of Vaccinex Products and VX3 were not material as of June 30, 2021 and 2020, and there were no gains or losses for Vaccinex Products or VX3 for the three and six month periods ended June 30, 2021 and 2020. All intercompany transactions and balances have been eliminated.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information (Accounting Standards Codification ("ASC") 270, Interim Reporting) and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all of the information necessary for a full presentation of financial position, results of operations, and cash flows in conformity with GAAP. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of the Company for the periods presented. Intercompany transactions and balances have been fully eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 31, 2021.

Use of Estimates

These condensed consolidated financial statements have been prepared in conformity with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amount of expenses

during the reporting period. Such management estimates include those relating to assumptions used in the valuation of stock option awards, and valuation allowances against deferred income tax assets. Actual results could differ from those estimates.

Concentration of Credit Risk, Other Risks and Uncertainties

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash equivalents are deposited in interest-bearing money market accounts. Although the Company deposits its cash with multiple financial institutions, cash balances may occasionally be in excess of the amounts insured by the Federal Deposit Insurance Corporation. Management believes the financial risk associated with these balances is minimal and has not experienced any losses to date.

The Company depends on third-party manufacturers for the manufacture of drug substance and drug product for clinical trials. The Company also relies on certain third parties for its supply chain. Disputes with these third- party manufacturers or shortages in goods or services from third-party suppliers could delay the manufacturing of the Company's product candidates and adversely impact its results of operations.

Convertible Instruments

The Company applies the accounting standards for derivatives and hedging and for distinguishing liabilities from equity when accounting for hybrid contracts that contain conversion options and other embedded features. The accounting standards require companies to bifurcate embedded features from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (i) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (ii) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (iii) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

The Company's derivative instrument related to certain features embedded within the Company's 7% Original Issue Discount Senior Secured Convertible Debenture ("the Debenture") is discussed in Note 9. The derivative is accounted for as a derivative liability and remeasured to fair value as of each balance sheet date and the related remeasurement adjustments are included in interest expense in the Company's condensed consolidated statement of operations and comprehensive loss.

Recent Accounting Pronouncements Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("the FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "Measurement of Credit Losses on Financial Instruments" to improve reporting requirements specific to loans, receivables, and other financial instruments. The new standard requires that credit losses on financial assets measured at amortized cost be determined using an expected loss model, instead of the current incurred loss model, and requires that credit losses related to available-for-sale debt securities be recorded through an allowance for credit losses and limited to the amount by which carrying value exceeds fair value. The new standard also requires enhanced disclosure of credit risk associated with financial assets. The standard is effective for interim and annual periods beginning after December 15, 2022 with early adoption permitted. Based on the composition of the Company's financial assets, current market conditions and historical credit loss activity, the adoption of this standard is not expected to have a material impact on the Company's condensed consolidated financial statements.

In August 2020, FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by removing the separation models for (1) convertible debt with a cash conversion feature and (2) convertible instruments with a beneficial conversion feature and simplifies the guidance for determining whether a conversion feature is a derivative. As a result, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost. These changes will reduce reported interest expense and increase reported net income for entities that have issued a convertible instrument that was bifurcated according to previously existing rules. In addition, ASU 2020-06 requires the application of the if-converted method for calculating diluted earnings per share and the treasury stock method will be no longer available. The new guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted no earlier than fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of ASU 2020-06 on its condensed consolidated financial statements.

Accounting Pronouncements Recently Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02), which requires a lessee to recognize in its consolidated balance sheet a liability to make lease payments and also a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 is effective for the Company for annual periods beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021, requiring the use of a modified retrospective transition approach. In July 2018, the FASB issued ASU No. 2018-11, *Leases, Targeted Improvements to ASC 842, Leases*, ("ASU 2018-11"), which contains certain amendments to ASU 2016-02 intended to provide relief in implementing the new standard. ASU 2018-11 provides registrants with an option to not restate comparative periods presented in the financial statements. The Company has elected this new transition approach using the effective date of the standard, for which comparative periods will be presented in accordance with the previous guidance in Accounting Standards Codification ("ASC") 840, *Leases*.

The Company has elected to utilize the available package of practical expedients permitted under the transition guidance within the new standard, which does not require the reassessment of the following: (i) whether existing or expired arrangements are or contain a lease, (ii) the lease classification of existing or expired leases, and (iii) whether previous initial direct costs would qualify for capitalization under the new lease standard. Additionally, the Company has made an accounting policy election to keep leases with an initial term of 12 months or less off of its balance sheet.

As an emerging growth company, the Company is not required to reflect the effects of adoption in its consolidated financial statements until it files its annual report for the fiscal year ending December 31, 2021. The Company, however, has evaluated the impact of the new standard on its consolidated financial statements and related disclosures, concluding that the impact will result in the recognition of an operating lease right-of-use asset and corresponding lease obligation on the Company's consolidated balance sheet as of January 1, 2021 in the amount of approximately $0.3 million, relating to the Company's lease for its corporate headquarters in Rochester, New York.

Note 3. BALANCE SHEET COMPONENTS

Property and Equipment

Property and equipment consist of the following (in thousands):

	As of June 30, 2021	As of December 31, 2020
Leasehold improvements	$ 3,184	$ 3,174
Research equipment	3,499	3,499
Furniture and fixtures	350	350
Computer equipment	285	273
Property and equipment, gross	7,318	7,296
Less: accumulated depreciation and amortization	(6,971)	(6,880)
Property and equipment, net	$ 347	$ 416

Depreciation expense related to property and equipment was $35,000 and $91,000 for the three and six months ended June 30, 2021 and $87,000 and $162,000 for the three and six months ended June 30, 2020, respectively.

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	As of June 30, 2021	As of December 31, 2020
Accrued clinical trial cost	$ 823	$ 987
Accrued payroll and related benefits	457	428
Accrued consulting and legal	54	225
Accrued interest	145	250
Accrued other	26	47
Accrued expenses	$ 1,505	$ 1,937

Note 4. FAIR VALUE MEASUREMENTS OF FINANCIAL MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recorded at fair value on a nonrecurring basis in the condensed consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities, and long-term debt. Cash, accounts receivable, accounts payable, accrued liabilities, and debt, are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date of such amounts.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Fair value measurement standards also apply to certain financial assets and liabilities that are measured at fair value on a recurring basis (each reporting period). For the Company, these financial assets and liabilities include its cash equivalents deposited in money market funds and derivative instruments. The Company does not have any nonfinancial assets or liabilities that are measured at fair value on a recurring basis.

The following table sets forth the fair value of the Company's financial assets by level within the fair value hierarchy (in thousands):

	As of June 30, 2021			
	Fair Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash equivalents:				
Money market fund	$ 1,126	$ 1,126	$ -	$ -
Total Financial Assets	$ 1,126	$ 1,126	$ -	$ -

	As of December 31, 2020			
	Fair Value	Level 1	Level 2	Level 3
Financial Assets:				
Cash equivalents:				
Money market fund	$ 1,026	$ 1,026	$ -	$ -
Total Financial Assets	$ 1,026	$ 1,026	$ -	$ -

The Company did not transfer any assets measured at fair value on a recurring basis to or from Level 1 and Level 2 during either of the six months ended June 30, 2021 and 2020.

The Debenture, as discussed in Note 9, contains embedded derivative features that are required to be bifurcated and remeasured each reporting period. Each quarter, the change in the fair value of the embedded derivative features, if any, is recorded in the Condensed Consolidated Statement of Operations and Comprehensive Loss. The Company uses a binomial lattice valuation model to derive the value of the embedded derivative features, which initially valued the bifurcated embedded derivative at $65,000. The fair value of the derivative liability is $0 at June 30, 2021 and December 31, 2020. Key inputs into this valuation model are the Company's current stock price, risk-free interest rates, the stock dividend yield, the stock volatility, and the credit spread. The first three aforementioned inputs are based on observable market data and are considered Level 1 inputs while the last two aforementioned inputs are unobservable and thus require management's judgment and are considered Level 3 inputs. This fair value measurement is considered a Level 3 measurement within the fair value hierarchy.

