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

FORM 8-K/A
(Amendment No. 1)

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

Date of Report (Date of earliest event reported): March 29, 2021

GEMINI THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-39438**	**85-1612845**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

300 One Kendall Square, 3rd Floor Cambridge, MA	**02139**
(Address of principal executive offices)	(Zip Code)

(617) 401-4400
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

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

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

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

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

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

Title of each class	**Trading Symbols**	**Name of each exchange on which registered**
Common stock, par value $0.0001 per share	**GMTX**	**The Nasdaq Global Market**

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

☐ 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.

Introductory Note

This Amendment No. 1 on Form 8-K/A ("Amendment No. 1") amends the Current Report on Form 8-K of Gemini Therapeutics, Inc., a Delaware corporation (the "Company"), filed on February 11, 2021 (the "Original Report"), in which the Company reported, among other events, the completion of the Business Combination (as defined in the Original Report) between the Company and Gemini Therapeutics Sub, Inc. ("Old Gemini").

This Amendment No. 1 is being filed in order to include (a) the unaudited pro forma combined financial information for the Company as of December 31, 2020 and for the years ended December 31, 2019 and 2020, (b) the Management's Discussion and Analysis of Financial Condition and Results of Operations of Old Gemini for the years ended December 31, 2019 and 2020 and (c) the audited financial statements of Old Gemini as of and for the years ended December 31, 2019 and 2020.

This Amendment No. 1 does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries subsequent to the filing date of the Original Report, except as indicated below under Item 9.01. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Amendment No. 1.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements.

The audited financial statements of Old Gemini as of and for the years ended December 31, 2019 and 2020 and the related notes thereto are attached as Exhibit 99.3 and are incorporated herein by reference. Also included as Exhibit 99.2 and incorporated herein by reference is the Management's Discussion and Analysis of Financial Condition and Results of Operations of Old Gemini for the years ended December 31, 2019 and 2020.

(b) Pro Forma Financial Information.

Certain unaudited pro forma combined financial information for the Company as of and for the years ended December 31, 2019 and 2020 is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
99.1*	Unaudited pro forma combined financial information of the Company as of December 31, 2020 and for the years ended December 31, 2019 and 2020.
99.2*	Management's Discussion and Analysis of Financial Condition and Results of Operations of Old Gemini for the years ended December 31, 2019 and 2020.
99.3*	Audited financial statements of Old Gemini as of and for the years ended December 31, 2019 and 2020.

* Filed herewith.

SIGNATURES

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

GEMINI THERAPEUTICS, INC.

Date: March 29, 2021

By: /s/ Brian Piekos
Brian Piekos
Chief Financial Officer

Exhibit 99.1

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined balance sheet of Combined Entity (as defined below) as of December 31, 2020 and the unaudited pro forma combined statements of operations of Combined Entity for the years ended December 31, 2019 and 2020 present the combination of the financial information of FS Development Corp ("FS Development" or "FSDC") and Gemini Therapeutics Sub, Inc. f/k/a Gemini Therapeutics, Inc. ("Old Gemini") after giving effect to the Business Combination (as defined in the Current Report on Form 8-K filed on February 11, 2021), PIPE Financing (as defined below) and related adjustments described in the accompanying notes. FS Development and Old Gemini are collectively referred to herein as the "Companies", and the Companies, subsequent to the Business Combination and PIPE Financing, are referred to herein as "Combined Entity" or "Gemini".

The unaudited pro forma combined statements of operations for the years ended December 31, 2019 and 2020 give pro forma effect to the Business Combination and PIPE Financing as if they had occurred on January 1, 2019. The unaudited pro forma combined balance sheet as of December 31, 2020 gives pro forma effect to the Business Combination and PIPE Financing as if they were completed on December 31, 2020.

The unaudited pro forma combined financial information is based on and should be read in conjunction with the audited and unaudited historical financial statements of each of FS Development and Old Gemini and the notes thereto, as well as the disclosures contained in the sections titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations of FS Development*," and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of Gemini*" contained herein with respect to Old Gemini and in the Form 10-K for FS Development for the year ended December 31, 2020, which has been filed with the SEC.

The unaudited pro forma combined financial statements have been presented for illustrative purposes only and do not necessarily reflect what Combined Entity's financial condition or results of operations would have been had the Business Combination and PIPE Financing occurred on the dates indicated. Further, the unaudited pro forma combined financial information also may not be useful in predicting the future financial condition and results of operations of Combined Entity. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The unaudited pro forma adjustments represent management's estimates based on information available as of the date of these unaudited pro forma combined financial statements and are subject to change as additional information becomes available and analyses are performed.

On February 5, 2021, the Combined Entity consummated the previously announced Business Combination pursuant to the Agreement and Plan of Merger (the "Merger Agreement") dated October 15, 2020 among FS Development, FSG Merger Sub Inc. ("Merger Sub"), Old Gemini and the Shareholders Representative named therein, under the terms of which, FS Development acquired Old Gemini, through which FSG Merger Sub merged with and into Old Gemini, with Old Gemini becoming a wholly-owned subsidiary of FS Development referred to herein as Combined Entity, which became a publicly-listed entity. As a result of the Business Combination, the Combined Entity owns, directly or indirectly, all of the issued and outstanding equity interests of Old Gemini and the Old Gemini Equityholders hold a portion of the Combined Entity Common Stock.

The following pro forma combined financial statements presented herein reflect the redemption of 100 shares of Class A Common Stock by FS Development's stockholders in conjunction with the stockholder vote on the Business Combination contemplated by the Merger Agreement at a special meeting held on February 3, 2021.

COMBINED ENTITY

UNAUDITED PRO FORMA

COMBINED BALANCE SHEET

December 31, 2020

(in thousands)

	FSDC (Historical)	Old Gemini (Historical)	Pro Forma Adjustments	Note 3	Pro Forma
Assets					
Current assets:					
Cash and cash equivalents	$ 1,212	$ 4,503	$ 192,503	(a), (b), (c)	$ 198,218
Prepaid expenses and other current assets	126	562	-		688
Total current assets	**1,338**	**5,065**	**192,503**		**198,906**
Property and equipment, net	-	294	-		294
Restricted cash	-	323	-		323
Cash held in Trust Account	120,755	-	(120,755)	(c)	-
Deferred offering costs	-	2,637	(2,637)	(d)	-
Other assets	-	-	-		-
Total assets	**$ 122,093**	**$ 8,319**	**$ 69,111**		**$ 199,523**
Liabilities and stockholders' equity (deficit)					
Current liabilities:					
Accounts payable and accrued expenses	$ 498	$ 8,187	$ (1,619)	(a), (d), (e)	$ 7,066
Franchise tax payable	100	-	(100)	(e)	-
Term loan, current portion	-	5,000	-		5,000
Convertible notes, net	-	11,689	(11,689)	(f)	-
Total current liabilities	**598**	**24,876**	**(13,408)**		**12,066**
Deferred underwriting commissions	4,226	-	(4,226)	(b)	-
Warrant liability	-	76	-		76
Other liabilities	-	277	-		277
Term loan, net of current portion and discount	-	4,951	-		4,951
Total liabilities	**4,824**	**30,180**	**(17,634)**		**17,370**
Series A convertible preferred stock	-	47,113	(47,113)	(g)	-
Series B convertible preferred stock	-	33,336	(33,336)	(g)	-
Total convertible preferred stock	-	**80,449**	**(80,449)**		-
Class A common stock subject to redemption	112,269	-	(112,269)	(g)	-
Stockholders' equity (deficit)					
Preferred stock	-	-	-		-
Class A common stock	-	-	-		-
Class B common stock	-	-	-		-
Common stock	-	7	(6)	(g)	1
Additional paid-in capital	5,812	10,504	281,483	(g)	297,799
Accumulated deficit	(812)	(112,821)	(2,015)	(g)	(115,648)
Total stockholders' equity (deficit)	**5,000**	**(102,310)**	**279,463**		**182,153**
Total liabilities and stockholders' equity (deficit)	**$ 122,093**	**$ 8,319**	**$ 69,111**		**$ 199,523**

COMBINED ENTITY

UNAUDITED PRO FORMA COMBINED

STATEMENT OF OPERATIONS FOR THE

YEAR ENDED DECEMBER 31, 2020

(in thousands, except share and per share amounts)

	FSDC (Historical)	Old Gemini (Historical)	Pro Forma Adjustments	Note 3	Pro Forma
Operating expenses:					
Research and development	$ -	$ 28,170	$ -		$ 28,170
General and administrative	717	5,870	100	(h)	6,687
Franchise tax expense	100	-	(100)	(h)	-
Total operating expenses	817	34,040	-		34,857
Loss from operations	**(817)**	**(34,040)**	-		**(34,857)**
Other income (expense):					
Interest expense	-	(6,826)	(2,116)	(i)	(8,942)
Interest income	-	37	-		37
Interest earned on cash equivalents held in Trust Account	5	-	(5)	(j)	-
Loss on extinguishment of debt	-	-	(711)	(i)	(711)
Change in fair value of warrant liability	-	(8)	-		(8)
Net loss	**$ (812)**	**$ (40,837)**	**$ (2,832)**		**$ (44,481)**
Weighted common shares outstanding - Class A	12,075,000	5,676,370		(k)	42,998,664
Basic and diluted net loss per share - Class A	$ -	$ (7.19)		(k)	$ (1.03)
Weighted common shares outstanding - Class B	3,257,081	-			-
Basic and diluted net loss per share - Class B	$ (0.25)	$ -			$ -

COMBINED ENTITY

UNAUDITED PRO FORMA COMBINED

STATEMENT OF OPERATIONS FOR THE

YEAR ENDED DECEMBER 31, 2019

(in thousands, except share and per share amounts)

	FSDC (Historical)	Old Gemini (Historical)	Pro Forma Adjustments	Note 3	Pro Forma
Operating expenses:					
Research and development	$ -	$ 34,472	$ -		$ 34,472
General and administrative	-	6,753	-		6,753
Total operating expenses	-	41,225	-		41,225
Loss from operations	-	**(41,225)**	-		**(41,225)**
Other income (expense):					
Interest expense	-	(350)	-		(350)
Interest income	-	177	-		177
Change in fair value of warrant liability	-	(2)	-		(2)
Net loss	**$** -	**$ (41,400)**	**$** -		**$ (41,400)**
Weighted common shares outstanding - Class A		5,171,537		(k)	42,998,664
Basic and diluted net loss per share - Class A		$ (8.01)		(k)	$ (0.96)

Note 1 – Description of the Business Combination

On February 5, 2021, the Combined Entity consummated the previously announced Business Combination pursuant to the Agreement and Plan of Merger dated October 15, 2020 between FS Development, Merger Sub, Old Gemini and the Shareholders Representative named therein, under the terms of which, FS Development acquired Old Gemini, through which Merger Sub merged with and into Old Gemini, with Old Gemini becoming a wholly-owned subsidiary of FS Development, referred to herein as Combined Entity, which became a publicly-listed entity. As a result of the Business Combination, the Combined Entity owns, directly or indirectly, all of the issued and outstanding equity interests of Old Gemini and the Old Gemini Equityholders hold a portion of the Combined Entity Common Stock.

As a result of the Merger Agreement, Old Gemini Equityholders received an aggregate number of shares of Combined Entity Common Stock equal to (i) $215.0 million, divided by (ii) $10.00, or 21,500,000 shares. The final conversion ratio used to calculate the final Merger Consideration was .2180, resulting in 17,957,514 shares issued for all issued and outstanding Old Gemini common stock and preferred stock, 2,303,326 shares issued for Old Gemini's underlying vested, unvested and unexercised options and 1,239,160 shares reserved for issuance under the 2021 Stock Option and Incentive Plan. In connection with the closing of the Business Combination, certain investors agreed to subscribe for and purchase an aggregate of $95.1 million of common stock of Combined Entity (the "PIPE Financing").

The following summarizes the number of Combined Entity Common Stock outstanding following the consummation of the Business Combination and the PIPE Financing:

	Shares	%
FS Development public stockholders	12,074,900	28.1%
FS Development Sponsor and Directors	3,460,250	8.0%
Old Gemini Stockholders	17,957,514	41.8%
PIPE - Old Gemini Stockholders	1,560,000	3.6%
PIPE - FS Development Sponsor	1,500,000	3.5%
PIPE - Other Investors	6,446,000	15.0%
Total	42,998,664	100%

Note 2 – Basis of Presentation

The historical financial information of FS Development and Old Gemini has been adjusted in the unaudited pro forma combined financial information to give effect to events that are (1) directly attributable to the Business Combination and the PIPE Financing, (2) factually supportable, and (3) with respect to the statements of operations, expected to have a continuing impact on the combined results. The pro forma adjustments are prepared to illustrate the estimated effect of the Business Combination and the PIPE Financing and certain other adjustments.

The Business Combination will be accounted for as a reverse recapitalization because Old Gemini has been determined to be the accounting acquirer under Financial Accounting Standards Board's Accounting Standards Codification Topic 805, *Business Combinations*. The determination is primarily based on the evaluation of the following facts and circumstances:

- The pre-combination equity holders of Old Gemini will hold the majority of voting rights in Combined Entity;
- The pre-combination equity holders of Old Gemini will have the right to appoint the majority of the directors on the Combined Entity Board;
- Senior management of Old Gemini will comprise the senior management of Combined Entity; and
- Operations of Old Gemini will comprise the ongoing operations of Combined Entity.

Under the reverse recapitalization model, the Business Combination will be treated as Old Gemini issuing equity for the net assets of FS Development, with no goodwill or intangible assets recorded.

If the actual facts are different than these assumptions, then the amounts and shares outstanding in the unaudited pro forma combined financial information will be different.

The Combined Entity entered into new equity awards with its employees upon the consummation of the Business Combination. The terms of these new equity awards were not changed or amended from the original awards. Accordingly, no effect was given to the unaudited pro forma combined financial information for the new awards.

The unaudited pro forma combined financial information does not reflect the income tax effects of the pro forma adjustments as any change in the deferred tax balance would be offset by an increase in the valuation allowance given Old Gemini incurred significant losses during the historical periods presented.

Note 3 – Pro Forma Adjustments

Adjustments to the Unaudited Pro Forma Combined Balance Sheet as of December 31, 2020

The pro forma adjustments included in the unaudited pro forma combined balance sheet as of December 31, 2020 are as follows:

a) Cash. Represents the impact of the Business Combination and PIPE Financing on the cash balance of Combined Entity.

The table below represents the sources and uses of funds as it relates to the Business Combination (in thousands):

	Note		
FS Development cash held in Trust Account	(1)	$	120,755
PIPE - FS Development Sponsor	(2)		15,000
PIPE - Old Gemini Shareholders	(2)		15,600
Other PIPE Investors	(2)		64,460
Payment to redeeming FS Development Stockholders	(3)		(1)
Payment of deferred underwriting commissions	(4)		(4,226)
Payment of FS Development accrued transaction costs	(5)		(423)
Payment of FS Development incremental transaction costs	(5)		(11,642)
Payment of Old Gemini accrued transaction costs	(6)		(1,297)
Payment of Old Gemini incremental transaction costs	(6)		(5,723)
Excess cash to balance sheet from Business Combination		**$**	**192,503**

(1) Represents the amount of the cash equivalents held in the Trust Account upon consummation of the Business Combination at Closing.
(2) Represents the issuance, in the PIPE Financing, to certain investors of 9,506,000 shares of Combined Entity common stock at a price of $10.00 per share.
(3) Represents the amount paid to FS Development stockholders who exercised their redemption rights.
(4) Represents payment of deferred FS Development IPO underwriting commissions by FS Development (see Note 3(b)(1)).
(5) Represents payment of FS Development accrued and incremental transaction costs related to the Business Combination (see Note 3(b)(2) and 3(b)(3)).
(6) Represents payment of Old Gemini accrued and incremental transaction costs related to the Business Combination (see Note 3(b)(4) and 3(b)(5)).

b) Business Combination costs.