Note 5. LICENSE AND SERVICES AGREEMENT

In November 2017, the Company entered into a license agreement (the "VX3 License Agreement") with VX3, which was formed by a group of Canadian investors including the Company's majority stockholder, FCMI Parent Co. ("FCMI Parent"). VX3 was created for the purpose of funding the Company's research and development activities for pepinemab, the Company's most advanced product candidate. Under the VX3 License Agreement, the Company granted VX3 the license to use, make, have made, sell, offer and import pepinemab for the treatment of Huntington's disease in the U.S. and Canada. In return, VX3 agreed to fund research and development activities with up to an aggregate of $32.0 million in milestone payments to the Company and to share any pepinemab profits and sublicensing revenue under the agreement in an amount based on a calculation set forth in the agreement. The Company also entered into a services agreement with VX3 (the "Services Agreement"), pursuant to which the Company will carry out development activities for pepinemab for the treatment of Huntington's disease in the U.S. and Canada in exchange for services payments from VX3. The VX3 License Agreement expires upon the last to expire licensed patent and may be terminated by either party upon uncured material breach, the occurrence of certain transactions or financings, uncured failure of VX3 to make any payment due under the Services Agreement, or upon written notice after November 6, 2020. The Services Agreement may be terminated by either party upon an uncured material breach and is automatically terminated upon termination of the VX3 License Agreement. The VX3 License Agreement provides that upon termination, the Company will issue to VX3 or its designees the number of shares of the Company's common stock equal to the lesser of (1) the aggregate of all payments made to VX3 by its partners divided by $18.20 and (2) the then fair market value of VX3 divided by the then fair market value of one share of the Company's common stock.

The Company entered into an exchange agreement on August 13, 2018 with VX3 and its partners, including FCMI Parent, that provides each VX3 partner with the right to exchange all, but not less than all, of its partnership interests in VX3 for shares of the Company's common stock. The exchange agreement also provides that FCMI Parent's exercise of its option to exchange its VX3 partnership interests for shares of Company common stock would trigger the exchange of all VX3 partnership interests for shares of Company common stock.

During the six months ended June 30, 2021, exchange transactions were effected whereby all remaining limited partnership interests in VX3 were exchanged for 1,318,797 shares of our common stock in accordance with the terms of the respective exchange agreement (see Note 15).

Prior to the exchanges, the Company had a variable interest in VX3 through FCMI Parent, which is majority owned and controlled by the Company's chairman, and which controlled 98% of VX3's voting interest. VX3 does not have any business operations or generate any income or expenses and is primarily a funding mechanism specifically for the benefit of the Company, as its only activities consist of the receipt of funding and the contribution of such funding to the Company. Therefore, the Company determined that it is the primary beneficiary of VX3 and that the operating results of VX3 should be incorporated into the Company's condensed consolidated financial statements accordingly.

For the three and six month periods ended June 30, 2021 and 2020, the Company did not receive any amounts from VX3 or record any related capital contributions from noncontrolling interests on the condensed financial statements. Noncontrolling equity interests do not participate in a proportionate share of the Company's net losses for the three and six month periods ended June 30, 2021 or 2020 pursuant to the aforementioned partnership, license, services and exchange agreements.

Note 6. COLLABORATION AGREEMENTS

Surface Oncology, Inc.

In November 2017, the Company entered into a research collaboration and license option agreement with Surface Oncology, Inc. ("Surface") to identify and select antibodies against two target antigens, using the Company's proprietary technology as described in the agreement. The term for each research program is nine to twelve months (not exceeding twelve months unless extended by written agreement) including time necessary for any functional assessment conducted by Surface following the commencement of the research program. Surface will provide the Company material to carry out the research activities. During the research program term, the Company also may grant Surface a non-exclusive, worldwide, limited-purpose license for each target to use the Company's research program materials for conducting the research work pursuant to the agreement. The Company recorded revenue of $0 for the three months and $850,000 for the six months ended June 30, 2021, of revenue related to its agreement with Surface, all of which was for an exclusive product license. The Company recorded no revenue in the three and six months ended June 30, 2020 related to its agreement with Surface. This agreement will expire upon the latest of the expiration of both research programs and all evaluation and testing periods.

Under the agreement, Surface may purchase exclusive options, exercisable by providing a written notice to the Company, to obtain (i) an exclusive product license to make, use, sell and import products incorporating antibodies targeting the first antigen and (ii) an exclusive research tool license to use antibodies targeting the second antigen to perform research. Surface purchased the first option and exercised the second option and the Company entered into an exclusive research tool license agreement with Surface in the third quarter of 2019.

Note 7. COMMITMENTS AND CONTINGENCIES

Sublicense Termination Payments

In 2006, the Company licensed certain technology to EUSA Pharma SAS ("EUSA"), and in 2008, this technology was sublicensed by EUSA to Glaxo Group Limited ("GSK") for development. GSK terminated its sub-license with EUSA in March 2010 and ownership of the technology reverted back to the Company. The Company may be required to pay EUSA up to $25.5 million plus ongoing royalty payments of 1% of net sales upon the occurrence of certain events involving the previously licensed technology, including a Phase 3 clinical trial, Food and Drug Administration acceptance and approval and product sales. The Company is not planning any further commercialization efforts related to the previously licensed technology, and therefore does not anticipate any of the above-described amounts will be paid.

Operating Lease

The Company leases its facilities from 1895 Management, Ltd., a New York corporation controlled by an entity affiliated with a director of the Company, under non-cancellable operating leases. The lease agreement required monthly rental payments of $14,000 through October 31, 2020. The Company entered into a lease extension in August 2020, which requires monthly rental payments of $14,511 commencing November 2020 continuing through October 2022. The Company is responsible for all maintenance, utilities, insurance and taxes related to the facility.

As of June 30, 2021, the future minimum payments for the operating lease are $87,066 in 2021, and $145,110 in 2022.

Rent expense incurred under the operating lease was $44,000 and $87,000 for the three and six months ended June 30, 2021 and $42,000 and $84,000 for the three and six months ended June 30, 2020, respectively.

Other Contingencies

The Company is subject to claims and assessments from time to time in the ordinary course of business. The Company records a provision for a liability when it believes that it is both probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount.

In the normal course of business, the Company may become involved in legal proceedings. The Company will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred. As of June 30, 2021, and December 31, 2020, the Company was not involved in any material legal proceedings.

Note 8. LONG-TERM DEBT

On May 8, 2020, the Company received the PPP Loan in the amount of $1,133,600. The PPP Loan matures on May 8, 2022, with no principal payments required prior to the maturity date, and bears interest at an annual rate of 1.0%, with interest payments commencing on November 8, 2020, less the amount of any potential forgiveness. The PPP Loan may be repaid at any time prior to maturity without incurring prepayment penalties. Pursuant to the CARES Act, all or a portion of the PPP Loan may be forgiven if the PPP Loan is used for qualifying expenses as described in the CARES Act, subject to certain conditions. The Company has applied for forgiveness of the PPP Loan and is awaiting a response from the SBA, but until such forgiveness is granted the loan has been recorded as long-term debt and related interest has been accrued accordingly. As of June 30, 2020, the Company had reflected accrued interest of $1,000 within its condensed consolidated balance sheet and recorded interest expense of $1,000 for the three months ended June 30, 2020 on its condensed statement of operations and comprehensive loss. As of June 30, 2021, the Company has reflected accrued interest of $13,000 within its condensed consolidated balance sheet and recorded interest expense of $3,000 and $6,000 for the three and six months ended June 30, 2021 on its condensed statement of operations and comprehensive loss.

Note 9. CONVERTIBLE DEBENTURE

The senior secured convertible debt comprises the following (in thousands):

	As of June 30, 2021	As of December 31, 2020
Senior secured convertible debenture	$ 2,576	$ 8,531
Unamortized original issuance discount and debt issuance costs	(87)	(458)
Total convertible debt	$ 2,489	$ 8,074

On July 30, 2020, the Company consummated the Convertible Debt Financing pursuant to which the Company issued the Debenture in the principal amount of $8,640,000 for a purchase price of $8,000,000, which reflects an original issue discount of approximately 8%. The closing of the sale of the Debenture occurred on August 3, 2020.

The Debenture matured on the August 3, 2021. The Debenture accrues interest at 7% per year and is convertible into shares of common stock at the holder's option, at a conversion price of $9.4125 per share, subject to certain customary adjustments ("Optional Conversion"). Should a holder elect to convert prior to maturity, the holder is entitled to a cash payment for interest that would have been earned by the holder through the original maturity of the Debenture (the "Interest Make-Whole").

Subject to the satisfaction of certain conditions, at any time, the Company may elect to redeem all or any portion of the Debenture for an amount equal to 115% of the outstanding principal balance being redeemed plus all accrued unpaid interest on the amount being redeemed and an amount due under the Interest Make-Whole (the "Optional Redemption").

The Debenture also provides that in connection with future capital raising transactions (subject to certain exceptions), the Company must offer to use 20% of the funds raised to redeem amounts outstanding under the Debenture ("Mandatory Redemption"). Any redemption in this circumstance will be at the election of the holder. Consistent with the Optional Conversion or Optional Redemption provisions, the Mandatory Redemption is subject to the Interest Make-Whole. During the three and six month periods ended June 30, 2021, the Company made payments under the Mandatory Redemption provision totaling $6,372,575 consisting of $5,955,678 for principal repayments and $416,897 for accrued and make-whole interest.

The Debenture contains customary representations and warranties and affirmative and restrictive covenants, including limitations on indebtedness, liens, dispositions of assets, organizational document amendments, change of control transactions, stock repurchases, indebtedness repayments, dividends, affiliate transactions and certain other matters. The Company's obligations under the Debenture can be accelerated upon the occurrence of certain customary events of default and are secured under a security agreement by a lien on substantially all of the Company's assets, subject to certain exceptions. In the event of default and acceleration of the Company's obligations, the Company would be required to pay the outstanding principal balance of the Debenture plus all accrued unpaid interest and amounts due under the Interest Make-Whole, subject to alternate payment in the event that the event of default prevents the holder from converting the Debenture or disposing of the shares issuable thereunder, and all other amounts due in respect of the Debenture.

If the Company, at any time while this Debenture is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of common stock on shares of common stock or any common stock equivalents, (ii) subdivides outstanding shares of common stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of common stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the common stock, any shares of capital stock of the Company, then the conversion price will be multiplied by a fraction, the numerator of which will be the number of

shares of common stock outstanding immediately before such event, and the denominator of which will be the number of shares of common stock outstanding immediately after such event.

In addition to the adjustments above, if the Company grants, issues, or sells any common stock equivalents or rights to purchase stock, warrants, securities, or other property pro rata to the holders of any class of shares of common stock (the "Purchase Rights"), then upon subsequent conversion of the Debenture, the holder will be entitled to acquire the aggregate Purchase Rights which the holder could have acquired if the holder had held the number of shares of common stock acquirable upon complete conversion of the Debenture immediately before such grant, issuance or sale of Purchase Rights.

The Company evaluated the Debenture and determined that the Interest Make-Whole feature and Optional Redemption meet the definition of an embedded derivative liability measured at fair value. On the issuance date, August 3, 2020, the fair value of the bifurcated embedded derivative liability was $65,000.

The Company incurred $50,000 in fees paid to 3i in connection with the issuance of the Debenture. These costs were primarily allocated to the debt component and recognized as additional debt discount. The Company amortizes the debt discount, including the initial value of the derivative liability of $65,000, allocated fees of $50,000 and the original issuance discount of $640,000, over the term of the Debenture using the effective interest method. The annual effective interest rate is 16.54%. Total interest expense under the Senior Secured Convertible Debenture for the three and six months ended June 30, 2021 was $155,000 and $306,000. As described in Note 16, the Debenture was repaid in full in August 2021. The Company has no further obligation under the Debenture and incurred no early termination or prepayment penalties in connection with the repayment.

Note 10. COMMON STOCK RESERVED FOR ISSUANCE

Common stock has been reserved for the following potential future issuances:

	As of June 30, 2021	As of December 31, 2020
Shares underlying outstanding stock options	1,138,224	832,868
Shares available for future stock option grants	409,663	267,275
Exchange of Vaccinex Products, LP units	-	1,147,259
Exchange of VX3 units	-	1,318,797
Total shares of common stock reserved	1,547,887	3,566,199

During the six months ended June 30, 2021, exchange transactions were effected whereby all remaining limited partnership interests in VX3, and Vaccinex Products were exchanged for 1,318,797 and 1,147,259 shares of the Company's common stock at par value of $0.0001 per share in accordance with the terms of the respective exchange agreements (see Note 15). During the six months ended June 30, 2020, 4,125 units of Vaccinex Products were exchanged for shares of the Company's common stock at par value of $0.0001 per share.

Note 11. STOCK-BASED COMPENSATION

2011 Employee Equity Plan

In connection with the adoption of the Company's 2018 Omnibus Incentive Plan (the "2018 Plan") in August 2018, the Company ceased granting stock options under the Company's 2011 Employee Equity Plan (the "2011 Plan"). However, the 2011 Plan will continue to govern the terms and conditions of the outstanding stock options previously granted thereunder. Any shares of stock related to awards outstanding under the 2011 Plan that terminate by expiration, forfeiture, cancellation, or otherwise without the issuances of such shares will become available for grant under the 2018 Plan. Stock options granted under the 2011 Plan expire in five or ten years from the date of grant.

2018 Omnibus Incentive Plan

In August 2018, the Company's board of directors adopted, and its stockholders approved, the 2018 Plan, which allows for the granting of stock, stock options, and stock appreciation rights awards to employees, advisors and consultants. Stock options granted under the 2018 Plan may be either incentive stock options or non-statutory stock options. Incentive stock options may be granted to employees, advisors and consultants at exercise prices of no less than the fair value of the common stock on the grant date. If at the time of grant, the optionee owns stock representing more than 10% of the voting power of all classes of stock of the Company, the exercise price must be at least 110% of the fair value of the common stock on the grant date as determined by the board of directors. Non-statutory stock options may be granted to employees, advisors and consultants at exercise prices of less than the fair market value of a share of common stock on the date the non-statutory stock option is granted but shall under no circumstances be less than adequate consideration as determined by the board of directors for such a share. The vesting period of stock option grants is determined by the board of directors, ranging from zero to eight years. Stock options granted under the 2018 Plan expire in five or ten years from the date of grant.

The Company initially reserved 425,000 shares of common stock for issuance, subject to certain adjustments, pursuant to awards under the 2018 Plan. Any shares of common stock related to awards outstanding under the 2011 Plan as of the effective date of the 2018 Plan, which thereafter terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares, will be added to, and included in, the number of shares of common stock available for grant under the 2018 Plan. In addition, effective January 1, 2020 and continuing until the expiration of the 2018 Plan, the number of shares of common stock available for issuance under the 2018 Plan will automatically increase annually by 2% of the total number of issued and outstanding shares of the Company's common stock as of December 31st of the immediately preceding year or such lesser number as the Company's board of directors may decide, which may be zero. Accordingly, on January 1, 2021, 447,744 additional shares of common stock became available for issuance under the 2018 Plan.