(1) Payment of deferred FS Development IPO underwriting commissions incurred by FS Development in the amount of $4.2 million (see Note 3(a)(4)). The unaudited pro forma combined balance sheet reflects payment of these costs as a reduction of cash, with a corresponding decrease in deferred underwriting commission liability.

(2) Payment of FS Development accrued transaction costs related to the Business Combination and the PIPE Financing in the amount of $0.4 million (see Note 3(a)(5)). The unaudited pro forma combined balance sheet reflects these costs as a reduction of cash, with a corresponding decrease in accounts payable and accrued expenses.

(3) Payment of FS Development incremental expenses related to the Business Combination and the PIPE Financing in the amount of $11.6 million (see Note 3(a)(5)). The unaudited pro forma combined balance sheet reflects these costs as a reduction of cash, with a corresponding decrease in additional paid-in capital (see Note 3(g)).

(4) Payment of Old Gemini accrued transaction costs related to the Business Combination and the PIPE Financing in the amount of $1.3 million (see Note 3(a)(6)). The unaudited pro forma combined balance sheet reflects these costs as a reduction of cash, with a corresponding decrease in accounts payable and accrued expenses.

(5) Payment of Old Gemini incremental expenses related to the Business Combination and the PIPE Financing in the amount of $5.7 million (see Note 3(a)(6)). The unaudited pro forma combined balance sheet reflects these costs as a reduction of cash, with a corresponding decrease in additional paid-in capital (see Note 3(g)).

c) Trust Account. Represents release of the restricted investments and cash held in the FS Development Trust Account upon consummation of the Business Combination (See Note 3(a)(1)).

d) Capitalization of Old Gemini transaction costs. Reflects recognition of Old Gemini's capitalized transaction expenses related to the Business Combination of $2.6 million as a reduction to equity proceeds. The unaudited pro forma combined balance sheet reflects this adjustment as a reduction to deferred offering costs, with a corresponding decrease in additional paid-in capital (see Note 3(g)).

e) Franchise tax payable. Reflects the reclassification of FS Development's franchise tax payable to align with the balance sheet presentation of Old Gemini.

f) Convertible notes. On August 21, 2020, Old Gemini entered into a purchase agreement with various investors to issue $14.0 million in convertible promissory notes (the "Notes"). The Notes accrue simple interest at 8% per annum. Old Gemini determined that a beneficial conversion feature ("BCF") exists and should be recognized on the issuance date. It recorded the Notes at the original issue price, net of the BCF discount. Principal and interest are convertible into Series B preferred stock at a per share conversion price of $1.3513 prior to the effective date of the Business Combination. The pro forma disclosures reflect the conversion of the Notes to Series B preferred stock on February 5, 2021, and a reacquisition price of $22.9 million representing the fair value of Series B preferred stock upon conversion. The adjustments reflect the conversion of the notes to Series B preferred stock, and the impact of conversion on additional paid-in capital and accumulated deficit.

g) *Impact on equity*. The following table represents the impact of the Business Combination and PIPE Financing on the number of shares of FS Development Class A Common Stock and represents the total equity:

(in thousands, except share amounts)	Common Stock						
	Number of Shares		Par Value				
	Class A Stock	Class B Stock	Class A Stock	Class B Stock	Old Gemini's Stock	Additional paid-in capital	Accumulated deficit
Pre Business Combination - FS Development stockholders	848,126	3,018,750	$ -	$ -	$ -	$ 5,812	$ (812)
Pre Business Combination - FS Development Holdings, LLC	441,500	-	-	-	-	-	-
Pre Business Combination - Old Gemini	-	-	7	-	80,449	10,504	(112,821)
Pre Business Combination - Old Gemini conversion of promissory notes	-	-	-	-	23,413	(8,898)	(2,827)
Conversion of Class B common stock to Class A common stock	3,018,750	(3,018,750)	-	-	-	-	-
Reclassification of redeemable stock to Class A common stock	11,226,874	-	1	-	-	112,268	-
Less: Redemption of redeemable shares	(100)	-	-	-	-	(1)	-
Old Gemini Stockholders	17,957,514	-	-	-	-	-	-
PIPE - Old Gemini Stockholders	1,560,000	`	-	-	-	15,600	-
PIPE - FS Development	1,500,000	-	-	-	-	15,000	-
PIPE - Other Investors	6,446,000	-	-	-	-	64,460	-
Balances after share transactions of Combined Entity	42,998,664	-	8	-	103,862	214,745	(116,460)
FS Development incremental transaction costs	-	-	-	-	-	(11,642)	-
Old Gemini incremental transaction costs	-	-	-	-	-	(5,723)	-
Capitalized transaction costs of Old Gemini	-	-	-	-	-	(2,637)	-
Elimination of historical accumulated deficit of FS Development	-	-	-	-	-	(812)	812
Elimination of historical stock of Old Gemini	-	-	(7)	-	(103,862)	103,869	-
Post-Business Combination	42,998,664	-	$ 1	$ -	$ -	$ 297,799	$ (115,648)

Adjustments to the Unaudited Pro Forma Combined Statements of Operations for the Years Ended December 31, 2019 and 2020

The pro forma adjustments included in the unaudited pro forma combined statement of operations for the years ended December 31, 2019 and 2020 are as follows:

h) *Franchise tax expense.* Reflects the reclassification of FS Development's franchise tax expense to align with the statement of operations presentation of Old Gemini.

i) *Interest expense and loss on extinguishment of debt.* On August 21, 2020, Old Gemini entered into a purchase agreement with various investors to issue $14.0 million in convertible promissory notes (the "Notes"). The Notes accrue simple interest at 8% per annum. Old Gemini determined that a beneficial conversion feature ("BCF") exists and should be recognized on the issuance date. It recorded the Notes at the original issue price, net of the BCF discount. The BCF discount is accreted to the face value of the Notes, offset against interest expense. Principal and interest are convertible into Series B preferred stock at a per share conversion price of $1.3513 prior to the effective date of the Business Combination. The pro forma disclosures reflect the conversion of the Notes to Series B preferred stock on February 5, 2021, and a reacquisition price of $22.9 million representing the fair value of Series B preferred stock upon conversion. The adjustments reflect the accretion of the BCF discount recognized as interest expense of $7.5 million, simple interest of $0.5 million and a loss on extinguishment of $0.7 million.

j) *Exclusion of interest earned on cash equivalents held in Trust Account.* Reflects the exclusion of interest earned on the cash equivalents held in Trust Account.

k) *Net loss per share.* Represents pro forma net loss per share based on pro forma net loss and 42,998,664 total shares outstanding upon consummation of the Business Combination and PIPE Financing. For each period presented, there is no difference between basic and diluted pro forma net loss as the inclusion of all potential shares of common stock of Combined Entity outstanding would have been anti-dilutive.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF GEMINI

The following discussion and analysis of Old Gemini's financial condition and results of operations should be read in conjunction with Old Gemini's financial statements and related notes included elsewhere in this Form 8-K/A. Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 8-K/A, including information with respect to Old Gemini plans and strategy for its business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the section entitled "Risk Factors", Old Gemini actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. You should carefully read the sections titled "Risk Factors" to gain an understanding of the important factors that could cause actual results to differ materially from Old Gemini forward-looking statements. Please also see the section titled "Cautionary Note Regarding Forward-Looking Statements" included in our proxy statement/prospectus on Form S-4 Registration No. 333-249785, which was declared effective on January 19, 2021 (the "Business Combination Registration Statement"). Old Gemini does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Unless otherwise indicated or the context otherwise requires, references in this Management's Discussion & Analysis of Financial Condition and Results of Operations of Gemini section to "Gemini," "we," "us," "our" and other similar terms refer to Old Gemini (as defined below) prior to the Business Combination (as defined below) and to Gemini and its consolidated subsidiaries after giving effect to the Business Combination.

Overview

We are a clinical-stage precision medicine company developing novel therapeutic compounds to treat genetically defined, age-related macular degeneration ("AMD"). Our lead product candidate, GEM103, is a recombinant form of the human complement factor H protein ("CFH") and is designed to address complement hyperactivity and overall dysregulation caused by loss of function mutations thusly restoring retinal health in patients with AMD. Native CFH serves multiple functions in maintaining retinal health, including regulating lipid metabolism in the retina, protecting the retina against lipid and protein by-products of oxidative stress, and regulating the complement system, which is part of the innate immune system. This multifaceted regulation plays an integral role in engagement and maintenance of complement-mediated immune responses that are involved in pathogen defense and cellular debris clearance.

Since inception in 2015, we have devoted substantially all our efforts and financial resources to organizing and staffing our company, business planning, raising capital, discovering product candidates and securing related intellectual property rights and conducting research and development activities for our product candidates. We do not have any products approved for sale, and we have not generated any revenue from product sales. We may never be able to develop or commercialize a marketable product.

Our lead product candidate, GEM103, is in Phase 2a clinical development and our other product candidates and research initiatives are in preclinical or earlier stages of development. Our ability to generate revenue from product sales sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more of our product candidates. We have not yet successfully completed any pivotal clinical trials, nor have we obtained any regulatory approvals, manufactured a commercial-scale drug, or conducted sales and marketing activities. Through December 31, 2020, we had received gross proceeds of $76.0 million from the sale of our preferred stock, gross proceeds of $16.9 million from borrowings under convertible promissory notes and $10.0 million from our term loan facility with Silicon Valley Bank, ("SVB").

Business Combination

On October 15, 2020, FS Development Corporation, a Delaware Corporation ("FSDC"), entered into an agreement and plan of merger (the "Merger Agreement") among it, FSG Merger Sub Inc., Old Gemini and the Shareholders Representative named therein. On February 5, 2021, FSDC consummated the previously announced merger and other transactions contemplated by the Merger Agreement (the "Business Combination"). As a result of the Business Combination, FSDC was renamed Gemini Therapeutics, Inc., and Old Gemini became a wholly-owned subsidiary of Gemini. In connection with the Business Combination, the stockholders of Old Gemini exchanged their interests in Gemini for shares of Common Stock. In addition, Old Gemini's existing equity incentive plan was terminated; awards issued under Old Gemini's existing equity incentive plan continue in full force and effect on the same terms and conditions as were previously applicable to such awards, subject to adjustments to the exercise price and number of shares of common stock issuable upon exercise based on the final conversion ratio calculated in accordance with the Merger Agreement. Lastly, in connection with the Business Combination, certain investors purchased an aggregate of $95.1 million of Common Stock in a private placement of public equity (the "PIPE Financing"). We received net proceeds of approximately $199.5 million consisting of proceeds of the PIPE Financing and proceeds remaining in FSDC's trust account. Gemini will continue to operate under the Old Gemini management team, led by chief executive officer Jason Meyenburg.

Risks & liquidity

To date, we have not had any products approved for sale and have not generated any revenue from product sales and do not expect to do so for several years, if at all. All of our programs are still in preclinical or clinical development. Our ability to generate product revenue will depend on the successful development and eventual commercialization of one or more of our product candidates.

We have incurred significant operating losses since inception. Our net losses were $41.4 million and $40.8 million for the years ended December 31, 2019 and 2020, respectively. As of December 31, 2020, we had an accumulated deficit of $112.8 million. We expect to continue to incur net losses for the foreseeable future and expect our research and development expenses and general and administrative expenses to continue to increase. We expect that our expenses and capital requirements will increase substantially in connection with our ongoing development activities, particularly if and as we:

- continue development activities for GEM103, our first product candidate being tested in AMD, including the completion of our Phase 2a clinical trial in geographic atrophy, the ongoing Phase 2a clinical trial in patients with macular atrophy receiving anti-VEGF therapy and the initiation of a Phase 2b clinical trial in geographic atrophy;
- continue research and development activities allowing us to nominate our CFH potentiating antibody as a product candidate;
- continue research and development activities allowing us to nominate our CFH AAV as a product candidate;
- initiate additional clinical trials and preclinical studies for our other current and future product candidates;
- maintain, expand and protect our intellectual property portfolio;
- hire additional clinical, quality control, medical, scientific and other technical personnel to support our clinical and research operations;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- undertake any pre-commercialization activities to establish sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval;
- expand our infrastructure and facilities to accommodate a growing employee base; and
- add operational, financial and management information systems and personnel, including personnel to support our research and development programs and any future commercialization efforts.

Furthermore, as a result of the Business Combination, we expect to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from product sales, if ever, we expect to finance our operations through a combination of private and public equity offerings, debt financings or other capital sources, which may include collaborations with other companies or other strategic transactions. To the extent that we raise additional capital through the sale of private or public equity or convertible debt securities, existing ownership interests will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of the holders of our common stock. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we raise additional funds through collaborations or other strategic transactions with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or drug candidates, or grant licenses on terms that may not be favorable to us. We may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we fail to raise capital or enter into such agreements as and when needed, we may have to significantly delay, scale back or discontinue the development and commercialization of one or more of our product candidates or delay our pursuit of potential in-licenses or acquisitions.

Because of the numerous risks and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

We have incurred significant operating losses since our inception and as of December 31, 2020, had an accumulated deficit of $112.8 million and have not yet generated revenues. In addition, we expect to continue to incur significant and increasing expenses and operating losses for the foreseeable future. We believe that our cash resources, inclusive of the funds received upon the closing of the Business Combination, will enable us to fund our operating expenses and capital expenditure requirements into 2023. Our belief with respect to our ability to fund operations is based on estimates that are subject to risks and uncertainties. If actual results are different from our estimates, we may need to seek additional funding sooner that would otherwise be expected. There can be no assurance that we will be able to obtain additional funding on acceptable terms, if at all. Our future viability beyond that point is dependent on our ability to raise additional capital to finance our operations. For additional information on the Business Combination, please read Note 16, *Subsequent Events*, to the financial statements included elsewhere in this Form 8-K/A.

COVID-19 pandemic

In March 2020, the WHO declared the COVID-19 outbreak a pandemic. The COVID-19 outbreak and government measures taken in response have had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. The future progression of the outbreak and its effects on our business and operations are uncertain.

We and our third-party contract manufacturers (“CMOs”), contract research organizations (“CROs”) and clinical sites may experience disruptions in supply of product candidates and/or procuring items that are essential for our research and development activities, including raw materials used in the manufacturing of our product candidates, medical and laboratory supplies used in our clinical trials or preclinical studies or animals that are used for preclinical testing, in each case, for which there may be shortages because of ongoing efforts to address the outbreak.