A summary of the Company's stock option activity and related information is as follows:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Balance as of January 1, 2021	832,868	$ 6.83	6.9	$ 2
Granted	327,855	2.54		
Exercised	-	-		
Forfeited	(22,499)	5.83		
Balance as of June 30, 2021	1,138,224	$ 5.61	7.4	$ 124
Exercisable as of June 30, 2021	650,091	$ 7.33	6.1	$ 13

The weighted-average grant date fair value of stock options granted to employees and directors for the six months ended June 30, 2021 and 2020 was $1.64 per share and $3.52 per share, respectively. The aggregate grant date fair value of stock options that vested during the six months ended June 30, 2021 and 2020 was $295,699 and $201,702, respectively.

The intrinsic value of stock options vested and exercisable and expected to vest and become exercisable is calculated based on the difference between the exercise price and the fair value of the Company's common stock as of June 30, 2021 and December 31, 2020. The intrinsic value of exercised stock options is the difference between the fair value of the underlying common stock and the exercise price as of the exercise date.

As of June 30, 2021 and December 31, 2020, total unrecognized compensation cost related to stock options granted to employees was $922,151 and $628,036, respectively, which is expected to be recognized over a weighted-average period of 2.3 and 2.5 years, respectively.

The grant date fair value of employee stock options was estimated using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Six Months Ended June 30,	
	2021	2020
Expected term (in years)	6.0	6.4
Expected volatility	75%	75%
Risk-free interest rate	0.7%	1.0%
Expected dividend yield	-%	-%

In March 2020, the Company issued 20,000 shares of common stock as compensation for administrative fees incurred in connection with entering into a purchase agreement with Keystone. Pursuant to the terms of the Purchase Agreement, Keystone has agreed to purchase up to $5,000,000 of shares of the Company's common stock. At the time of issuance, the fair market value of the shares was $4.00, and, as a result, $80,000 was included in general and administrative expenses for the six months ended June 30, 2020. In January and February 2021, respectively, the Company issued 6,137 and 3,842 shares of the Company's common stock, respectively to Angel Pond LLC as compensation for a consulting agreement. At the time of issuance, the fair market value of the shares was $2.44 and $3.90, respectively, and as a result $30,000 was included in general and administrative expenses in the six months ended June 30, 2021.

Total stock-based compensation expense recognized in the condensed consolidated statements of operations and comprehensive loss is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Research and development	$ 45	$ 38	$ 73	$ 59
General and administrative	83	328	159	511
Total stock-based compensation expense	$ 128	$ 366	$ 232	$ 570

Note 12.INCOME TAXES

No provision for income taxes was recorded in either of the three or six months periods ended June 30, 2021 and 2020. The Company remains in a cumulative loss position with a full valuation allowance recorded against its net deferred income tax assets as of June 30, 2021 and December 31, 2020.

The Company evaluates tax positions for recognition using a more-likely-than-not recognition threshold, and those tax positions eligible for recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon the effective settlement with a taxing authority that has full knowledge of all relevant information. As of June 30, 2021 and December 31, 2020, the Company had no unrecognized income tax benefits that would affect the Company's effective tax rate if recognized.

In response to the COVID-19 pandemic, federal, state and local governments at various times enacted relief measures to provide aid and economic stimulus. These measures included deferring the due dates of tax payments or other changes to income and non-income-based tax laws. For the three and six months ended June 30, 2021 and 2020, there were no material tax impacts to the Company's condensed consolidated financial statements as it relates to COVID-19 measures. The Company continues to monitor for additional developments and for guidance issued by the U.S. Treasury Department, the Internal Revenue Service and other governmental bodies.

Note 13. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The following weighted-average common stock equivalents were excluded from the calculation of diluted net loss per share for the periods presented as they had an anti-dilutive effect:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Options to purchase common stock	1,055,116	780,856	940,932	688,837
Contingently issuable common stock prior to exchange of Vaccinex Products, LP units	1,080,857	1,170,010	1,114,058	1,171,755
Contingently issuable common stock prior to exchange of VX3 units	1,142,474	1,318,797	1,225,751	1,318,797

Note 14. SEGMENT AND GEOGRAPHIC INFORMATION

The Company's chief operating decision maker, its Chief Executive Officer, reviews its operating results on an aggregate basis for purposes of allocating resources and evaluating financial performance. The Company has one business activity, the discovery and development of targeted biotherapeutics to treat serious diseases and conditions with unmet medical needs, and there are no segment managers who are held accountable for operations or operating results. Accordingly, the Company operates in one reportable segment. As of June 30, 2021 and December 31, 2020, all long-lived assets are located in the United States.

Note 15. RELATED PARTY TRANSACTIONS

As discussed in Note 7, the Company leases its facility from 1895 Management, Ltd., a New York corporation controlled by an entity affiliated with the Company's chairman and major stockholder of the Company. Rent expense incurred under the operating lease was $44,000 and $87,000 for the three and six months ended June 30, 2021 and $42,000 and $84,000 for the three and six months ended June 30, 2020, respectively.

As discussed in Note 6, in November 2017, the Company entered into a research collaboration and license option agreement with Surface to identify and select antibodies against two target antigens, using the Company's proprietary technology as described in the agreement. J. Jeffrey Goater, a member of the Company's board of directors, served as the Chief Business Officer of Surface at that time, and currently serves as the Chief Executive Officer and a director of Surface. During the three months ended June 30, 2021, the Company did not record any revenue related to this agreement. During the six months ended June 30, 2021 the Company recorded $850,000 of revenue related to its agreement with Surface, all of which was for an exclusive product license. This agreement will expire upon the latest of the expiration of both research programs and all evaluation and testing periods.

On January 21, 2020, the Company entered into a stock purchase agreement pursuant to which the Company issued and sold to certain investors 1,468,563 shares of its common stock at a purchase price of $5.09 per share for aggregate gross proceeds of $7.5 million ("the January 2020 Private Placement"). FCMI Parent Co., the Company's majority stockholder, which is controlled by Albert D. Friedberg, the chairman of the Company's board of directors, Vaccinex (Rochester) L.L.C., which is majority owned and controlled by Dr. Maurice Zauderer, the Company's President, Chief Executive Officer, and a member of its board of directors, and Jacob Frieberg, a member of the Company's board of directors, purchased 982,318, 98,231, and 39,292 shares of our common stock for aggregate purchase prices of $4,999,999, $499,996, and $199,996, respectively, in the January 2020 Private Placement. In connection with the January 2020 Private Placement, on January 23, 2020, the Company entered into a registration rights agreement with the investors pursuant to which the Company filed a registration statement on Form S-3 (File No. 333-236417), declared effective on March 11, 2020, to register the resale of the shares acquired by the investors in the January 2020 Private Placement.

On July 9, 2020, the Company entered into a stock purchase agreement (the "July 2020 Stock Purchase Agreement") with Friedberg Global-Macro Hedge Fund, Ltd. (the "Investor"), pursuant to which the Company issued and sold to the Investor 1,126,760 shares (the "Shares") of the Company's common stock, at a purchase price of $3.55 per Share (the "Private Placement"), for gross proceeds of $4.0 million. Albert D. Friedberg, the

Company's chairman and beneficial owner of a majority of the Company's outstanding common stock, controls Friedberg Mercantile Group, the investment manager of the Investor, which exercises voting and dispositive power over shares held directly by the Investor. The closing of the Private Placement occurred on July 10, 2020. The Company intends to use the net proceeds from the Private Placement to fund the ongoing development of pepinemab, the Company's lead product candidate, and for working capital and general corporate purposes. Also, on July 10, 2020, the Company entered into a registration rights agreement with the Investor that affords the Investor certain resale registration rights with respect to the Shares.

As discussed in Note 10, during the six months ended June 30, 2021, 1,318,797 units of VX3 and 1,147,259 units of Vaccinex Products, LP were exchanged for shares of the Company's common stock at par value of $0.0001 per share, of which (i) 1,180,051 shares are issuable upon exchange of units of VX3 (DE) LP, or VX3, owned directly by FCMI Parent Co., or FMCI Parent and (ii) 967,983 shares were exchanged of units of Vaccinex Products LP owned directly by FCMI Financial.

Note 16. SUBSEQUENT EVENT

As of August 3, 2021, the Company, repaid in full its 7% Original Issue Discount Senior Secured Convertible Debenture due August 3, 2021 (the "Debenture"), issued pursuant to the Securities Purchase Agreement, dated as of July 30, 2020, with 3i, LP, as collateral agent (the "SPA"), by making a payment of $2,755,895, representing all principal and interest due at maturity. The Company has no further obligation under the Debenture and incurred no early termination or prepayment penalties in connection with the repayment.

As result of the repayment of the Debenture, (i) the Security Agreement, dated as of July 31, 2020, between the Company and 3i, LP, as collateral agent, pursuant to which the Company granted a security interest in certain assets of the Company as collateral to secure the Debenture, (ii) the Registration Rights Agreement, dated as of July 31, 2020, that provided for certain registration rights with respect to the shares of the Company's common stock underlying the Debenture, and (iii) the SPA, were terminated.

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

References in this Quarterly Report on Form 10-Q, or this Report, to the "Company," "we," "our," or "us" mean Vaccinex, Inc. and its subsidiaries except where the context otherwise requires You should read the following discussion and analysis of financial condition and results of operations together with our condensed consolidated financial statements and related notes included elsewhere in this Report, as well as the audited financial statements, related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations and other disclosures included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, or the Annual Report.

Cautionary Note Regarding Forward-Looking Statements

The following discussion and other parts of this Report contain forward-looking statements that involve risk and uncertainties, such as statements of our plans, objectives, expectations and intentions. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "intends" or "continue," or the negative of these terms or other comparable terminology. Forward-looking statements include, but are not limited to, statements about:

- our ability to continue as a going concern;
- the impacts of the COVID-19 pandemic on the expected timing and progress of our clinical trials, as well as other impacts of the COVID-19 pandemic on the economy, our industry, and our business, financial condition and results of operations, including our ability to raise capital;
- the sufficiency of the financing arrangements we have entered into, that is intended to fund our payroll and certain other operations for a limited period of time and our ability to service our outstanding debt obligations;
- our estimates regarding our expenses, future revenues, anticipated capital requirements and our needs for additional financing;
- the implementation of our business model and strategic plans for our business and technology;
- the timing and success of the commencement, progress and receipt of data from any of our preclinical and clinical trials;
- our expectations regarding the potential safety, efficacy or clinical utility of our product candidates;
- the expected results of any clinical trial and the impact on the likelihood or timing of any regulatory approval;
- the difficulties in obtaining and maintaining regulatory approval of our product candidates;
- the rate and degree of market acceptance of any of our product candidates;
- the success of competing therapies and products that are or become available;
- regulatory developments in the United States and foreign countries;
- current and future legislation regarding the healthcare system;
- the scope of protection we establish and maintain for intellectual property rights covering our technology;
- developments relating to our competitors and our industry;
- our failure to recruit or retain key scientific or management personnel or to retain our executive officers;
- the performance of third parties, including collaborators, contract research organizations and third-party manufacturers;

- the development of our commercialization capabilities, including the need to develop or obtain additional capabilities; and
- our use of the proceeds from the offerings of our common stock.

Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. These statements are only current predictions and are subject to known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from those anticipated by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the risk factors identified in the "Risk Factors" section of this Report, and in Part II, Item 1A of the Annual Report, as well as in our other filings with the Securities and Exchange Commission, or SEC. The forward-looking statements speak only as of the date they were made. Except as required by law, after the date of this Report, we are under no duty to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise. We qualify all of our forward-looking statements by the foregoing cautionary statements.

Company Overview

We are a clinical-stage biotechnology company engaged in the discovery and development of targeted biotherapeutics to treat serious diseases and conditions with unmet medical needs, including cancer, neurodegenerative diseases, and autoimmune disorders. We believe we are the leader in the field of semaphorin 4D, or SEMA4D, biology and that we are the only company targeting SEMA4D as a potential treatment for cancer, neurodegenerative diseases, or autoimmune disorders. SEMA4D is an extracellular signaling molecule that regulates the migration of immune and inflammatory cells to sites of injury, cancer, or infection. We are leveraging our SEMA4D antibody platform and our extensive knowledge of SEMA4D biology to develop our lead product candidate, pepinemab, an antibody that we believe utilizes novel mechanisms of action. We are focused on developing pepinemab for the treatment of non-small cell lung cancer, or NSCLC, Huntington's disease, and Alzheimer's disease. Additionally, third party investigators are studying pepinemab in clinical trials in osteosarcoma and melanoma as well as in "window of opportunity" studies in other indications. We have developed multiple proprietary platform technologies and are developing product candidates to address serious diseases or conditions that have a substantial impact on day-to-day functioning and for which treatment is not addressed adequately by available therapies. We employ our proprietary platform technologies, including through our work with our academic collaborators, to identify potential product candidates for sustained expansion of our internal product pipeline and to facilitate strategic development and commercial partnerships.

Our lead platform technologies include our SEMA4D antibody platform and our ActivMAb antibody discovery platform. In addition, we and our academic collaborators are using our Natural Killer T, or NKT, vaccine platform to discover product candidates that target and extend the activity of NKT cells. Our lead product candidate, pepinemab, is currently in clinical development for the treatment of NSCLC, osteosarcoma, and Huntington's disease, through our efforts or through investigator-sponsored trials, or ISTs. Our additional product candidates VX5 and VX25 are in earlier stages of development and were selected using our ActivMAb and NKT vaccine platforms, respectively. We believe our multiple platform technologies position us well for continued pipeline expansion and partnership opportunities going forward.

We have generated a limited amount of service revenue from collaboration agreements but have not generated any revenue from product sales to date. We continue to incur significant development and other expenses related to our ongoing operations. As a result, we are not and have never been profitable and have incurred losses in each period since our inception. We reported a net loss of $6.0 million and $6.5 million for the three months ended June 30, 2021 and 2020, respectively, and a net loss of $12.5 million and $13.7 million for the six months ended June 30 2021 and 2020, respectively. As of June 30, 2021 and December 31, 2020, we had cash and cash equivalents of $22.4 million and $10.6 million, respectively. We expect to continue to incur significant losses for the foreseeable future, and we expect these losses to increase as we continue our research and development of, and seek regulatory approvals for, our product candidates. We may also encounter unforeseen expenses, difficulties, complications, delays and other unknown factors, including as a result of the COVID-19 pandemic, that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues, if any.

Our recurring net losses and negative cash flows from operations raised substantial doubt regarding our ability to continue as a going concern within one year after the issuance of our condensed consolidated financial statements. Until we can generate sufficient revenue from the commercialization of our product candidates, we expect to finance our operations through the public or private sale of equity, debt financings or other capital sources, such as government funding, collaborations, strategic alliances or licensing arrangements with third parties. For example, on March 27, 2020, we announced that we had (i) entered into an Open Market Sale Agreement with Jefferies LLC, or Jefferies, and filed a related prospectus supplement pursuant to which we were able to issue and sell up to $11.5 million of shares of our common stock from time to time through Jefferies as sales agent and (ii) entered into a Purchase Agreement with Keystone Capital Partners, LLC, or Keystone, pursuant to which Keystone agreed to purchase up to an aggregate of $5.0 million of shares of our common stock at our direction from time to time. In August 2020, we ceased use of the Purchase Agreement with Keystone, and in September 2020, we filed a replacement prospectus supplement related to the Open Market Sale Agreement pursuant to which we may sell up to $113.0 million of shares of our common stock through Jefferies. During the six months ended June 30, 2021 5,937,900 sharers were sold through the Open Market Sale Agreement for proceeds of $31.9 million, net of commission. Our cash and cash equivalents were $22.4 million and total current assets were $23.4 million at June 30, 2021, which will be insufficient to fund our planned operations through one year of the date that these condensed consolidated financial statements are available for issuance, see Note 1 of our unaudited condensed consolidated financial statements. There can be no assurances that we will be able to secure additional financing when needed, or if available, that it will be sufficient to meet our needs or on favorable terms.