Additionally, we have enrolled, and will seek to enroll, patients in our clinical trials at sites located both in the United States and internationally. Most of our clinical trial sites are in areas affected by COVID-19 and, as a result, our trials are being impacted. We cannot predict how long or impactful these delays may be on our clinical trials. In addition, even if sites are initiating and actively recruiting, we may face difficulties recruiting or retaining patients in our clinical trials if patients are affected by the virus or are unable to or are fearful of visiting or traveling to our clinical trial sites because of the outbreak. Prolonged delays or closure to enrollment in our trials or patient discontinuations could have a material adverse impact on our clinical trial plans and timelines. In addition, our ability to collect and verify data requested of patients enrolled in our clinical trials during this pandemic is being impacted to varying degrees by COVID-19. Clinical trial data collection continues for each of our clinical trials but at a slower pace, and with challenges and interruptions in data collection, including, in some instances, disruption of collection of complete study data. This could have a material adverse impact on our data quality and analysis. In addition, clinical trial sites may be unable or unwilling to initiate a new trial if factors relevant to the pandemic render this impracticable. These COVID-19 related issues may prolong the time required to conduct our ongoing clinical trials and/or impact the quality of the data obtained from one or more of these studies.

To date, our financial condition and operations have not been significantly impacted by the COVID-19 pandemic. However, we cannot at this time predict the specific extent, duration or full impact that the COVID-19 pandemic will have on our financial condition and operations, including ongoing and planned clinical trials and other operations required to support those clinical trials and research and development activities to advance our pipeline. The impact of the COVID-19 pandemic on our financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental advisories and restrictions. These developments and the impact of the COVID-19 pandemic on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, our results and operations may be materially adversely affected and may affect our ability to raise capital.

Term loan

On February 8, 2019, we entered into a term loan facility of up to $10.0 million (the “Term Loan”) with Silicon Valley Bank (“SVB”). The proceeds were used for general corporate and working capital purposes. Concurrent with the Term Loan, we issued SVB warrants to purchase 70,000 shares of our Series A preferred stock at an exercise price of $1.19. At the closing of the Business Combination, these warrants were automatically exercised for 15,257 shares of Common Stock. As of December 31, 2019 and 2020, the Company had $10.0 million in principal outstanding under the Term Loan.

The Term Loan is governed by a loan and security agreement, dated February 8, 2019, between Gemini and SVB (the “SVB Loan Agreement”). The SVB Loan Agreement provided for two separate tranches under which we could borrow. The first tranche for $7.5 million was available as single term loan advance until January 31, 2020. The second tranche was also available until January 31, 2020 as single term loan advance for $2.5 million and required that we meet a certain milestone event. On April 18, 2019, we borrowed $7.5 million under the first tranche, and on December 17, 2019, we borrowed $2.5 million under the second tranche having satisfied the milestone requirement.

The Term Loan matures on January 1, 2023 and accrues interest at a floating rate per annum equal to the greater of 3.75% or the prime rate minus 1.5% (1.75% as of December 31, 2020). The Term Loan provides for monthly interest-only payments until February 2021. Thereafter, payments are payable in equal monthly installments of principal, plus all accrued and unpaid interest. We may prepay the Term Loan in whole upon 5 days’ prior written notice to SVB. Any such prepayment of the Term Loan is subject to a prepayment charge as follows: for a prepayment made on or prior to February 8, 2020, 2.0% of the then outstanding principal amount; for a prepayment made after February 8, 2020, but on or prior to February 8, 2021, 1.0% of the then outstanding principal amount; and for a prepayment made after February 8, 2021 but prior to the loan maturity date, 0.5% of the then outstanding principal balance. Amounts outstanding during an event of default are payable upon SVB’s demand and will accrue interest at an additional rate of 5.0% per annum of the past due amount outstanding.

At the end of the loan term (whether at maturity, by prepayment in full or otherwise), we are required to pay a final end of term charge to SVB in the amount of 4.0% of the aggregate original principal amount advanced by SVB.

Convertible promissory notes

On August 21, 2020, we entered into a purchase agreement with existing investors to issue $14.0 million in convertible promissory notes, (the "Notes"). The Notes accrue simple interest at 8% per annum and mature on February 21, 2021. The Notes served as a bridge loan prior to the PIPE Financing in connection with the proposed merger of Old Gemini and FSDC. The Notes were intended to automatically convert into common stock shares issued in the PIPE Financing at a per share conversion price equal to the lowest per share price paid for such shares of common stock in the PIPE Financing. Per the terms of the Merger Agreement, the Notes were amended to allow for the principal and interest to be converted into Series B Preferred Stock at the per share conversion price of $1.3513 prior to the closing of the Business Combination. On February 5, 2021, the Notes converted into 10,741,883 shares of Series B Preferred Stock at a per share conversion price of $1.3513.

Financial Operations Overview

Revenue

We have not generated any revenue since inception and do not expect to generate any revenue from the sale of products in the near future, if at all. If our development efforts are successful and we commercialize our products, or if we enter into collaboration or license agreements with third parties, we may generate revenue in the future from product sales, as well as upfront, milestone and royalty payments from such collaboration or license agreements, or a combination thereof.

Operating expenses

Research and development expenses

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

- expenses incurred to conduct the necessary preclinical studies and clinical trials required to obtain regulatory approval;
- expenses incurred under agreements with CROs that are primarily engaged in the oversight and conduct of our drug discovery efforts and preclinical studies, clinical trials and CMOs that are primarily engaged to provide preclinical and clinical drug substance and product for our research and development programs;
- other costs related to acquiring and manufacturing materials in connection with our drug discovery efforts and preclinical studies and clinical trial materials, including manufacturing validation batches, as well as investigative sites and consultants that conduct our clinical trials, preclinical studies and other scientific development services;
- payments made in cash or equity securities under third-party licensing, acquisition and option agreements;
- employee-related expenses, including salaries and benefits, travel and stock-based compensation expense for employees engaged in research and development functions;
- costs related to compliance with regulatory requirements; and
- allocated facilities-related costs, depreciation and other expenses, which include rent and utilities.

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

We do not track our research and development expenses on a program-by-program basis. Our direct external research and development expenses consist primarily of external costs, such as fees paid to outside consultants, CROs, CMOs and research laboratories in connection with our preclinical development, process development, manufacturing and clinical development activities. We do not allocate employee costs, costs associated with our discovery efforts, laboratory supplies, and facilities, including depreciation or other indirect costs, to specific programs because these costs are deployed across multiple programs and, as such, are not separately classified. We use internal resources primarily to conduct our research and discovery as well as for managing our preclinical development, process development, manufacturing and clinical development activities. These employees work across multiple programs and, therefore, we do not track their costs by program.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. As a result, we expect that our research and development expenses will increase substantially over the next several years as we continue our existing, and commence additional, planned clinical trials for GEM103, as well as conduct other preclinical and clinical development, including submitting regulatory filings for our other product candidates. We also expect our discovery research efforts and related personnel costs will increase and, as a result, we expect our research and development expenses, including costs associated with stock-based compensation, will increase above historical levels. In addition, we may incur additional expenses related to milestone and royalty payments payable to third parties with whom we may enter into license, acquisition and option agreements to acquire the rights to future product candidates.

At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the preclinical and clinical development of any of our product candidates or when, if ever, material net cash inflows may commence from any of our product candidates. The successful development and commercialization of our product candidates is highly uncertain. This uncertainty is due to the numerous risks and uncertainties associated with product development and commercialization, including the uncertainty of the following:

- the scope, progress, outcome and costs of our preclinical development activities, clinical trials and other research and development activities;
- establishing an appropriate safety and efficacy profile with IND enabling studies;
- successful patient enrollment in and the initiation and completion of clinical trials;
- the timing, receipt and terms of any marketing approvals from applicable regulatory authorities including the FDA and non-U.S. regulators;
- the extent of any required post-marketing approval commitments to applicable regulatory authorities;
- establishing clinical and commercial manufacturing capabilities or making arrangements with third-party manufacturers in order to ensure that we or our third-party manufacturers are able to make product successfully;
- development and timely delivery of clinical-grade and commercial-grade drug formulations that can be used in our clinical trials and for commercial launch;
- obtaining, maintaining, defending and enforcing patent claims and other intellectual property rights;
- significant and changing government regulation;
- launching commercial sales of our product candidates, if and when approved, whether alone or in collaboration with others; and
- maintaining a continued acceptable safety profile of our product candidates following approval, if any, of our product candidates.

A change in any of these variables with respect to any of our programs would significantly change the costs, timing and viability associated with that program.

General and administrative expenses

General and administrative expenses consist primarily of employee-related expenses, including salaries and related benefits, travel and stock-based compensation for personnel in executive, business development, finance, human resources, legal, information technology and administrative functions. General and administrative expenses also include direct and allocated facility-related costs as well as insurance costs and professional fees for legal, patent, consulting, investor and public relations, accounting and audit services. We expense general and administrative costs as incurred.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support the continued development of our product candidates. We also anticipate that we will incur significantly increased accounting, audit, legal, regulatory, compliance and director and officer insurance costs as well as investor and public relations expenses associated with operating as a public company. We also expect to incur additional intellectual property-related expenses as we file patent applications to protect innovations arising from our research and development activities. Additionally, if and when we believe a regulatory approval of a product candidate appears likely, we anticipate an increase in payroll and other employee-related expenses as a result of our preparation for commercial operations, especially as it relates to the sales and marketing of that product candidate.

Other income (expense)

Interest expense

Interest expense consists of interest accrued on our term loan entered into on February 8, 2019 and the Notes, including the accretion of the beneficial conversion feature discount recognized on the issuance date of the Notes.

Interest income

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

Change in fair value of warrant liability

In February 2019, in conjunction with our term loan, we issued warrants to purchase 70,000 shares of our Series A preferred stock. We account for, and classify, these warrants as a liability on our balance sheet because the warrants are freestanding financial instruments. We remeasure this liability to fair value at each reporting date and recognize changes in the fair value of the warrant liability in our statements of operations. At the closing of the Business Combination, these warrants were automatically exercised for 15,257 shares of Common Stock.

Provision for income taxes

We have not recorded any significant amounts related to income tax expense, we have not recognized any reserves related to uncertain tax positions, nor have we recorded any income tax benefits for the majority of our net losses we have incurred to date or for our research and development tax credits.

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or our tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of existing assets and liabilities and for loss and credit carryforwards, which are measured using the enacted tax rates and laws in effect in the years in which the differences are expected to reverse. The realization of our deferred tax assets is dependent upon the generation of future taxable income, the amount and timing of which are uncertain. Valuation allowances are provided, if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of December 31, 2019, and 2020, we continue to maintain a full valuation allowance against all of our net deferred tax assets based on our evaluation of all available evidence. We file income tax returns in the U.S. federal tax jurisdiction and state jurisdictions and may become subject to income tax audit and adjustments by related tax authorities. Our tax return period for U.S. federal income taxes for the tax years since 2017 remain open to examination under the statute of limitations by the Internal Revenue Service and state jurisdictions. We record reserves for potential tax payments to various tax authorities related to uncertain tax positions, if any. The nature of uncertain tax positions is subject to significant judgment by management and subject to change, which may be substantial. These reserves are based on a determination of whether and how much a tax benefit taken by us in our tax filings or positions is more likely than not to be realized following the resolution of any potential contingencies related to the tax benefit. We develop our assessment of uncertain tax positions, and the associated cumulative probabilities, using internal expertise and assistance from third-party experts. As additional information becomes available, estimates are revised and refined. Differences between estimates and final settlement may occur resulting in additional tax expense. Potential interest and penalties associated with such uncertain tax positions is recorded as a component of our provision for income taxes. To date, no amounts are being presented as an uncertain tax position.

Results of operations

The following table summarizes our results of operations for the years ended December 31, 2019 and 2020 (*in thousands*):

	Year Ended December 31,		
	2019	**2020**	**Change**
Operating expenses:			
Research and development	$ 34,472	$ 28,170	$ (6,302)
General and administrative	6,753	5,870	(883)
Total operating expenses	41,225	34,040	(7,185)
Loss from operations	(41,225)	(34,040)	7,185
Other income (expense):			
Interest expense	(350)	(6,826)	(6,476)
Interest income	177	37	(140)
Change in fair value of warrant liability	(2)	(8)	(6)
Net loss and comprehensive loss	$ (41,400)	$ (40,837)	$ 563

Research and development expenses

Research and development expenses were $34.5 million for the year ended December 31, 2019, compared to $28.2 million for the year ended December 31, 2020. The decrease of $6.3 million was primarily due to a decrease in external research and development costs because of our strategic decision to focus our product development efforts on GEM103. In addition, we slowed our research and development spending due to the impact of COVID-19 and reduced employee headcount year over year as a result of our initiative to preserve cash. We do not currently track expenses on a program-by-program basis.

General and administrative expenses

General and administrative expenses were $6.8 million for the year ended December 31, 2019, compared to $5.9 million for the year ended December 31, 2020. The decrease of $0.9 million was primarily due to a year over year reduction in employee headcount and employee-related expenses such as travel and benefits as a result of our initiative to preserve cash as well as a reduction in and related expenses such as travel and benefits due to the impact of COVID-19.

Interest expense

Interest expense was $0.4 million for the year ended December 31, 2019, compared to $6.8 million for the year ended December 31, 2020. The increase of $6.5 million is primarily due to the interest expense recognized on the Notes, which includes $5.9 million from the accretion of the beneficial conversion feature discount recognized on the issuance date of the Notes.

Interest income

Interest income was $0.2 million for the year ended December 31, 2019, compared to less than $0.1 million for the year ended December 31, 2020. The decrease in interest income primarily relates to lower cash balances and lower interest rates during the year ended December 31, 2020 compared to the year ended December 31, 2019.

Change in fair value of warrant liability

The change in fair value of warrant liability reflects a *de minimis* reduction of the fair value of the Series A preferred stock warrant.

Liquidity and capital resources

Sources of liquidity and capital

Since inception, we have not generated any revenue from any product sales or any other sources and have incurred significant operating losses and negative cash flows from our operations. We have not yet commercialized any of our product candidates and do not expect to generate revenue from sales of any product candidates for several years, if at all. We have funded our operations to date primarily with proceeds from the sale of preferred stock, borrowings under convertible promissory notes and borrowings under loan agreements. Through December 31, 2020, we have received gross cash proceeds of $76.0 million from sales of our preferred stock, gross cash proceeds of $16.9 million from borrowings under convertible promissory notes and $10.0 million of cash proceeds from our term loan with SVB. In connection with the closing of the Business Combination, we received net proceeds of approximately $199.5 million.

As of December 31, 2020, we had cash and cash equivalents of $4.5 million. We have incurred operating losses and experienced negative operating cash flows since inception, and we anticipate that we will continue to incur losses for at least the foreseeable future. Our net losses totaled $41.4 million and $40.8 million for the years ended December 31, 2019 and 2020, respectively. As of December 31, 2020, we had an accumulated deficit of $112.8 million.

Continued cash generation is highly dependent on our ability to finance our operations through a combination of equity offerings, debt financings, collaboration arrangements and strategic transactions. Due to our significant research and development expenditures, we have experienced periods of negative cash flows from operations as we have yet to generate any revenue. For the year ended December 31, 2020, we experienced a loss from operations and negative cash flows from operations. We anticipate to incur operating losses and negative cash flows from operations for the foreseeable future, particularly as we move forward with our clinical-stage programs. We do not expect to generate revenue from product sales for several years, if at all.

Until required for use in our business, we typically invest our cash in investments that are highly liquid, readily convertible to cash with original maturities of 90 days or less at the date of purchase. We attempt to minimize the risks related to our cash and cash equivalents by maintaining balances in accounts only with accredited financial institutions and, consequently, we do not believe we are subject to unusual credit risk beyond the normal credit risk associated with ordinary commercial banking relationships.