In order to mitigate the spread of COVID-19, governments have imposed unprecedented restrictions on business operations, travel, and gatherings, resulting in a global economic downturn and other adverse economic and societal impacts, which has had an adverse impact on our strategic plans, certain of our clinical trial operations, and our ability to raise additional capital necessary to continue as a going concern. We had previously anticipated initiating a trial of pepinemab in Alzheimer’s disease in mid-2020, as we announced in the second quarter, we have just commenced activating clinical sites to screen and enroll patients and will continue these efforts into the second half of 2021. In addition, as discussed above, to mitigate the impacts of the COVID-19 pandemic, including impacts on the Company’s ability to raise capital and to maintain its personnel, the Company applied for and received the PPP Loan. We may experience further disruptions as a result of the COVID-19 pandemic that could adversely impact our business, including disruption of research and clinical development activities, plans for release of data, manufacturing, supply, and interactions with regulators and other third parties, and further difficulties in raising additional capital. The extent to which the COVID-19 pandemic may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

Financial Overview

Revenue

To date, we have not generated any revenue from product sales. During the six months ended June 30, 2021, we generated $850,000 of license fee revenue from our collaboration agreement with Surface Oncology.

Our ability to generate revenue and become profitable depends on our ability to successfully obtain marketing approval of and commercialize our product candidates. We do not expect to generate product revenue in the foreseeable future as we continue our development of, and seek regulatory approvals for, our product candidates, and potentially commercialize approved products, if any.

Operating Expenses

Research and Development. Research and development expenses consist primarily of costs for our clinical trials and activities related to regulatory filings, employee compensation-related costs, supply expenses, equipment depreciation and amortization, consulting and other miscellaneous costs. The following table sets forth the components of our research and development expenses and the amount as a percentage of total research and development expenses for the periods indicated.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	(in thousands)	%	(in thousands)	%	(in thousands)	%	(in thousands)	%
Clinical trial costs	$ 2,215	54%	$ 2,443	54%	$ 5,905	62%	$ 5,960	60%
Wages, benefits, and related costs	1,081	27%	1,164	25%	2,123	22%	2,201	22%
Preclinical supplies and equipment depreciation	498	12%	442	10%	1,001	10%	926	9%
Consulting, non-clinical trial services, and other	270	7%	508	11%	548	6%	879	9%
Total research and development expenses	$ 4,064		$ 4,557		$ 9,577		$ 9,966	

We expense research and development costs as incurred. We record costs for certain development activities, such as clinical trials, based on an evaluation of the progress to completion of specific tasks using data such as patient enrollment. We do not allocate employee-related costs, depreciation, rental and other indirect costs to specific research and development programs because these costs are deployed across multiple of our product programs under research and development.

Our current research and development activities primarily relate to clinical development in the following indications:

- **Huntington's Disease (HD).** We evaluated pepinemab for the treatment of HD in our Phase 2 SIGNAL trial. Topline data for this trial, consisting of 265 subjects, was reported in late September 2020. Although the study did not meet its prespecified primary endpoints, it provided important new information that is likely to influence the design of further studies. The study results provided promising indications of cognitive benefit to patients treated with pepinemab and suggested that clinically meaningful outcomes might be more readily observed in patients who were somewhat more advanced in disease progression. The Company is engaged in potential partnering discussions for a further study in Huntington's disease while laying a foundation, as described below, in an early-stage study in Alzheimer's disease for potential further development in that indication.
- **Head & Neck Squamous Cell Carcinoma (HNSCC).** Based on encouraging results from our CLASSICAL-Lung study of the combination of pepinemab and avelumab, a checkpoint inhibitor, in Non-Small Cell Lung Cancer (NSCLC), we have entered into a collaboration arrangement with an affiliate of Merck & Co, (also known as Merck, Sharp & Dohme) to test the combination of pepinemab with Keytruda® in front-line HNSCC. We believe this indication may be particularly well-suited to the mechanism of action of pepinemab as we and others have found that semaphorin 4D (SEMA4D) is highly expressed in many HNSCC cancers and gives rise to myeloid derived suppressive cells (MDSC) that interfere with the activity of the immune system to eradicate cancer. Blocking SEMA4D could, therefore, potentially expand the benefits of immunotherapy to patients.
- **Cancer Studies.** Pepinemab is also being evaluated by third parties in investigator-sponsored trials, or IST's, for osteosarcoma and melanoma, and in multiple "window of opportunity" studies in additional cancer indications.
- **Alzheimer's Disease.** We have initiated patient screening and enrollment in a phase 1/2a study of pepinemab in 40 early AD patients randomized 1:1 drug to placebo. The planned duration of treatment is 12 months and key efficacy endpoints include standardized measures of cognition, CDR-SB and ADAS-

Cog 13, as well as FDG-PET, a biomarker that has been shown in multiple clinical studies to correlate with cognitive decline in AD and is employed as a measure of clinical progression.

Results of Operations

The following table set forth our results of operations for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	$ -	$ -	$ 850	$ -
Costs and expenses:				
Research and development	4,064	4,557	9,577	9,966
General and administrative	1,605	1,943	3,182	3,693
Total costs and expenses	5,669	6,500	12,759	13,659
Loss from operations	(5,669)	(6,500)	(11,909)	(13,659)
Interest expense	(351)	-	(683)	-
Other (expense) income, net	51	(1)	49	9
Loss before provision for income taxes	(5,969)	(6,501)	(12,543)	(13,650)
Provision for income taxes	-	-	-	-
Net loss	(5,969)	(6,501)	(12,543)	(13,650)
Net loss attributable to noncontrolling interests	-	-	-	-
Net loss attributable to Vaccinex, Inc.	$ (5,969)	$ (6,501)	$ (12,543)	$ (13,650)

Comparison of the Three Months Ended June 30, 2021 and 2020

Revenue

The Company recorded no revenue during the three months ended June 30, 2021 or 2020.

Operating Expenses

	Three Months Ended June 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Research and development	$ 4,064	$ 4,557	$ (493)	(11)%
General and administrative	1,605	1,943	(338)	(17)%
Total operating expenses	$ 5,669	$ 6,500	$ (831)	(13)%

Research and Development. Research and development expenses in the three months ended June 30, 2021 decreased by $0.5 million, or 11%, compared to the three months ended June 30, 2020. This decrease was primarily attributable to reduced clinical trial costs as a result of the completion of the SIGNAL-HD and CLASSICAL lung studies, partially offset by setup expenses for the SIGNAL-AD and HNSCC clinical trials.

General and Administrative. General and administrative expenses in the three months ended June 30, 2021 decreased by $0.3 million, or 17%, compared to the three months ended June 30, 2020. The decrease was due to headcount reductions and lower stock-based compensation costs.

Comparison of the Six Months Ended June 30, 2021 and 2020

Revenue

The $0.9 million revenue during the six months ended June 30, 2021, was due to product license fees from our collaboration agreement with Surface Oncology. The Company recorded no revenue during the six months ended June 30, 2020.

Operating Expenses

	Six Months Ended June 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Research and development	$ 9,577	$ 9,966	$ (389)	(4)%
General and administrative	3,182	3,693	(511)	(14)%
Total operating expenses	$ 12,759	$ 13,659	$ (900)	(7)%

Research and Development. Research and development expenses in the six months ended June 30, 2021, decreased by $0.4 million, or 4%, compared to the six months ended June 30, 2020. This decrease was primarily attributable to reduced clinical trial costs as a result of the completion of the SIGNAL-HD and CLASSICAL lung studies, partially offset by setup expenses for the SIGNAL-AD and HNSCC clinical trials.

General and Administrative. General and administrative expenses in the six months ended June 30, 2021, decreased by $0.5 million, or 14%, compared to the six months ended June 30, 2020. The decrease was due to headcount reductions and lower stock-based compensation costs.

Liquidity and Capital Resources

To date, we have not generated any revenue from product sales. Since our inception in 2001, we have relied on public and private sales of equity and debt financing to fund our operations, in addition to capital contributions from noncontrolling interests and limited-service revenue from collaboration agreements.

In January 2020 and July 2020, we completed private placements of our common stock and received gross proceeds of $7.5 million and $4.0 million, respectively and in September 2020 we received gross proceeds of $2.0 million through an award from the Alzheimer's Drug Discovery Foundation ("ADDF"), in the form of an investment in our common stock. Additionally, on March 27, 2020, we announced that we had (i) entered into an Open Market Sale Agreement with Jefferies and filed a prospectus supplement pursuant to which we were able to issue and sell up to $11.5 million of shares of our common stock from time to time and (ii) entered into a Purchase Agreement with Keystone pursuant to which Keystone agreed to purchase up to an aggregate of $5.0 million of shares of our common stock from time to time. In August 2020, we ceased use of the Purchase Agreement with Keystone, and in September 2020, we filed a replacement prospectus supplement related to the Open Market Sale Agreement pursuant to which we may sell up to $113.0 million of shares of our common stock through Jefferies. During the first quarter of 2021, 5,937,900 shares were sold through the Open Market Sale Agreement for proceeds of $31.9 million, net of commission.

In addition, on May 8, 2020, we received the PPP Loan in the amount of $1.1 million.

In August 2020, we entered into a Securities Purchase Agreement, or the SPA, with 3i, as collateral agent and purchaser. Pursuant to the SPA, on August 3, 2020, we issued our Debenture in the principal amount of $8.64 million for gross proceeds of $8.0 million, which reflects an original issue discount of approximately 8%. The Debenture matured on August 3, 2021. The Debenture accrues interest at 7% per year and is convertible into shares of our common stock at a conversion price of $9.4125 per share, subject to certain customary adjustments. Subject to the satisfaction of certain conditions, at any time, we may elect to redeem all or any portion of the Debenture for an amount equal to 115% of the outstanding principal balance being redeemed plus all accrued and unpaid interest on the amount being redeemed that would have accrued if the Debenture were held through the maturity date. Our obligations under the Debenture can be accelerated upon the occurrence of certain customary events of default and are secured under a Security Agreement by a lien on substantially all of our assets, subject to certain exceptions.

The Debenture contains customary representations and warranties and affirmative and restrictive covenants, including limitations on indebtedness, liens, dispositions of assets, organizational document amendments, change of control transactions, stock repurchases, indebtedness repayments, dividends, affiliate transactions and certain other matters. The Debenture also provides that in connection with future capital raising transactions, subject to certain exceptions, at the election of the holder we must use 20% of the funds raised to redeem amounts outstanding under the Debenture. As of June 30, 2021 the Company has repaid $6.0 million of the principal amount of the Debenture, in accordance with the mandatory redemption terms. In August 2021 the Company made a payment of $2,755,895, representing all principal and interest due at maturity. The Company has no further obligation under the Debenture and incurred no early termination or prepayment penalties in connection with the repayment.

Operating Capital Requirements

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, third-party research services and amounts due to vendors for research supplies. As of June 30, 2021 and December 31, 2020, our principal source of liquidity was cash and cash equivalents in the amount of $22.4 million and $10.6 million, respectively.

Since our inception in 2001, we have incurred significant net losses and negative cash flows from operations. For the three months ended June 30, 2021 and 2020, we reported a net loss of $6.0 million and $6.5 million, respectively, and $12.5 million and $13.7 million for the six months ended June 30, 2020 and 2021, respectively. As of June 30, 2021 and December 31, 2020, we had an accumulated deficit of $290.0 million and $277.5 million, respectively. We anticipate that we will continue to generate losses for the foreseeable future, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our product candidates. We are subject to risks associated with the development of new biopharmaceutical products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors, including as a result of the COVID-19 pandemic, that may adversely affect our business.

Until we can generate a sufficient amount of revenue from the commercialization of our product candidates, we expect to finance our operations through the public or private sale of equity, debt financings, or other capital sources, such as government funding, collaborations, strategic alliances or licensing arrangements with third parties. We intend to use the net proceeds from our private placements, the agreements with Jefferies and Keystone, the Convertible Debt Financing, and the funding we received and expect to receive in 2021 from the Alzheimer’s Association and the ADDF to fund the ongoing development of pepinemab and for working capital and general corporate purposes. We believe we have used the funds from the PPP Loan for loan forgiveness-eligible purposes under the CARES Act, including payroll, benefits, rent and utilities.

Financing strategies we may pursue include, but are not limited to, the public or private sale of equity, debt financings or funds from other capital sources, such as government funding, collaborations, strategic alliances or licensing arrangements with third parties. There can be no assurances additional capital will be available to secure additional financing, or if available, that it will be sufficient to meet our needs on favorable terms. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development of one or more of our product candidates. If we raise additional funds through the public or private sale of equity or debt financings, it could result in dilution to our existing stockholders or increased fixed payment obligations and these securities may have rights senior to those of our common stock and could contain covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license our intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Cash used in operating activities	$ (14,096)	$ (12,958)
Cash used in investing activities	(22)	(254)
Cash provided by financing activities	25,907	10,962

Operating Activities. We have historically experienced negative cash flows as we have developed our product candidates and continued to expand our business. Our net cash used in operating activities primarily results from our net loss adjusted for non-cash expenses and changes in working capital components as we have continued our research and development and is influenced by the timing of cash payments for research related expenses. Our primary uses of cash from operating activities are compensation and related-expenses, employee-related expenditures, third-party research services and amounts due to vendors for research supplies. Our cash flows from operating activities will continue to be affected principally by the extent to which we increase spending on personnel, research and development and other operating activities as our business grows.

During the six months ended June 30, 2021 and 2020, operating activities used $14.0 million and $13.0 million, respectively, in cash, primarily as a result of our continued efforts of discovery and development of targeted biotherapeutics to treat serious diseases and conditions with unmet medical needs without any product revenue, resulting in a net loss of $12.5 million and $13.7 million, respectively.

Investing Activities. Cash used in investing activities during the six months ended June 30, 2021 resulted from purchases of property and equipment.

Financing Activities. During the six months ended June 30, 2021, financing activities provided a net of $25.9 million, of which $31.9 million, net of underwriting commissions and discounts was due to the issuance of the Company’s common stock pursuant to the Open Market Sale Agreement reduced by payments made under the Mandatory Redemption provision of the Debenture of $6.0 million. During the six months ended June 30, 2020, financing activities provided a net of $11.0 million attributable to the private placement of common stock.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as defined in the rules and regulations of the SEC.