Cash flows

The following table summarizes our cash flows for the years ended December 31, 2019 and 2020 (*in thousands*):

	Year Ended December 31,	
	2019	**2020**
Net cash used in operating activities	$ (38,530)	$ (32,708)
Net cash used in investing activities	(233)	(22)
Net cash provided by financing activities	23,221	34,247
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (15,542)	$ 1,517

Operating activities

We do not generate any cash inflows from our operating activities. Our cash flows from operating activities are significantly influenced by our use of cash for operating expenses and working capital requirements to support the business. We have historically experienced negative cash flows from operating activities as we invested in developing our platform, drug discovery efforts and related infrastructure.

During the year ended December 31, 2019, we used cash in operating activities of $38.5 million, reflecting a net loss of $41.4 million, partially offset by an increase in accounts payable and accrued expenses.

During the year ended December 31, 2020, we used cash in operating activities of $32.7 million, reflecting a net loss of $40.8 million, offset by non-cash charges of $7.8 million and a net change of $0.3 million in our operating assets and liabilities. The non-cash charges primarily consist of $5.9 million accretion of the discount on the Notes, $1.0 million of stock-based compensation expense and $0.6 million of non-cash interest expense. The net change in our operating assets and liabilities was primarily due to a decrease in prepaid expenses and other current assets, partially offset by an increase in deferred offering costs.

Investing activities

During the year ended December 31, 2019 and 2020, we used cash in investing activities of $0.2 million and less than $0.1 million, respectively, consisting primarily of purchases of laboratory equipment.

Financing activities

During the year ended December 31, 2019, net cash provided by financing activities was $23.2 million, consisting primarily of $13.3 million of proceeds from the issuance of our Series B preferred stock and $10.0 million of gross proceeds from our term loan.

During the year ended December 31, 2020, net cash provided by financing activities was $34.2 million, consisting primarily of $20.1 million of proceeds from the issuance of our Series B preferred stock and $14.0 million of proceeds from the issuance of the Notes.

Funding requirements

Our primary use of cash is to fund operating expenses, primarily related to our research and development activities. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable, accrued expenses and prepaid expenses.

We expect our expenses to increase substantially in connection with our ongoing activities, particularly as we advance the preclinical activities and clinical trials of our product candidates. In addition, we expect to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company. The timing and amount of our operating expenditures will depend largely on our ability to:

- advance preclinical development of our early-stage programs and clinical trials of our product candidates;
- manufacture, or have manufactured on our behalf, our preclinical and clinical drug material and develop processes for late stage and commercial manufacturing;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- establish a sales, marketing, medical affairs and distribution infrastructure to commercialize any product candidates for which we may obtain marketing approval and intend to commercialize on our own;
- hire additional clinical, quality control and scientific personnel;
- expand our operational, financial and management systems and increase personnel, including personnel to support our clinical development, manufacturing and commercialization efforts and our operations as a public company;
- obtain, maintain, expand and protect our intellectual property portfolio;
- manage the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights, including enforcing and defending intellectual property related claims; and
- manage the costs of operating as a public company.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if ever. Accordingly, we will need to obtain substantial additional funds to achieve our business objectives.

As of December 31, 2020, we had cash and cash equivalents of $4.5 million. We believe that our cash and cash equivalents as well as the net proceeds received of approximately $199.5 million following the closing of the Business Combination on February 5, 2021, will enable us to fund our operating expenses and capital expenditure requirements into 2023. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect.

Until such time as we can generate substantial product revenue, if ever, we expect to finance our operations through a combination of equity offerings, debt financings, collaborations, strategic alliances and marketing, distribution or licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect rights as a common stockholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making acquisitions or capital expenditures or declaring dividends. If we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or drug candidates, or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings or other arrangements when needed, we may be required to delay, limit, reduce or terminate our research, product development or future commercialization efforts, or grant rights to develop and market drug candidates that we would otherwise prefer to develop and market ourselves.

For additional information on risks associated with our substantial capital requirements, please read the section titled "*Risk Factors*" included in the Business Combination Registration Statement.

Working capital

Because of the numerous risks and uncertainties associated with research, development and commercialization of biologic product candidates, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on and could increase significantly as a result of many factors, including:

- the scope, progress, results and costs of researching and developing our product candidates, and conducting preclinical and clinical trials;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs, timing and ability to manufacture our product candidates to supply our clinical and preclinical development efforts and our clinical trials;
- the costs of future activities, including product sales, medical affairs, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval;
- the costs of manufacturing commercial-grade product and necessary inventory to support commercial launch;
- the ability to receive additional non-dilutive funding, including grants from organizations and foundations;
- the revenue, if any, received from commercial sale of our products, should any of our product candidates receive marketing approval;
- the costs of preparing, filing and prosecuting patent applications, obtaining, maintaining, expanding and enforcing our intellectual property rights and defending intellectual property-related claims;
- our ability to establish and maintain collaborations on favorable terms, if at all; and
- the extent to which we acquire or in-license other product candidates and technologies.

Contractual obligations and commitments

The following table summarizes our contractual obligations as of December 31, 2020 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods (*in thousands*):

		Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Long-term debt obligations	(i)	$ 10,000	$ 5,000	$ 5,000	$ -	$ -
Operating lease obligations	(ii)	2,447	958	1,489	-	-
License fee obligations	(iii)	1,100	220	440	440	-
Other long-term obligations	(iv)	400	-	400	-	-
Total		$ 13,947	$ 6,178	$ 7,329	$ 440	$ -

(i) We have borrowed $10.0 million under our term loan facility with SVB. The term loan matures on January 1, 2023 and accrues interest at a floating rate per annum equal to the greater of 3.75% or the prime rate minus 1.5%. Our $14.0 million of Notes are excluded from the preceding table as the Notes converted to Series B Preferred Stock on February 5, 2021 and do not impact our liquidity or cash flows.

(ii) We have an operating lease agreement for our office and laboratory space.

(iii) We are required to make license fee payments to our licensors. See Financial Statements, Note 13, *Commitments and Contingencies*, for additional details regarding our payment obligations to these licensors.

(iv) At the end of the SVB loan term, we are required to pay a final end of term charge to SVB in the amount of 4.0% of the aggregate original principal amount borrowed.

We enter into contracts in the normal course of business with CMOs, CROs and other third parties for the manufacture of our product candidates and to support clinical trials and preclinical research studies and testing. These contracts are generally cancelable at any time by us following a certain period after notice. Payments due upon cancellation consist only of payments for services provided or expenses incurred, including noncancelable obligations of our service providers, up to the date of cancellation. These payments are not included in the preceding table as the amount and timing of such payments are unknown or uncertain as of December 31, 2020.

Contract research and manufacturing organizations

We recorded accrued expenses of approximately $3.1 million in our balance sheet for expenditures incurred by CROs and CMOs as of December 31, 2020.

Tax-related obligations

To date, we have not recognized any reserves related to uncertain tax positions. As of December 31, 2020, we had no accrued interest or penalties related to uncertain tax positions.

Critical accounting policies and significant judgments and estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of our financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our financial statements appearing elsewhere in this Form 8-K/A, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

Accrued research and development expenses

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

- vendors, including research laboratories, in connection with preclinical development activities;
- CROs and investigative sites in connection with preclinical studies and clinical trials; and
- CMOs in connection with drug substance and drug product formulation of preclinical studies and clinical trial materials.

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

Stock-based compensation

Prior to the closing of the Business Combination, we measured all stock-based awards granted to employees, directors and non-employees based on their fair value on the date of the grant and recognize the corresponding compensation expense of those awards over the requisite service period, which is generally the vesting period of the respective award. Forfeitures are accounted for as they occur. We granted stock options and restricted stock awards that are subject to either service or performance-based vesting conditions. Compensation expense related to awards to employees and non-employees with performance-based vesting conditions is recognized based on the grant date fair value over the requisite service period using the accelerated attribution method to the extent achievement of the performance condition is probable. We estimated the probability that certain performance criteria will be met and do not recognize compensation expense until it is probable that the performance-based vesting condition will be achieved.

Prior to the closing of the Business Combination, we classified stock-based compensation expense in our statements of operations in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

Prior to the closing of the Business Combination, we estimated the fair value of each stock option grant using the Black-Scholes option-pricing model, which uses as inputs the fair value of our common stock and assumptions we make for the volatility of our common stock, the expected term of our stock options, the risk-free interest rate for a period that approximates the expected term of our stock options and our expected dividend yield.

Determination of the fair value of common stock

Prior to the closing of the Business Combination, there was no public market for our common stock and, therefore, the estimated fair value of our common stock was determined by our most recently available third-party valuations of common stock. These third-party valuations were performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Our common stock valuations were prepared using an option pricing method, or OPM, or a hybrid method, both of which used market approaches to estimate our enterprise value. The OPM treats common stock and preferred stock as call options on the total equity value of a company, with exercise prices based on the value thresholds at which the allocation among the various holders of a company's securities changes. Under this method, the common stock has value only if the funds available for distribution to stockholders exceeded the value of the preferred stock liquidation preferences at the time of the liquidity event, such as a strategic sale or a merger. A discount for lack of marketability of the common stock is then applied to arrive at an indication of value for the common stock. The hybrid method is a probability-weighted expected return method, or PWERM, where the equity value in one or more scenarios is calculated using an OPM. The PWERM is a scenario-based methodology that estimates the fair value of our common stock based upon an analysis of our future values, assuming various outcomes. The common stock value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available as well as the rights of each class of stock. The future value of the common stock under each outcome is discounted back to the valuation date at an appropriate risk-adjusted discount rate and probability weighted to arrive at an indication of value for the common stock. These third-party valuations were performed at various dates, which resulted in valuations of our common stock of $0.28 per share as of July 31, 2017, $0.31 per share as of August 28, 2018, $0.41 per share as of November 2, 2018, $0.47 per share as of September 26, 2019, $0.55 per share as of January 21, 2020, and $1.66 per share as of September 20, 2020.

In addition to considering the results of these third-party valuations, our board of directors considered various objective and subjective factors to determine the fair value of our common stock as of each grant date, including:

- the prices at which we sold shares of preferred stock and the superior rights and preferences of the preferred stock relative to our common stock at the time of each grant;
- the progress of our research and development programs, including the status and results of preclinical studies and clinical trials for our product candidates;
- our stage of development and commercialization and our business strategy;
- external market conditions affecting the biopharmaceutical industry and trends within the biopharmaceutical industry;
- our financial position, including cash on hand, and our historical and forecasted performance and results of operations;
- the lack of an active public market for our common stock and our preferred stock;
- the likelihood of achieving a liquidity event, such as an initial public offering, or IPO, or sale of Gemini in light of prevailing market conditions; and
- the analysis of IPOs and the market performance of similar companies in the biopharmaceutical industry.

The assumptions underlying these valuations represented management's best estimate, which involved inherent uncertainties and the application of management's judgment. As a result, if we had used significantly different assumptions or estimates, the fair value of our common stock and our stock-based compensation expense could have been materially different.

Once a public trading market for our common stock has been established for a sufficient period of time subsequent to the closing of the Business Combination, it will no longer be necessary for our board of directors to estimate the fair value of our common stock in connection with our accounting for granted stock options and other such awards we may grant, as the fair value of our common stock will be determined based on the quoted market price of our common stock.

Off-balance sheet arrangements

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

Recently issued accounting pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our financial statements included elsewhere in this Form 8-K/A.

Quantitative and qualitative disclosures about market risks

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

Our cash and cash equivalents as of December 31, 2020 consisted of cash and a money market fund account. Because of the short-term nature of our money market fund, a sudden change in market interest rates would not be expected to have a material impact on our financial position or results of operations.

As of December 31, 2020, the principal amount of our term loan was $10.0 million. The following table is an estimate of our interest expense based upon our floating rate term loan that could result from hypothetical interest rate changes, based on debt levels as of December 31, 2020:

Hypothetical Change in Interest Rates (i)	Annual Impact to Interest Expense
1-percent increase	$100,000 increase
1-percent decrease	No Impact

(i) We pay a floating rate per annum equal to the greater of 3.75% or the prime rate minus 1.5%. See Note 6 to our financial statements for further information.

We are not currently exposed to significant market risk related to changes in foreign currency exchange rates; however, we have contracted with and may continue to contract with foreign vendors. Our operations may be subject to fluctuations in foreign currency exchange rates in the future.

Inflation would generally affect us by increasing our cost of labor and clinical trial costs. We do not believe that inflation had a material effect on our business, financial condition or results of operations during the years ended December 31, 2019 and 2020.

Emerging growth company and smaller reporting company status

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We may take advantage of these exemptions until we are no longer an emerging growth company under Section 107 of the JOBS Act, which provides that an emerging growth company can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. We have elected to avail ourselves of the extended transition period and, therefore, while we are an emerging growth company we will not be subject to new or revised accounting standards the same time that they become applicable to other public companies that are not emerging growth companies, unless we choose to early adopt a new or revised accounting standard.

Additionally, we are a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K. Smaller reporting companies may take advantage of certain reduced disclosure obligations, including, among other things, providing only two years of audited financial statements. We will remain a smaller reporting company until the last day of the fiscal year in which (i) the market value of our common stock held by non-affiliates exceeds $250 million as of the prior June 30, or (ii) our annual revenues exceed $100 million during such completed fiscal year and the market value of our common stock held by non-affiliates exceeds $700 million as of the prior June 30.