JOBS Act Accounting Election

We are an "emerging growth company" within the meaning of the Jumpstart Our Business Startups Act or the JOBS Act. Section 107(b) of the JOBS Act provides that an emerging growth company can leverage the extended transition period, provided in Section 102(b) of the JOBS Act, for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. We have elected to use this extended transition period and, as a result, our condensed consolidated financial statements may not be comparable to companies that comply with public company effective dates of such accounting standards.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

There have been no material changes to our critical accounting policies and significant judgments as compared to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Impact of Recent Accounting Pronouncements

For a discussion on the impact of recent accounting pronouncements on our business, see Note 2 to our unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and Chief Financial Officer (our principal financial officer), evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of June 30, 2021, the end of the period covered by this Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2021, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Some of our employees are working remotely due to the COVID-19 pandemic. However, we have not experienced any changes to our internal control arising from the COVID-19 pandemic that have materially affected or that are reasonably likely to materially affect our internal control over financial reporting. We are continually monitoring and assessing the COVID-19 pandemic and the impact it may have on our operations, including our internal control.

Part II - OTHER INFORMATION

Item 1A. Risk Factors

An investment in our stock involves a high degree of risk. You should carefully consider the risks set forth in this section, and in Part I, Item 1A of the Annual Report, and all of the other information set forth in this Report, the Annual Report, and in the other reports we file with the SEC. If any of the risks contained in those reports actually occur, our business, results of operation, financial condition, and liquidity could be harmed, the value of our securities could decline, and you could lose all or part of your investment. Other than the addition of the text below, there have been no material changes from risk factors disclosed in the Annual Report. See the discussion of the Company's risk factors under Part I, Item 1A. of the Annual Report.

We will require additional capital to finance our operations to continue as a going concern, which may not be available to us on acceptable terms, if at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates and have identified conditions that raise substantial doubt about our ability to continue as a going concern.

Our recurring net losses and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern within one year after the issuance of our consolidated financial statements as of and for the year ended December 31, 2020, as discussed in Note 1 to our consolidated financial statements as of and for the year ended December 31, 2020 included in our Annual Report. Our independent registered public accounting firm also noted this in their report issued on our consolidated financial statements for the years ended December 31, 2020, and 2019. Our cash and cash equivalents were $22.4 million and total current assets were $23.4 million at June 30, 2021, which the Company anticipates will be insufficient to fund our planned operations through one year of the date that these condensed consolidated financial statements are available for issuance. Our ability to continue as a going concern is dependent upon our ability to obtain additional equity or debt financing, attain further operating efficiencies, reduce expenditures, and, ultimately, to generate revenue. For the foreseeable future, we will have to raise additional working capital to fund our operations. However, no assurance can be given that additional financing will be available, or, if available, will be on terms acceptable to us. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our operations have consumed substantial amounts of cash since our inception. We expect to continue to spend substantial amounts to advance the clinical development of our product candidates. Until we can generate a sufficient amount of revenue from the commercialization of our product candidates, we expect to finance our operations through the public or private sale of equity, debt financings, or other capital sources, such as government funding, collaborations, strategic alliances or licensing arrangements with third parties.

We will need to complete additional financing transactions in order to continue operations. The potential financing activities described above may also not be sufficient in the near-term. Given, among other things, the current economic uncertainty associated with the COVID-19 pandemic, and our recent stock price performance, our arrangement with Jefferies and other financing strategies we may pursue may not be sufficient to fund our operations in the near term. There can be no assurances that we will be able to secure additional financing, or if available, that it will be sufficient to meet our needs or on favorable terms.

On May 8, 2020, we received the PPP Loan for approximately $1.1 million under the Paycheck Protection Program. However, the PPP Loan was only sufficient to fund our payroll and other eligible expenses for a limited period of time.

Circumstances may also cause us to consume capital even more rapidly than we currently anticipate. For example, as we move our lead product candidate through clinical trials and submit Investigational New Drug applications for new indications or other product candidates, we may have adverse results requiring us to find new product candidates or our development plans and anticipated clinical trial design may need to be altered.

Additional fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize future product candidates. We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue our operations and the development or commercialization of one or more of our product candidates or

the range of indications for which they are developed. If we raise additional funds through the issuance of additional debt or equity securities, it could result in dilution to our existing stockholders, and/or increased fixed payment obligations. Furthermore, these securities may have rights senior to those of our common stock and could contain covenants that would restrict our operations and potentially impair our competitiveness, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. Any of these events could significantly harm our business, financial condition and prospects.

Our future capital requirements will depend on many factors, including, among others:

- the scope, rate of progress, results and costs of our clinical trials, preclinical studies and other research and development activities;
- the timing of, and the costs involved in, obtaining regulatory approvals for any of our current or future product candidates we may develop or in-license;
- the number and characteristics of product candidates that we develop or in-license, if any;
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the effect of competing technological efforts and market developments;
- our ability to establish collaborative arrangements to the extent necessary;
- the economic and other terms, timing and success of any collaboration, licensing, distribution or other arrangements into which we may enter in the future;
- revenues received from any product candidates that are approved; and
- payments received under any current or future strategic partnerships.

If a lack of available capital prevents us from expanding our operations or otherwise capitalizing on our business opportunities, our business, financial condition and results of operations could be materially adversely affected. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue our operations and the development of one or more of our product candidates or cease operations.

We may not continue to pursue our clinical trial evaluating pepinemab for the treatment of Huntington's Disease.

In late September 2020, we received topline data from our Phase 2 SIGNAL trial evaluating pepinemab for the treatment of Huntington's Disease. The trial did not meet its prespecified primary endpoints. Although the study results did provide clear and useful information for how to modify the study design for potential future success, the Company needs to evaluate the business opportunity and resources required in relation to other opportunities in Alzheimer' disease and cancer. The Phase 2 SIGNAL trial evaluating pepinemab for the treatment of Huntington's Disease was our most advanced clinical trial and based on the Phase 2 results we are pursuing potential partnering opportunities. If we do not receive definitive partnering interest, we may not continue to pursue clinical development for this indication. Even if we cease to pursue the Huntington's Disease indication, we are pursuing clinical development for pepinemab in HNSCC and AD, which requires significant additional development resources. Pursuing these other indications will take a significant amount of time and capital to pursue and may not ultimately be successful. This may require that we seek an early partnership or license selected assets to advance our business efforts.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit No.	Description
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101*	The following items from this Quarterly Report on Form 10-Q formatted in iXBRL: (i) Condensed Consolidated Balance Sheets (Unaudited), (ii) Condensed Consolidated Statements of Operations (Unaudited), (iii) Consolidated Statements of Stockholders' Deficit (Unaudited), (iv) Condensed Consolidated Statements of Cash Flows (Unaudited), and (v) Notes to Condensed Consolidated Financial Statements (Unaudited)
104*	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

* Filed or furnished herewith, as applicable.

SIGNATURES

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

Vaccinex, Inc.
(Registrant)

August 16, 2021 By: /s/ Maurice Zauderer
Maurice Zauderer, Ph.D.
President & Chief Executive Officer
(Principal Executive Officer)

August 16, 2021 By: /s/ Scott E. Royer
Scott E. Royer, CFA, MBA
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Maurice Zauderer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended June 30, 2021 of Vaccinex, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: August 16, 2021

By: /s/ Maurice Zauderer

Maurice Zauderer, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott E. Royer, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended June 30, 2021 of Vaccinex, Inc.;

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

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

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

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

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

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

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

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

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

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

Dated: August 16, 2021

By: /s/ Scott E. Royer

Scott E. Royer
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Vaccinex, Inc., (the "Company") on Form 10-Q for the three months ended June 30, 2021 (the "Report"), I, Maurice Zauderer, Ph.D., President and Chief Executive Officer of the Company and Scott E. Royer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: August 16, 2021

By: /s/ Maurice Zauderer
Maurice Zauderer, Ph.D.
President and Chief Executive Officer

Dated: August 16, 2021

By: /s/ Scott E. Royer
Scott E. Royer
Chief Financial Officer