Exhibit 99.3

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Gemini Therapeutics, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Gemini Therapeutics, Inc. (the Company) as of December 31, 2020 and 2019, the related statements of operations and comprehensive loss, convertible preferred stock and stockholders' deficit and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

Boston, Massachusetts
March 29, 2021

Gemini Therapeutics, Inc.
Balance Sheets
(In thousands, except share and per share amounts)

	December 31, 2019	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 2,986	$ 4,503
Prepaid expenses and other current assets	2,239	562
Total current assets	5,225	5,065
Property and equipment, net	594	294
Restricted cash	323	323
Deferred offering costs	-	2,637
Other assets	2	-
Total assets	$ 6,144	$ 8,319
Liabilities, convertible preferred stock and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 3,797	$ 2,377
Accrued expenses and other current liabilities	2,689	5,810
Term loan, current portion	2,500	5,000
Convertible notes	-	11,689
Total current liabilities	8,986	24,876
Warrant liability	68	76
Other liabilities	111	277
Term loan, net of current portion and discount	7,411	4,951
Total liabilities	16,576	30,180
Convertible preferred stock:		
Series A convertible preferred stock, $0.001 par value; 39,722,088 shares authorized, issued and outstanding at December 31, 2019 and 2020	47,113	47,113
Series B convertible preferred stock, $0.001 par value; 37,001,401 shares authorized at December 31, 2019 and 2020; 9,916,375 and 24,790,938 shares issued and outstanding at December 31, 2019 and 2020, respectively	13,252	33,336
Total convertible preferred stock	60,365	80,449
Stockholders' deficit:		
Common stock, $0.001 par value; 95,000,000 shares authorized at December 31, 2019 and 2020; 5,313,766 and 6,900,493 shares issued and outstanding at December 31, 2019 and 2020, respectively	5	7
Additional paid-in capital	1,182	10,504
Accumulated deficit	(71,984)	(112,821)
Total stockholders' deficit	(70,797)	(102,310)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 6,144	$ 8,319

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

Gemini Therapeutics, Inc.
Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)

	Years Ended December 31,	
	2019	2020
Operating expenses:		
Research and development	$ 34,472	$ 28,170
General and administrative	6,753	5,870
Total operating expenses	41,225	34,040
Loss from operations	(41,225)	(34,040)
Other income (expense):		
Interest expense	(350)	(6,826)
Interest income	177	37
Change in fair value of warrant liability	(2)	(8)
Net loss and comprehensive loss	$ (41,400)	$ (40,837)
Net loss attributable to common stockholders	$ (41,400)	$ (40,837)
Net loss per share attributable to common stockholders, basic and diluted	$ (8.01)	$ (7.19)
Weighted average common shares outstanding, basic and diluted	5,171,537	5,676,370

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

Gemini Therapeutics, Inc.
Statements of Convertible Preferred Stock and Stockholders' Deficit
(In thousands, except share amounts)

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance at December 31, 2018	39,722,088	$ 47,113	-	$ -	4,968,155	$ 5	$ 736	$ (30,584)	$ (29,843)
Issuance of Series B convertible preferred stock, net of issuance costs of $148	-	-	9,916,375	13,252	-	-	-	-	-
Issuance of common stock upon exercise of stock options	-	-	-	-	80,118	-	23	-	23
Vesting of restricted common stock	-	-	-	-	265,493	-	-	-	-
Stock-based compensation expense	-	-	-	-	-	-	423	-	423
Net loss	-	-	-	-	-	-	-	(41,400)	(41,400)
Balance at December 31, 2019	39,722,088	47,113	9,916,375	13,252	5,313,766	5	1,182	(71,984)	(70,797)
Issuance of Series B convertible preferred stock, net of issuance costs of $16	-	-	14,874,563	20,084	-	-	-	-	-
Beneficial conversion feature relating to discount on convertible promissory notes	-	-	-	-	-	-	8,177	-	8,177
Issuance of common stock upon exercise of stock options	-	-	-	-	1,321,227	1	162	-	163
Vesting of restricted common stock	-	-	-	-	265,500	1	-	-	1
Stock-based compensation expense	-	-	-	-	-	-	983	-	983
Net loss	-	-	-	-	-	-	-	(40,837)	(40,837)
Balance at December 31, 2020	39,722,088	$ 47,113	24,790,938	$ 33,336	6,900,493	$ 7	$ 10,504	$ (112,821)	$ (102,310)

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

Gemini Therapeutics, Inc.
Statements of Cash Flows
(In thousands)

	Year Ended December 31,	
	2019	2020
Cash flows from operating activities:		
Net loss	$ (41,400)	$ (40,837)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	290	322
Stock-based compensation expense	423	983
Non-cash interest expense	167	613
Change in fair value of warrant liability	2	8
Accretion of discount on convertible notes	-	5,866
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(212)	1,677
Deferred offering costs	-	(1,341)
Other assets	78	2
Accounts payable	1,466	(2,408)
Accrued expenses and other current liabilities	656	2,407
Net cash used in operating activities	(38,530)	(32,708)
Cash flows from investing activities:		
Purchase of property and equipment	(233)	(22)
Net cash used in investing activities	(233)	(22)
Cash flows from financing activities:		
Proceeds from sale of Series B convertible preferred stock, net	13,252	20,084
Proceeds from term loan, net	9,946	-
Proceeds from convertible notes	-	14,000
Proceeds from exercise of stock options	23	163
Net cash provided by financing activities	23,221	34,247
(Decrease) increase in cash, cash equivalents and restricted cash	(15,542)	1,517
Cash, cash equivalents and restricted cash at beginning of year	18,851	3,309
Cash, cash equivalents and restricted cash at end of year	$ 3,309	$ 4,826
Supplemental disclosure		
Cash paid for interest	$ 183	$ 345
Noncash financing activities		
Issuance of warrants in connection with term loan facility	$ 66	$ -
Discount on convertible notes	$ -	$ 8,177
Deferred offering costs included in accounts payable and accrued expenses and other current liabilities	$ -	$ 1,296

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

1. Nature of the business and basis of presentation

Gemini Therapeutics Inc. (the "Company" or "Gemini") is a clinical-stage precision medicine company developing novel therapeutic compounds to treat genetically defined, age-related macular degeneration. The Company was founded on March 3, 2015 and is currently located in Cambridge, Massachusetts.

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

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

Basis of presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

Liquidity

As of December 31, 2020, the Company had $4.5 million of cash and cash equivalents. Through December 31, 2020, the Company has primarily financed its operations through the sale of convertible preferred stock, borrowings under convertible promissory notes and borrowings under loan agreements. The Company has experienced significant negative cash flows from operations since inception including net losses of $41.4 million and $40.8 million for years ended December 31, 2019 and 2020, respectively. In addition, as of December 31, 2020, the Company has an accumulated deficit of $112.8 million. The Company anticipates that its expenses will increase significantly in connection with its ongoing activities to support its research, discovery and clinical development efforts, and it expects to incur substantial operating losses and negative cash flows from operations for the foreseeable future.

On February 5, 2021, the Company completed a business combination with FS Development Corp., a Delaware corporation ("FSDC"), whereby FSDC acquired 100% of the Company's issued and outstanding securities through a reverse merger of the Company with and into a wholly-owned subsidiary of FSDC, with the Company as the surviving corporation of the merger. In connection with the merger, certain investors agreed to subscribe for and purchased an aggregate of $95.1 million of the Company's common stock through a Private Investment in Public Entity ("PIPE") offering. Together with FSDC's cash resources and funding of the PIPE offering, the Company received net proceeds of approximately $199.5 million.

The Company believes that its $4.5 million of cash and cash equivalents held as of December 31, 2020, in addition to the proceeds received from the merger with FSDC and PIPE offering, are sufficient to fund planned operations for at least twelve months from the date that these financial statements are available to be issued, though the Company may pursue additional cash resources through public or private equity or debt financings. Management's expectations with respect to its ability to fund current planned operations is based on estimates that are subject to risks and uncertainties. Its operating plan may change as a result of many factors currently unknown to management and there can be no assurance that the current operating plan will be achieved in the time frame anticipated by the Company, and it may need to seek additional funds sooner than anticipated. If adequate funds are not available to the Company on a timely basis, management may be required to delay, limit, reduce or terminate certain of its research, product development or future commercialization efforts, obtain funds through arrangements with collaborators on terms unfavorable to the Company, or pursue merger or acquisition strategies, all of which could adversely affect the holdings or the rights of its stockholders.

Impact of the COVID-19 Pandemic

In March 2020, the WHO declared the COVID-19 outbreak a pandemic. The COVID-19 outbreak and government measures taken in response have had a significant impact, both direct and indirect, on businesses and commerce, as worker shortages have occurred; supply chains have been disrupted; facilities and production have been suspended; and demand for certain goods and services, such as medical services and supplies, has spiked, while demand for other goods and services, such as travel, has fallen. The future progression of the outbreak and its effects on the Company's business and operations are uncertain.

The Company and its third-party contract manufacturers ("CMOs"), contract research organizations ("CROs") and clinical sites may experience disruptions in supply of product candidates and/or procuring items that are essential for the Company's research and development activities, including raw materials used in the manufacturing of its product candidates, medical and laboratory supplies used in its clinical trials or preclinical studies or animals that are used for preclinical testing, in each case, for which there may be shortages because of ongoing efforts to address the outbreak.

Additionally, the Company has enrolled, and will seek to enroll, patients in its clinical trials at sites located both in the United States and internationally. Most of the Company's clinical trial sites are in areas affected by COVID-19 and, as a result, its trials are being impacted. The Company cannot predict how long or impactful these delays may be on its clinical trials. In addition, even if sites are initiating and actively recruiting, the Company may face difficulties recruiting or retaining patients in its clinical trials if patients are affected by the virus or are unable to or are fearful of visiting or traveling to clinical trial sites because of the outbreak. Prolonged delays or closure to enrollment in the Company's trials or patient discontinuations could have a material adverse impact on its clinical trial plans and timelines. In addition, the Company's ability to collect and verify data requested of patients enrolled in its clinical trials during this pandemic is being impacted to varying degrees by COVID-19. Clinical trial data collection continues for each of the Company's clinical trials but at a slower pace, and with challenges and interruptions in data collection, including, in some instances, disruption of collection of complete study data. This could have a material adverse impact on the Company's data quality and analysis. In addition, clinical trial sites may be unable or unwilling to initiate a new trial if factors relevant to the pandemic render this impracticable. These COVID-19 related issues may prolong the time required to conduct ongoing clinical trials and/or impact the quality of the data obtained from one or more of these studies.

The Company has not incurred impairment losses in the carrying values of its assets as a result of the pandemic, and it is not aware of any specific related event or circumstance that would require it to revise its estimates reflected in these financial statements. The full extent to which the COVID-19 outbreak will impact the Company's business, results of operations, financial condition and cash flows will depend on future developments that are highly uncertain, and the estimates of the impact on the Company's business may change based on new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact and the economic impact on local, regional, national and international markets.

2. Summary of Significant Accounting Policies

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Significant estimates contained within these financial statements include, but are not limited to, the estimated fair value of the Company's common stock, share-based awards utilized for stock-based compensation purposes, warrant liability and the accruals of research and development expenses. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates, as there are changes in circumstances, facts and experience. Actual results may differ materially from those estimates or assumptions.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of initial purchase to be cash equivalents. The objectives of the Company's cash management policy are to safeguard and preserve funds to maintain liquidity sufficient to meet the Company's cash flow requirements and to attain a market rate of return. The Company's cash equivalents consist of amounts invested in money market mutual funds as of December 31, 2019 and 2020.

Restricted cash

Restricted cash amounted to $323 thousand as of December 31, 2019 and 2020, which consists of $100 thousand to collateralize the Company's credit card and $223 thousand to collateralize its irrevocable standby letter of credit for its facility lease arrangement. The letter of credit is in the name of the landlord and is required to fulfill lease requirements in the event the Company should default on its lease obligation.

A reconciliation of the cash and cash equivalents and restricted cash as presented in the Company's balance sheets to the Company's statements of cash flows is as follows:

	December 31,	
	2019	2020
Cash and cash equivalents	$ 2,986	$ 4,503
Restricted cash	323	323
Total cash, cash equivalents and restricted cash	$ 3,309	$ 4,826

Concentration of credit risk and of significant suppliers

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains deposits in accredited financial institutions in amounts that could exceed federally insured limits. Cash equivalents are invested in money market funds. The Company maintains each of its cash balances with high-quality and accredited financial institutions and accordingly, such funds are not exposed to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

The Company is dependent on third-party manufacturers to supply products for research and development activities in its programs. In particular, the Company relies and expects to continue to rely on a small number of manufacturers to supply its requirements for the active pharmaceutical ingredients and formulated drugs related to these programs. These programs could be adversely affected by a significant interruption in the supply of active pharmaceutical ingredients and formulated drugs.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives are as follows:

Computer equipment	3 years
Furniture and fixtures	5 years
Laboratory equipment	3 years
Leasehold improvements	Shorter of the useful life of the asset or the life of the lease

Costs for capital assets not yet placed in service are capitalized and depreciated once placed into service. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in loss from operations. Expenditures for normal, recurring or periodic repairs and maintenance activities are charged to expense as incurred.

Impairment of long-lived assets

Long-lived assets, comprised of property and equipment, to be held and used are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset over its fair value, determined based on discounted cash flows. To date, the Company has not recorded any impairment losses on long-lived assets.

Deferred offering costs

The Company capitalizes certain legal, professional accounting and other third-party fees that are directly associated with the business combination with FSDC as deferred offering costs until such business combination is consummated. After consummation of the business combination, these costs are recorded in stockholders' equity (deficit) as a reduction to additional paid-in capital generated as a result of the business combination. The Company had no deferred offering costs as of December 31, 2019. As of December 31, 2020, the Company recorded deferred offering costs of $2.6 million.

Fair value measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

Level 1 – Quoted prices in active markets that are identical assets or liabilities.

Level 2 – Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's cash equivalents and preferred stock warrant liability are carried at fair value, determined according to the fair value hierarchy described above (see Note 3). The carrying values of the Company's prepaid expenses and other current assets and accounts payable and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities. The carrying value of the Company's term loan as of December 31, 2019 and 2020 (see Note 6) approximated fair value based on interest rates currently available to the Company.

Debt issuance costs

The carrying value of the Company's term loan was recorded net of issuance costs and discount relating to the issuance of warrants. The debt discounts are amortized over the term of the debt using the effective interest method and recognized as interest expense.

Warrants

In February 2019, concurrent with the Company's term loan agreement (see Note 6), the Company issued warrants to purchase shares of the Company's Series A preferred stock. The Company accounts for the warrants to purchase Series A preferred stock as a liability as these warrants are freestanding financial instruments that may require the Company to transfer assets upon exercise. The fair value of the warrants classified as liabilities is estimated using the Black-Scholes Option Pricing Model and adjusted to fair value at the end of each reporting period. Changes in the fair value of the warrant are recognized as a component of other income (expense) in the statements of operations and comprehensive loss. The estimates in the Black-Scholes Option Pricing Model are based, in part, on subjective assumptions, including, stock price volatility, term of the warrants, risk free interest rate, dividend yield and fair value of the preferred stock underlying the warrants. Such assumptions could differ materially in the future.

These warrants are subject to revaluation at the end of each reporting period until the earlier of the exercise or expiration of the applicable warrants or until such time that the underlying preferred stock is reclassified to permanent equity.

Convertible preferred stock

The Company records all convertible preferred stock upon issuance at its respective fair value or original issuance price less direct and incremental issuance costs, as stipulated by its terms. The Company's convertible preferred stock is classified outside of stockholders' deficit because the holders of such shares have liquidation rights in the event of a deemed liquidation that, in certain situations, are not solely within the control of the Company.

Segment information

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company's singular focus is the development of novel therapies for genetically defined, age-related macular degeneration. The Company has determined that it operates as a single operating segment and has one reportable segment. The Company's long-lived assets are located in the United States.

Research and development contract costs and accruals

Research and development expenses include employee payroll, consulting, contract research, depreciation, rent and other corporate costs attributable to research and development activities and are expensed as incurred.

Upfront payments and milestone payments made for the licensing of technology are expensed as research and development expenses in the period in which they are incurred. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. The prepaid amounts are expensed as the related goods are delivered or the services are performed.

The Company has entered into various research and development contracts with companies both inside and outside of the United States. These agreements are generally cancelable, and related payments are recorded as research and development expenses as incurred. The Company records accruals for estimated ongoing research costs. When evaluating the adequacy of the accrued liabilities, the Company analyzes progress of the studies or trials, including the phase or completion of events, invoices received and contracted costs. Significant judgments and estimates are made in determining the accrued balances at the end of any reporting period. Actual results could differ from the Company's estimates. The Company's historical accrual estimates have not been materially different from the actual costs.

Patent costs

The Company expenses all patent-related costs incurred in connection with filing and prosecuting patent applications. It records such costs within general and administrative expenses in its accompanying statements of operations and comprehensive loss.

Stock-based compensation

The Company measures all stock-based awards granted to employees, directors and non-employees based on the fair value on the date of grant and recognizes compensation expense of those awards over the requisite service period, which is generally the vesting period of the respective award. Forfeitures are accounted for as they occur. The Company grants stock options and restricted stock awards that are subject to either service or performance-based vesting conditions. Compensation expense related to awards to employees and non-employees with performance-based vesting conditions is recognized based on the grant date fair value over the requisite service period using the accelerated attribution method to the extent achievement of the performance condition is probable. The Company estimates the probability that certain performance criteria will be met and does not recognize compensation expense until it is probable that the performance-based vesting condition will be achieved.

The Company classifies stock-based compensation expense in its statements of operations and comprehensive loss in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

As there has been no public market for the Company's common stock to date, the estimated fair value of its common stock has been determined by its most recently available third-party valuations of common stock. These third-party valuations were performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. The Company's common stock valuations were prepared using an option pricing method, or OPM, or a hybrid method, both of which used market approaches to estimate its enterprise value. The OPM treats common stock and preferred stock as call options on the total equity value of a company, with exercise prices based on the value thresholds at which the allocation among the various holders of a company's securities changes. Under this method, the common stock has value only if the funds available for distribution to stockholders exceeded the value of the preferred stock liquidation preferences at the time of the liquidity event, such as a strategic sale or a merger. A discount for lack of marketability of the common stock is then applied to arrive at an indication of value for the common stock. The hybrid method is a probability-weighted expected return method, or PWERM, where the equity value in one or more scenarios is calculated using an OPM. The PWERM is a scenario-based methodology that estimates the fair value of Gemini's common stock based upon an analysis of its future values, assuming various outcomes. The common stock value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available as well as the rights of each class of stock. The future value of the common stock under each outcome is discounted back to the valuation date at an appropriate risk-adjusted discount rate and probability weighted to arrive at an indication of value for the common stock. There are significant judgments and estimates inherent in the determination of the fair value of the Company's common stock. These estimates and assumptions include a number of objective and subjective factors, including external market conditions, the prices at which the Company sold shares of preferred securities, the superior rights and preferences of securities senior to the common securities at the time of, and the likelihood of, achieving a liquidity event, such as an initial public offering or sale. Significant changes to the key assumptions used in the valuations could result in different fair values of common stock at each valuation date.

The fair value of each restricted common stock award is estimated on the date of grant based on the fair value of the Company's common stock on that same date. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, which requires inputs based on certain subjective assumptions, including the expected stock price volatility, the expected term of the award, the risk-free interest rate and expected dividends (see Note 10). The Company historically has been a private company and lacks company-specific historical and implied volatility information for its stock. Therefore, it estimates its expected stock price volatility based on the historical volatility of publicly traded peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The expected term of the Company's options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The expected term of options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends on common stock and does not expect to pay any cash dividends in the foreseeable future.

Income taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements or in the Company's tax returns. Deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. The Company assesses the likelihood that its deferred tax assets will be and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of the deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. Potential for recovery of deferred tax assets is evaluated by analyzing carryback capacity in periods with taxable income, reversal of existing taxable temporary differences and estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

The Company accounts for uncertainty in income taxes recognized in the financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. To the extent an income tax provision is necessary, the provision for income taxes would include the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate as well as the related net interest and penalties.

Comprehensive loss

Comprehensive loss includes net loss as well as other changes in stockholders' deficit that result from transactions and economic events other than those with stockholders. There was no difference between net loss and comprehensive loss for each of the periods presented in the accompanying financial statements.

Net loss per share

The Company follows the two-class method when computing net loss per share as the Company has issued shares that meet the definition of participating securities. The two-class method determines net loss per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss attributable to common stockholders is computed by adjusting net loss attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net loss per share attributable to common stockholders is computed by dividing the diluted net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period, including potential dilutive common stock. For purpose of this calculation, outstanding options, unvested restricted common stock and convertible preferred stock are considered potential dilutive common stock and are excluded from the computation of net loss per share as their effect is anti-dilutive.

The Company's convertible preferred stock contractually entitles the holders of such shares to participate in dividends but does not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reports a net loss, such losses are not allocated to such participating securities. In periods in which the Company reports a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, since dilutive common shares are not assumed to be outstanding if their effect is anti-dilutive. The Company reported a net loss attributable to common stockholders for the years ended December 31, 2019 and 2020.

Emerging growth company status

On February 5, 2021, following the closing of the business combination with FSDC, the Company is an "emerging growth company" ("EGC"), as defined in the Jumpstart Our Business Startups Act ("JOBS Act") and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not EGCs. The Company may take advantage of these exemptions until it is no longer an EGC under Section 107 of the JOBS Act, which provides that an EGC can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. The Company has elected to avail itself of the extended transition period and, therefore, while the Company is an EGC it will not be subject to new or revised accounting standards the same time that they become applicable to other public companies that are not EGCs, unless it chooses to early adopt a new or revised accounting standard. As a result of this election, the financial statements may not be comparable to companies that comply with public company FASB standards' effective dates.

Recently adopted accounting pronouncements

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), to address diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted ASU 2016-15 on January 1, 2019. The adoption of this pronouncement did not have a material impact on the Company's financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"), which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for annual reporting periods beginning after December 15, 2018 and interim periods within those fiscal years, and early adoption is permitted. The Company adopted ASU 2017-01 on January 1, 2019. The adoption of this pronouncement did not have a material impact on the Company's financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*, ("ASU 2018-13"). The new standard removes certain disclosures, modifies certain disclosures and adds additional disclosures related to fair value measurement. ASU 2018-13 is effective for annual periods after December 15, 2019. This standard became effective for the Company on January 1, 2020 and did not have a material impact on the Company's disclosures.

Recently issued accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (*Topic 842*), *Amendments to the FASB Accounting Standards Codification (*"ASU 2016-02"), which replaces the existing guidance for leases. ASU 2016-02 requires the identifications of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve-month term, these arrangements must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU 2016-02, a right-of-use asset and a lease liability will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. The guidance is effective for annual reporting periods beginning after December 15, 2021 and interim periods beginning after December 15, 2022, and early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments*, which has been subsequently amended by ASU No. 2018-19, ASU No. 2019-04, ASU No. 2019-05, ASU No. 2019-10, ASU No. 2019-11 and ASU No. 2020-3 ("ASU 2016-13"). The provisions of ASU 2016-13 modify the impairment model to utilize an expected loss methodology in place of the currently used incurred loss methodology and require a consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for the Company on January 1, 2023, with early adoption permitted. The Company is currently evaluating the potential impact that ASU 2016-13 may have on its financial statements and related disclosures.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*, ("ASU 2018-18"). The amendments in this update clarify that certain transactions between collaborative arrangement participants should be accounted for as revenue when the collaborative arrangement participant is a customer in the context of a unit of account and precludes recognizing as revenue consideration received from a collaborative arrangement participant if the participant is not a customer. ASU 2018-18 is effective for annual reporting periods after December 15, 2020. The Company is currently evaluating the potential impact ASU 2018-18 will have on its financial statements but does not expect the impact to be material.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which is intended to simplify the accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The new standard will be effective for annual reporting periods after December 15, 2021. The Company is currently evaluating the potential impact ASU 2018-18 will have on its financial statements.

In August 2020, the FASB issued ASU No. 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)* ("ASU 2020-06"), which reduces the number of accounting models for convertible debt instruments and convertible preferred stock as well as amends the derivatives scope exception for contracts in an entity's own equity. ASU 2020-06 is effective for the Company on January 1, 2024, with early adoption permitted. The Company is currently evaluating the potential impact that this standard may have on its financial statements and related disclosures.

3. Fair value measurements

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicate the level of the fair value hierarchy used to determine such fair values:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Money market funds in cash and cash equivalents	$ 2,037	$ -	$ -	$ 2,037
	$ 2,037	$ -	$ -	$ 2,037
Liabilities				
Warrant liability	$ -	$ -	$ 68	$ 68
	$ -	$ -	$ 68	$ 68

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Money market funds in cash and cash equivalents	$ 4,015	$ -	$ -	$ 4,015
	$ 4,015	$ -	$ -	$ 4,015
Liabilities				
Warrant liability	$ -	$ -	$ 76	$ 76
	$ -	$ -	$ 76	$ 76

Money market funds were valued by the Company using quoted prices in active markets for similar securities, which represent a Level 1 measurement within the fair value hierarchy. During the years ended December 31, 2019 and 2020, there were no transfers between Level 1, Level 2 and Level 3.

The value for the warrant liability balance is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy.

Warrants to purchase Series A Preferred Stock

In February 2019, concurrent with the Company's term loan agreement, the Company issued warrants to purchase 70,000 shares of the Company's Series A preferred stock. The warrants have an exercise price of $1.19 per share and expire in February 2029, representing a contractual term of ten years from issuance. No warrants were exercised during the years ended December 31, 2019 and 2020. The fair value of the warrants was recorded as a liability on the date of issuance and will be revalued at the end of each reporting period until the earlier of the exercise or expiration of the applicable warrants or until such time that the underlying preferred stock is reclassified to permanent equity.

The following table sets forth a summary of the activities of the Company's Series A preferred stock warrant liability, which represents a recurring measurement that is classified within Level 3 of the fair value hierarchy wherein fair value is estimated using significant unobservable inputs:

Balance at December 31, 2018	$	-
Issuance of Series A preferred stock warrants		66
Change in fair value		2
Balance at December 31, 2019	$	68
Change in fair value		8
Balance at December 31, 2020	$	76

The fair value of the warrants to purchase shares of the Company's Series A preferred stock at an exercise price of $1.19 per share, including subsequent remeasurements, was estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	Year Ended December 31,	
	2019	2020
Fair value of the underlying instrument	$1.20 - $1.28	$1.28 - $1.41
Risk-free interest rate	1.70% - 2.67%	0.57% - 0.75%
Expected term (in years)	9.1 - 10.0	8.1 - 8.9
Expected volatility	73.4% - 74.3%	73.8% - 79.2%
Expected dividend yield	0.0%	0.0%

The risk-free interest rate used is the rate for a U.S. Treasury zero coupon issue with a term consistent with the remaining contractual term of the warrant on the date of measurement. The Company has not paid, and does not expect to pay, any cash dividends in the foreseeable future. The Company based the expected term assumption on the actual remaining contractual term of the respective warrants as of the date of measurement. The expected volatility is based on historical volatilities from guideline companies since there is no active market for the Company's common stock. The fair value on the date of measurement of the Series A preferred stock, the underlying instrument, was estimated by management with the assistance of a third-party valuation specialist.

At the closing of the business combination with FSDC, the warrants were automatically exercised for 15,257 shares of common stock.

4. Property and equipment, net

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

	December 31,	
	2019	2020
Laboratory equipment	$ 830	$ 808
Computer equipment	29	29
Furniture and fixtures	53	53
Leasehold improvements	65	65
Total	977	955
Less accumulated depreciation	(383)	(661)
Property and equipment, net	$ 594	$ 294

Depreciation expense for the years ended December 31, 2019 and 2020 was approximately $290 thousand and $322 thousand, respectively.

5. Accrued expenses and other current liabilities

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

	December 31,	
	2019	2020
Accrued payroll and benefits	$ 2,123	$ 1,500
Accrued external research and development	432	3,136
Accrued professional fees	101	691
Accrued interest	-	437
Accrued other	33	46
	$ 2,689	$ 5,810

6. Term loan

On February 8, 2019 (the “Closing Date”), the Company entered into a term loan facility of up to $10.0 million (the “Term Loan”) with Silicon Valley Bank (“SVB”). The proceeds were used for general corporate and working capital purposes. Concurrent with the Term Loan, the Company issued SVB warrants to purchase 70,000 shares of the Company’s Series A preferred stock at an exercise price of $1.19 (see Note 3). As of December 31, 2019 and 2020, the Company had $10.0 million in principal outstanding under the Term Loan.

The Term Loan is governed by a loan and security agreement, dated February 8, 2019, between the Company and SVB (the “SVB Loan Agreement”). The SVB Loan Agreement provided for two separate tranches under which the Company could borrow. The first tranche for $7.5 million was available as single term loan advance until January 31, 2020. The second tranche was also available until January 31, 2020 as single term loan advance for $2.5 million and required that the Company meet a certain milestone event. On April 18, 2019, the Company borrowed $7.5 million under the first tranche, and on December 17, 2019, the Company borrowed $2.5 million under the second tranche having satisfied the milestone requirement.

The Term Loan initially matured on July 1, 2022 and accrues interest at a floating rate per annum equal to the greater of 3.75% or the prime rate minus 1.5% (1.75% as of December 31, 2020). The Term Loan initially provided for monthly interest-only payments until July 31, 2020. Thereafter, payments are payable in equal monthly installments of principal, plus all accrued and unpaid interest. The Company may prepay the Term Loan in whole upon 5 days' prior written notice to SVB. Any such prepayment of the Term Loan is subject to a prepayment charge as follows: for a prepayment made on or prior to February 8, 2020, 2.0% of the then outstanding principal amount; for a prepayment made after February 8, 2020, but on or prior to February 8, 2021, 1.0% of the then outstanding principal amount; and for a prepayment made after February 8, 2021, but prior to the loan maturity date, 0.5% of the then outstanding principal balance. Amounts outstanding during an event of default are payable upon SVB's demand and will accrue interest at an additional rate of 5.0% per annum of the past due amount outstanding.

On April 7, 2020, the Company entered into a deferral agreement with SVB to defer scheduled principal repayments on its term loan by six months. The deferral agreement was offered to the Company in connection with SVB's venture debt relief initiative, which was started due to the COVID-19 pandemic. The Company's first principal payment under its credit facility is deferred until February 2021. The required monthly interest-only payment was not impacted by the deferral. The Term Loan's new maturity date is January 1, 2023. After considering the debt guidance in ASC 470, the Company concluded that it did not meet the indicators of a trouble debt restructuring and accounted for the deferral of principal payment as a debt modification. Since there were no fees paid to SVB in connection with the deferral agreement, the modification had no impact to the Company's financial statements.

At the end of the loan term (whether at maturity, by prepayment in full or otherwise), the Company is required to pay a final end of term charge to SVB in the amount of 4.0% of the aggregate original principal amount advanced by SVB. The amount of the end of term charge is being accrued over the loan term as interest expense. As of December 31, 2019 and 2020, the Company accrued $104 thousand and $239 thousand, respectively, related to the end of term charge, which has been classified as other long-term liabilities.

The SVB Loan Agreement includes a provision under which SVB may accelerate the scheduled maturities of the Term Loan under conditions that are not objectively determinable. The Company evaluated the likelihood of such acceleration and determined that it is not probable and classified the Term Loan on the balance sheet in accordance with the repayment schedule as of December 31, 2020.

As of December 31, 2020, scheduled principal payments for the Term Loan are as follows (in thousands):

Year Ending December 31,	
2021	$ 5,000
2022	5,000
Total principal	10,000
Unamortized discounts	(49)
Carrying amount	9,951
Less current portion	(5,000)
Long-term portion	$ 4,951

Interest expense for the years ended December 31, 2019 and 2020 was approximately $350 thousand and $553 thousand, respectively.

7. Convertible promissory notes

On August 21, 2020, the Company entered into a purchase agreement with various investors to issue $14.0 million in convertible promissory notes (the "Notes"). The Notes accrue simple interest at 8% per annum and mature on February 21, 2021. The Company determined that a beneficial conversion feature ("BCF") exists and should be recognized on the issuance date. The Company recorded the Notes at the original issuance price, net of the BCF discount. The BCF discount will be accreted to the face value of the Notes over the period from the issuance date until the maturity date, offset against interest expense.

The Notes served as a bridge loan prior to a PIPE transaction in connection with the proposed business combination with FSDC. The Notes were intended to automatically convert into shares of common stock issued in the PIPE at a per share conversion price equal to the lowest per share price paid for such shares of common stock in the PIPE. The Notes were amended to allow for the principal and interest to convert to shares of Series B preferred stock prior to the closing of the business combination with FSDC on February 5, 2021. The Notes converted into 10,741,883 shares of Series B preferred stock at a per share conversion price of $1.3513.

As of December 31, 2020, the carrying value of the Notes is as follows:

Principal amount	$	14,000
Unamortized discount (beneficial conversion feature)		(2,311)
Carrying amount		11,689
Less current portion		(11,689)
Long-term portion	$	-

During the year ended December 31, 2020, the Company recognized interest expense of $6.3 million, of which $405 thousand is included in accrued expenses and other current liabilities in the accompanying balance sheet as of December 31, 2020.

8. Convertible preferred stock

As of December 31, 2019 and 2020, the Company's Certificate of Incorporation, as amended and restated (the "Amended and Restated Certificate of Incorporation"), designated 76,723,489 authorized shares to be issued as convertible preferred stock with a par value of $0.001 per share, of which 39,722,088 shares have been further designated as Series A convertible preferred stock (the "Series A Preferred Stock") and 37,001,401 shares have been further designated as Series B convertible preferred stock (the "Series B Preferred Stock").

Series A Preferred Stock financing

On May 24, 2017, the Company issued and sold 10,084,035 shares of Series A Preferred Stock at a price of $1.19 per share for gross proceeds of $12.0 million. The sale of shares of Series A Preferred Stock met the definition of a qualified equity financing, which triggered the automatic conversion of the Company's outstanding notes payable plus accrued interest into 4,007,802 shares of Series A Preferred Stock.

The Series A Preferred Stock financing included a provision for two subsequent closings. A second closing for an additional 9,243,696 shares of Series A Preferred Stock at a price of $1.19 per share in exchange for net proceeds of $11.0 million occurred on March 30, 2018 and a third closing for an additional 16,386,555 shares of Series A Preferred Stock at a price of $1.19 per share in exchange for net proceeds of $19.5 million occurred on November 2, 2018. The Company determined that these tranche rights do not meet the definition of a freestanding financial instrument and do not require bifurcation.

Series B Preferred Stock financing

On September 26, 2019, the Company issued 9,916,375 shares of Series B Preferred Stock at a purchase price of $1.3513 per share for net proceeds in the amount of $13.3 million.

The issuance of the Series B Preferred Stock resulted in changes to certain terms of the Series A Preferred Stock, primarily to align the rights of all preferred stockholders upon declaration of a dividend. The Company concluded such changes lacked sufficient significance and, therefore, were consistent with a modification rather than an extinguishment. These changes were administrative in nature and not consequential, with no change in the underlying value of the shares. Since the Company concluded there was no incremental value associated with the modification, there was no impact to the accounting for the Series A Preferred Stock.

The Series B Preferred Stock financing included a provision for the issuance of an additional 14,874,563 shares of Series B Preferred Stock at a price of $1.3513 per share in exchange for net proceeds of $20.1 million, which occurred on January 21, 2020. Consistent with the accounting considerations for the Series A tranche right, the Company determined that the Series B tranche right did not meet the definition of a freestanding financial instrument and does not require bifurcation.

As of each balance sheet date, the Preferred Stock consisted of the following:

As of December 31, 2019	Shares authorized	Shares issued and outstanding	Carrying value	Liquidation preference	Conversion price per share
Series A convertible preferred stock	39,722,088	39,722,088	$ 47,113	$ 47,269	$ 1.1900
Series B convertible preferred stock	37,001,401	9,916,375	13,252	13,400	$ 1.3513
	76,723,489	49,638,463	$ 60,365	$ 60,669	

As of December 31, 2020	Shares authorized	Shares issued and outstanding	Carrying value	Liquidation preference	Conversion price per share
Series A convertible preferred stock	39,722,088	39,722,088	$ 47,113	$ 47,269	$ 1.1900
Series B convertible preferred stock	37,001,401	24,790,938	33,336	33,500	$ 1.3513
	76,723,489	64,513,026	$ 80,449	$ 80,769	

The holders of the Preferred Stock have the following rights and preferences:

Voting

The holders of Preferred Stock are entitled to vote, together with the holders of common stock, on all matters submitted to stockholders for a vote. Each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of shares of common stock into which the shares of Preferred Stock held by such holder are convertible at the time of such vote. Except as provided by law or by the other provisions of the Amended and Restated Certificate of Incorporation, holders of Preferred Stock vote together with the holders of common stock as a single class.

The holders of record of the shares of Series B Preferred Stock, exclusively and as a separate class, are entitled to elect two directors of the Company (the “Series B Directors”); the holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, are entitled to elect three directors of the Company (the “Series A Directors” and together with the Series B Directors, the “Preferred Directors”).

Conversion

Each share of Preferred Stock shall be convertible, at the option of the holder, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of common stock as is determined by dividing the original issue price by the conversion price (as defined below) in effect at the time of conversion.

The Series A original issue price and Series A conversion price were equal to $1.19 as of December 31, 2019 and 2020. The Series B original issue price and Series B conversion price were equal to $1.3513 as of December 31, 2019 and 2020. Such Series A and Series B original issue prices and Series A and Series B conversion prices, the rate at which each series of Preferred Stock may be converted into common stock, are subject to adjustment from time to time to reflect future stock dividends, splits, combinations, recapitalizations and similar events. As of December 31, 2019 and 2020, each share of Series A Preferred Stock was convertible into one share of common stock. As of December 31, 2019 and 2020, each share of Series B Preferred Stock was convertible into one share of common stock.

Upon either (a) the closing of the sale of shares of common stock to the public in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act resulting in at least $50.0 million of gross proceeds to the Company and a per share price of $4.05 per share, or (b) the vote or written consent of the holders of a majority in voting power of the then outstanding shares of the Series B Preferred Stock, voting as a single class, then (i) all outstanding shares of Preferred Stock shall automatically be converted into shares of common stock, at the then effective conversion rate and (ii) such shares may not be reissued by the Company.

Dividends

The holders of the Preferred Stock are entitled to receive noncumulative dividends when in preference to any dividend on common stock at the rate of 8% of the applicable original purchase price per annum, if and as declared by Company's board of directors. The Company may not declare, pay or set aside any dividends on any other class or series of stock of the Company, other than dividends on common stock payable in common stock, unless the holders of the Preferred Stock first receive, or simultaneously receive, a dividend on each outstanding Preferred Stock in an amount at least equal to (a) in the case of a dividend on any class of common stock or any class or series that is convertible into common stock, that dividend per Preferred Stock as would equal the product of (i) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into common stock and (ii) the number of common stock issuable upon conversion of a stock the applicable series of preferred stock, or (b) in the case of a dividend on any class or series that is not convertible into common stock, at a rate per Preferred Stock determined by (i) dividing the amount of the dividend payable on each share of such class or series of stock by the original issue price of such class or series (subject to appropriate adjustment in the event of any stock dividend, stock split, combination of or other similar recapitalization with respect to such class or series) and (ii) multiplying such fraction by an amount equal to the applicable Series A or Series B original issue price. No cash dividends were declared or paid during the years ended December 31, 2019 and 2020.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, each holder of a share of Series B Preferred Stock and Series A Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of common stock, an amount equal to an issuance price of $1.3513 to the holders of Series B Preferred Stock and $1.19 to the holders of Series A Preferred Stock, respectively, plus any declared but unpaid dividends.

The remaining proceeds are then payable to the holders of the Series B Preferred Stock and Series A Preferred Stock together with holders of common stock, however, if the aggregate amount which the holders of Series B Preferred Stock and Series A Preferred Stock are entitled to receive under this provision and their amounts received exceed $2.7026 per share and $2.17 per share, respectively, each holder of Series B Preferred Stock and Series A Preferred Stock shall be entitled to receive upon such any liquidation, dissolution or winding up of the Company or Deemed Liquidation Event the greater of (i) $2.7026 and $2.17 per share, respectively or (ii) the amount such holder would have received if all shares of Series B Preferred Stock and Series A Preferred Stock had been converted to common stock immediately prior to such liquidation, dissolution or winding up of the Company or Deemed Liquidation Event.

Unless a majority of the holders of the then outstanding Preferred Stock, on an as-if-converted to common stock basis, which majority must include the holders of at least a majority of the outstanding shares of Series B Preferred Stock, voting together as a separate class, elect otherwise, a deemed liquidation event shall include a merger or consolidation (other than one in which stockholders of the Company own a majority by voting power of the outstanding shares of the surviving or acquiring company or corporation) or a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company.

Redemption

The Amended and Restated Certificate of Incorporation does not provide redemption rights to the holders of Preferred Stock.

The holders of shares of Preferred Stock have liquidation rights in the event of a deemed liquidation that, in certain situations, are not solely within the control of the Company. Therefore, the Preferred Stock is classified outside of stockholders' deficit.

9. Common stock

As of December 31, 2019 and 2020, the Amended and Restated Certificate of Incorporation authorized the Company to issue 95,000,000 shares of common stock with a par value of $0.001. The voting, dividend and liquidation rights of the holders of the Company's common stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock as described above.

The Company had reserved 89,686,234 shares and 88,099,507 shares as of December 31, 2019 and 2020, respectively, of common stock for the conversion of outstanding shares of Preferred Stock (see Note 8), the exercise of outstanding stock options, the number of shares remaining available for grant under the Company's 2017 Equity Incentive Plan (see Note 10) and the exercise of the outstanding warrants to purchase shares of Series A Preferred Stock (see Note 3), assuming all warrants to purchase shares of Series A Preferred Stock became warrants to purchase shares of common stock at the applicable conversion ratio.

Voting

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders.

Dividends

Common stockholders are entitled to receive dividends, as may be declared by the board of directors. These dividends are subject to the preferential dividend rights of the holders of Preferred Stock. When dividends are declared on shares of common stock, the Company must declare at the same time a dividend payable to the holders of Preferred Stock equivalent to the dividend amount they would receive if each share of Preferred Stock was converted into common stock. The Company may not pay dividends to common stockholders until all dividends declared but unpaid on the Preferred Stock have been paid in full. No cash dividends were declared or paid during the years ended December 31, 2019 or 2020.

10. Equity incentive plan

The Company's 2017 Stock Option and Grant Plan, as amended (the "2017 Plan"), provides for the Company to grant qualified incentive options, nonqualified options, stock grants and other stock-based awards to employees and non-employees to purchase the Company's common stock. The 2017 Plan is administered by the board of directors, or at the discretion of the board of directors, by a committee of the board of directors.

The total number of shares of common stock that may be issued under the 2017 Plan was 11,834,437 as of December 31, 2019 and 2020, of which 3,789,697 and 380,809 shares remained available for future grant as of December 31, 2019 and 2020, respectively.

The exercise price for incentive options is determined at the discretion of the board of directors. All incentive options granted to any person possessing less than 10% of the total combined voting power of all classes of stock may not have an exercise price of less than 100% of the fair market value of the common stock on the grant date. All incentive options granted to any person possessing more than 10% of the total combined voting power of all classes of stock may not have an exercise price of less than 110% of the fair market value of the common stock on the grant date.

The option term for incentive awards may not be greater than ten years from the date of the grant. Incentive options granted to persons possessing more than 10% of the total combined voting power of all classes of stock may not have an option term of greater than five years from the date of the grant. The vesting period for equity-based awards is determined at the discretion of the board of directors, which is generally four years. For awards granted to employees and non-employees with four-year vesting terms, 25% of the option vests on the first anniversary of the grant date and the remaining stock vest equally each month for three years thereafter.

Shares that are expired, terminated, surrendered or canceled under the 2017 Plan without having been fully exercised will be available for future awards.

Option valuation

The assumptions that the Company used to determine the fair value of the stock options granted to employees and non-employees was as follows:

	Year Ended December 31,	
	2019	2020
Risk-free interest rate	1.5% - 2.4%	0.4% - 0.7%
Expected term	6.0 - 6.25 years	5.5 - 6.1 years
Expected volatility	74% - 77%	79%
Expected dividend yield	0%	0%

Options

Through December 31, 2020, all options granted by the Company under the 2017 Plan were for the purchase of shares of common stock. The following table summarizes option activity under the 2017 Plan since December 31, 2019 (in thousands, except share and per share amounts):

	Number of stock options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
			(in years)	(in thousands)
Balance at December 31, 2019	8,540,318	$ 0.34	8.9	$ 1,095
Granted	5,453,974	$ 1.42		
Exercised	(1,321,227)	$ 0.12		
Forfeited	(2,045,086)	$ 0.39		
Balance at December 31, 2020	10,627,979	$ 0.91	8.9	$ 7,936
Options vested and exercisable at December 31, 2020	2,444,907	$ 0.42	8.2	$ 3,035

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the options and the fair value of the Company's common stock for those options that had exercise prices lower than the fair value of the Company's common stock.

The intrinsic value of options exercised during the years ended December 31, 2019 and 2020 was $11 thousand and $1.9 million, respectively.

The weighted average grant date fair value per share of options granted during the years ended December 31, 2019 and 2020 was $0.30 and $0.96, respectively.

The total fair value of options vested during the years ended December 31, 2019 and 2020 was $352 thousand and $603 thousand, respectively.

Restricted stock

Under terms of the restricted stock agreements covering the common stock, shares of restricted common stock are subject to a vesting schedule. The restricted stock vests over a four-year period during which time all unvested stock will immediately be forfeited to the Company if the relationship between the recipient and the Company ceases. Subject to the continued employment (or other engagement of the recipient by the Company as described in the restricted stock agreements), all shares of restricted common stock become fully vested within four years of the vesting commencement date.

The following table summarizes the Company's restricted stock activity since December 31, 2019:

	Number of shares	Weighted average grant date fair value
Unvested at December 31, 2019	428,657	$ 0.14
Granted	-	$ -
Forfeited	-	$ -
Vested	(265,500)	$ 0.11
Unvested at December 31, 2020	163,157	$ 0.19

The aggregate fair value of restricted stock that vested during the years ended December 31, 2019 and 2020 was $125 thousand and $441 thousand, respectively.

The Company recorded stock-based compensation expense for restricted stock of $30 thousand during each of the years ended December 31, 2019 and 2020.

Performance-based stock option awards

The Company granted options to purchase 200,000 shares of common stock to scientific founders that contain a combination of service and performance-based vesting conditions based on (i) investigational new drug application ("IND") submission and (ii) completion of a Phase I clinical study. During the year ended December 31, 2019, fifty percent of the options vested because of the successful submission of the Company's first IND submission and the implicit service condition was met. The related stock-based compensation expense recognized was *de minimis*. The Company believes the second performance criteria is probable of achievement and has recognized the related stock-based compensation expense over the implicit requisite service period. The related stock-based compensation expenses are *de minimis*.

Stock-based compensation expense

The Company recorded stock-based compensation expense in the following expense categories of its statements of operations (in thousands):

	Year Ended December 31,	
	2019	2020
Research and development	$ 214	$ 306
General and administrative	209	677
Total stock-based compensation expense	$ 423	$ 983

As of December 31, 2019 and 2020, total unrecognized compensation cost related to the unvested stock-based awards was $1.6 million and $5.4 million, respectively, which is expected to be recognized over a weighted average period of 3.3 and 3.2 years, respectively.

11. Income taxes

For the years ended December 31, 2019 and 2020, the Company recorded no income tax benefit for the net operating losses incurred in each year, due to the uncertainty of realizing a benefit from those items and recorded a full valuation allowance on its net deferred tax assets.

A reconciliation of income taxes computed using the statutory federal tax rate to the Company's effective income tax rate as of December 31, 2019 and 2020 are as follows:

	Year Ended December 31,	
	2019	2020
U.S. federal statutory income tax rate	21.0%	21.0%
State and local taxes, net of federal benefit	6.1%	5.4%
Research and development credits	5.1%	3.0%
Other	0.0%	0.3%
Change in valuation allowance	(32.2)%	(29.7)%
Effective income tax rate	0.0%	0.0%

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets were as follows (in thousands):

	Year Ended December 31,	
	2019	2020
Deferred tax assets:		
Net operating loss carryforwards	$ 18,078	$ 27,469
Research and development credits	2,659	3,866
Other temporary differences	739	681
Gross deferred tax assets	21,476	32,016
Deferred tax liabilities:		
Depreciation	(5)	-
Stock-based compensation	(4)	-
Debt discount	-	(609)
Gross deferred tax liabilities	(9)	(609)
Net deferred tax assets	21,467	31,407
Valuation allowance	(21,467)	(31,407)
Net deferred tax assets	$ -	$ -

In assessing the realizability of the net deferred tax asset, the Company considers all relevant positive and negative evidence in determining whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The realization of the gross deferred tax assets is dependent on several factors, including the generation of sufficient taxable income prior to the expiration of the net operating loss carryforwards. Management believes that it is more likely than not that the Company's net deferred income tax assets will not be realized. As such, there is a full valuation allowance against the net deferred tax assets as of December 31, 2019 and 2020. The valuation allowance increased by $13.4 million during the year ended December 31, 2019 and $9.9 million during the year ended December 31, 2020 primarily as a result of net operating losses generated during the periods. The Company reevaluates the positive and negative evidence at each reporting period.

As of December 31, 2019, the Company had federal net operating loss carryforwards of $7.6 million that are subject to expire at various dates through 2037, and net operating loss carryforwards of $58.9 million, which have no expiration date, can be carried forward indefinitely, and are limited to a deduction to 80% of annual taxable income. The Company has state tax net operating loss carryforwards of $65.1 million, which may be available to offset future income tax liabilities and expire at various dates through 2039. The Company also has federal and state research and development tax credit carryforwards of $2.1 million and $0.7 million, respectively, which expire at various dates through 2039.

As of December 31, 2020, the Company had federal net operating loss carryforwards of $7.6 million that are subject to expire at various dates through 2037, and net operating loss carryforwards of $94.6 million, which have no expiration date, can be carried forward indefinitely, and are limited to a deduction to 80% of annual taxable income. The Company has state tax net operating loss carryforwards of $95.1 million, which may be available to offset future income tax liabilities and expire at various dates through 2040. The Company also has federal and state research and development tax credit carryforwards of $3.1 million and $1.0 million, respectively, which expire at various dates through 2040.

Net operating loss and tax credit carryforwards are subject to review and possible adjustment by the Internal Revenue Service ("IRS") and may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant shareholders over a three-year period in excess of 50% as defined under Sections 382 and 383 in the Internal Revenue Code of 1986, as amended (the "Code"), which could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the Company's value immediately prior to the ownership change. Subsequent ownership changes may further affect the limitation in future years. The Company has not conducted a study to determine if any such changes have occurred that could limit its ability to use the net operating loss and tax credit carryforwards.

A study of research and development credit carryforwards, once undertaken by the Company, may result in an adjustment to its research and development credit carryforwards; however, until a study is completed and any adjustment is known, no amounts are being presented as an uncertain tax position. A full valuation allowance has been provided against the Company's research and development credits and, if an adjustment is required, this adjustment would be offset by an adjustment to the valuation allowance. Thus, there would be no impact to the balance sheet or statement of operations if an adjustment is required.

The Company has not recorded any liabilities for unrecognized tax benefits as of December 31, 2019 and 2020. The Company will recognize interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2019 and 2020, the Company had no accrued interest or penalties related to uncertain tax positions.

The Company is subject to U.S. federal income tax and Massachusetts state income tax. The statute of limitations for assessment by the IRS and state tax authorities is open for the tax years since 2017; currently, no federal or state income tax returns are under examination by the respective taxing authorities. However, the federal and state tax returns are subject to tax examination from the year of formation to the present. To the extent the Company has tax attribute carryforwards, the tax years in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service or state tax authorities to the extent utilized in a future period.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was passed by the U.S. Congress and signed into law by the President of the U.S. The CARES Act, among other things, includes certain provisions for individuals and corporations; however, these benefits do not impact the company's income tax provision.

12. Net loss per share

The following table summarizes the computation of basic and diluted net loss per share attributable to common stockholders of the Company (in thousands, except share and per share amounts):

	Year Ended December 31,	
	2019	2020
Net loss attributable to common stockholders	$ (41,400)	$ (40,837)
Weighted average common shares outstanding-basic and diluted	5,171,537	5,676,370
Net loss per share attributable to common stockholders-basic and diluted	$ (8.01)	$ (7.19)

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

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

	Year Ended December 31,	
	2019	2020
Series A preferred stock (as converted to common stock)	39,722,088	39,722,088
Series B preferred stock (as converted to common stock)	9,916,375	24,790,938
Unvested restricted stock	428,657	163,157
Options to purchase common stock	8,540,318	10,627,979
Warrants to purchase shares of Series A preferred stock (as converted to common stock)	70,000	70,000
	58,677,438	75,374,162

13. Commitments and contingencies

As of December 31, 2020, the Company has several ongoing clinical studies in various clinical trial stages. Its most significant contracts relate to agreements with clinical research organizations ("CROs") for clinical trials and preclinical studies and clinical manufacturing organizations ("CMOs"), which the Company enters into in the normal course of business. The contracts with CROs and CMOs are generally cancellable, with notice, at the Company's option.

Lease agreements

The Company has an operating lease agreement for its office and laboratory space, which commenced in June 2018 and extends for five years through May 2023. The lease agreement includes annual rent escalations throughout the term of the lease, which the Company records total expense on a straight-line basis over the term of the lease agreement. The lease required the Company to provide a security deposit in the amount of $223 thousand. The Company provided the landlord an irrevocable standby letter of credit in the name of the landlord for its security deposit and collateralized that letter of credit through its bank, which is included on the balance sheets as restricted cash. The Company is also required to pay certain operating costs. Rent expense for each of the years ended December 31, 2019 and 2020 was $964 thousand.

Minimum annual rent payments under this lease for the remaining term, excluding operating expenses and taxes which are not fixed for future periods as of December 31, 2020, are as follows:

Year Ending December 31,	Amount
2021	$ 958
2022	987
2023	502
	$ 2,447

License agreements

In April 2017, the Company entered into a Research Collaboration and License Agreement with Sanquin Blood Supply Foundation (the "2017 License Agreement") to develop antibodies that bind and enhance the activity of CFH. As consideration for the license, the Company paid a one-time, non-refundable upfront payment of $100 thousand. The 2017 License Agreement includes additional consideration upon the achievement of certain development and commercial milestones (i.e., once net sales targets exceed certain thresholds) totaling up to an aggregate amount of $29.0 million. Finally, the Company is required to make royalty payments of between 1.25% and 2.50% of net product sales if commercialization is achieved. The financial statements as of December 31, 2019 and 2020 do not include liabilities with respect to this agreement as the Company has not yet generated revenue and the achievement of certain milestones is not probable.

In June 2018, the Company entered into a Cell Line License Agreement with Life Technologies Corporation (the "2018 License Agreement") to obtain non-exclusive use of 293 H cells in support of GEM-103 manufacturing activities. As consideration for the license, the Company paid a one-time, non-refundable, non-creditable initial license fee of $75 thousand. In addition, an annual non-refundable, non-creditable development fee of $65 thousand is due on each anniversary date. The 2018 License Agreement includes additional consideration of $275 thousand contingent upon future commercialization of each licensed product. As the Company has not yet generated revenue from operations, no provision was included in the financial statements with respect to the additional consideration under the 2018 License Agreement as of December 31, 2019 and 2020.

In March 2019, the Company entered into a second Cell Line License Agreement with Life Technologies Corporation (the "2019 License Agreement") to obtain non-exclusive use of a CTS Viral Production cell line for producing genetically engineered adeno-associated virus particles to be used in human therapeutics. As consideration for the license, the Company paid a one-time, non-refundable, non-creditable initial license fee of $100 thousand. In addition, an annual non-refundable, non-creditable development fee of $80 thousand is due on each anniversary date, beginning on the second anniversary date. The 2019 License Agreement includes additional consideration of $350 thousand contingent upon future commercialization of each licensed product. As the Company has not yet generated revenue from operations, no provision was included in the financial statements with respect to the additional consideration under the 2019 License Agreement as of December 31, 2019 and 2020.

In October 2018, the Company entered into a Master License Agreement with Avitide, Inc. (the "2018 Master License Agreement") to license, on an exclusive basis, certain of Avitide's affinity chromatography resins comprised of proprietary ligands. As consideration for the license, the Company paid an upfront license fee of $200 thousand. In addition, an annual license fee of $75 thousand is due on each anniversary date. The 2018 Master License Agreement includes additional consideration upon the achievement of certain development, commercial and sales milestones totaling up to $700 thousand, $2.2 million and $7.0 million, respectively. Finally, the Company is required to make royalty payments of 1.25% of net product sales if commercialization is achieved. The financial statements as of December 31, 2019 and 2020 do not include liabilities with respect to additional consideration under this agreement as the Company has not yet generated revenue and the achievement of certain milestones is not probable.

In June 2019, the Company entered into a GPEx-Derived Cell Line Sale Agreement with Catalent Pharma Solutions, LLC (the "2019 Sale Agreement") to purchase all right, title and interest in and to the GPEx Cell Line. As consideration for the GPEx Cell Line, the Company is required to make one-time milestone payments totaling up to $1.3 million in aggregate, as well as a contingent annual fee upon commercialization (1% of net sales, or $100 thousand, whichever is greater) and other fees after certain milestones are reached. Certain milestone payments may be waived if Catalent manufactures >50% of the total product required for the relevant clinical trial. The financial statements as of December 31, 2019 and 2020 do not include liabilities with respect to this agreement as the Company has not yet generated revenue and the achievement of certain milestones is not probable.

Indemnification agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not aware of any indemnification arrangements could have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its financial statements as of December 31, 2019 and 2020.

Legal proceedings

From time to time, the Company may become involved in legal proceedings arising in the ordinary course of business. As of December 31, 2019 and 2020, the Company was not a party to any material legal matters or claims.

14. Benefit plans

The Company established a defined contribution savings plan under Section 401(k) of the Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Prior to 2019, matching contributions to the plan were made at the discretion of the Company's management. Beginning in 2019, the Company provides matching contributions equal to fifty percent (50%) up to six percent (6%) of each participant's salary. Employees are immediately and fully vested in the Company's contribution. During the years ended December 31, 2019 and 2020, the Company contributed $124 thousand and $116 thousand to the plan, respectively.

15. Related party transactions

The Company engaged a firm managed by an executive of the Company for professional services related to accounting, finance and other administrative functions. For the year ended December 31, 2020, the costs incurred under this arrangement totaled $700 thousand, of which $656 thousand was capitalized as deferred offering costs associated with the business combination with FSDC and $44 thousand was recorded as general and administrative expense in the accompanying statement of operations. As of December 31, 2020, amounts owed under this arrangement totaled $257 thousand and is included in accounts payable in the accompanying balance sheet.

16. Subsequent events

The Company has evaluated subsequent events through March 29, 2021 to ensure that these financial statements include appropriate disclosure of events both recognized in the financial statements as of December 31, 2020, and events which occurred subsequently but were not recognized in the financial statements. The Company has concluded that no events or transactions have occurred that require disclosure in the accompanying financial statements, except as follows:

Conversion of promissory notes to Series B Preferred Stock

The Company's Notes were amended to allow for the principal and interest to convert prior to the closing of the merger with FSDC on February 5, 2021. The Notes converted into 10,741,883 shares of Series B Preferred Stock at a per share conversion price of $1.3513.

Business Combination closing of FSDC and Gemini Therapeutics

On February 5, 2021, the Company completed the previously announced business combination pursuant to an Agreement and Plan of Merger dated October 15, 2020 among FSDC, FSG Merger Sub Inc., Gemini Therapeutics Sub, Inc. f/k/a Gemini Therapeutics, Inc. (Old Gemini) and the Shareholders Representative named therein. Upon closing of the business combination, the combined company was renamed Gemini Therapeutics, Inc. (Gemini) and the Company was renamed Gemini Therapeutics Sub, Inc. and became a wholly owned subsidiary of Gemini.

Pursuant to the terms of the Agreement and Plan of Merger, the Company's shareholders exchanged their interests in the Company for shares of common stock of Gemini. In addition, awards under the Company's existing equity incentive plans, including the 2017 Plan and 2015 Plan continue in full force and effect on the same terms and conditions as were previously applicable to such awards, subject to adjustments to the exercise price and number of shares of common stock issuable upon exercise based on the final conversion ratio calculated in accordance with the Merger Agreement.

Net proceeds from this transaction totaled approximately $199.5 million, which included funds held in FSDC's trust account and the completion of a concurrent PIPE financing in which certain investors agreed to subscribe for and purchased an aggregate of $95.1 million of common stock of Gemini. The shareholders of FSDC approved the transaction on February 3, 2021. The transaction was previously approved by the boards of directors of both FSDC and Old Gemini. Gemini will continue to operate under the Old Gemini management team, led by chief executive officer Jason Meyenburg.

2021 Gemini Equity Incentive Plan

On February 3, 2021, FSDC's stockholders approved the 2021 Stock Option and Incentive Plan ("2021 Plan"), pursuant to which 4,264,341 shares of common stock were reserved for issuance. The 2021 Plan provides for Gemini to grant incentive stock options or nonqualified stock options for the purchase of common stock, stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, cash-based awards, and dividend equivalent rights, to employees, officers, directors and consultants of Gemini. Incentive stock options may only be granted to employees. The 2021 Plan is administered by the plan administrator, which is the Compensation Committee of Gemini's board of directors, provided therein, which has discretionary authority, subject only to the express provisions of the 2021 Plan, to interpret the 2021 Plan; determine eligibility for and grant awards; determine form of settlement of awards (whether in cash, shares of stock, other property or a combination of the foregoing), determine, modify, or waive the terms and conditions of any award; prescribe forms, rules and procedures; and otherwise do all things necessary to carry out the purposes of the 2021 Plan.

The exercise price of each award requiring exercise will be 100% of the fair market value of stock subject to the award, determined as of the date of the grant, or such higher amount as the plan administrator may determine in connection with the grant, and the term of stock option may not be greater than ten years. The vesting and other restrictions are determined at the discretion of the plan administrator.