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

Form 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2021

or

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

For the Transition Period from _____ to _____

Commission File Number: 000-29959

Cassava Sciences, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**91-1911336**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

7801 N. Capital of Texas Highway, Suite 260, Austin, TX 78731
(512) 501-2444
(Address, including zip code, of registrant's principal executive offices and telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	SAVA	NASDAQ Capital Market

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

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

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

Large Accelerated Filer ☐	Accelerated Filer ☐
Non-accelerated Filer ☑	Smaller Reporting Company ☑
	Emerging Growth Company ☐

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $0.001 par value	40,008,654
	Shares Outstanding as of April 23, 2021

CASSAVA SCIENCES, INC.

TABLE OF CONTENTS

		Page No.
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Balance Sheets – March 31, 2021 and December 31, 2020	3
	Condensed Statements of Operations – Three Months Ended March 31, 2021 and 2020	4
	Condensed Statements of Cash Flows – Three Months Ended March 31, 2021 and 2020	5
	Notes to Condensed Financial Statements	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	26
Item 4.	Controls and Procedures	26
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	27
Item 1A	Risk Factors	27
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3.	Defaults Upon Senior Securities	27
Item 4.	Mine Safety Disclosures	27
Item 5.	Other Information	27
Item 6.	Exhibits	28
Signatures		29

CASSAVA SCIENCES, INC.

CONDENSED BALANCE SHEETS

(Unaudited, in thousands, except share and par value data)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 282,192	$ 93,506
Other current assets	1,574	488
Total current assets	283,766	93,994
Operating lease right-of-use assets	274	295
Property and equipment, net	10	11
Total assets	$ 284,050	$ 94,300
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 864	$ 911
Accrued development expense	1,553	719
Accrued compensation and benefits	99	83
Operating lease liabilities, current	84	58
Other current liabilities	50	94
Total current liabilities	2,650	1,865
Operating lease liabilities, non-current	213	235
Total liabilities	2,863	2,100
Commitments and contingencies (Notes 5 and 7)		
Stockholders' equity:		
Preferred stock, $.001 par value; 10,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $.001 par value; 120,000,000 shares authorized; 40,008,654 and 35,237,987 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	40	35
Additional paid-in capital	459,594	267,086
Accumulated deficit	(178,447)	(174,921)
Total stockholders' equity	281,187	92,200
Total liabilities and stockholders' equity	$ 284,050	$ 94,300

See accompanying notes to condensed financial statements.

CASSAVA SCIENCES, INC.

CONDENSED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three months ended March 31,	
	2021	2020
Operating expenses:		
Research and development, net of grant reimbursement	$ 2,529	$ 544
General and administrative	1,004	778
Gain on sale of property and equipment	—	(100)
Total operating expenses	3,533	1,222
Operating loss	(3,533)	(1,222)
Interest income	7	72
Net loss	$ (3,526)	$ (1,150)
Net loss per share, basic and diluted	$ (0.09)	$ (0.05)
Shares used in computing net loss per share, basic and diluted	37,721	24,481

See accompanying notes to condensed financial statements.

CASSAVA SCIENCES, INC.

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Three months ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	$ (3,526)	$ (1,150)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	250	270
Depreciation and amortization	1	14
Gain on sale of property and equipment	—	(100)
Changes in operating assets and liabilities:		
Other current assets	185	(9)
Operating lease right-of-use assets and liabilities	25	—
Accounts payable	(47)	155
Accrued development expense	834	(390)
Accrued compensation and benefits	16	14
Other current liabilities	(44)	2
Net cash used in operating activities	(2,306)	(1,194)
Cash flows from investing activities:		
Proceeds from sale of property and equipment	—	100
Net cash provided by investing activities	—	100
Cash flows from financing activities:		
Proceeds from exercise of stock options	475	—
Proceeds from exercise of common stock warrants	692	3,613
Proceeds from registered direct offering, net of issuance costs	189,825	—
Net cash provided by financing activities	190,992	3,613
Net increase in cash and cash equivalents	188,686	2,519
Cash and cash equivalents at beginning of period	93,506	23,081
Cash and cash equivalents at end of period	$ 282,192	$ 25,600
Supplemental cash flow information:		
Receivable from exercise of stock options	$ 1,271	$ -

See accompanying notes to condensed financial statements.

Note 1. General and Liquidity

Cassava Sciences, Inc. (the "Company") discovers and develops proprietary pharmaceutical product candidates that may offer significant improvements to patients and healthcare professionals. The Company generally focuses its discovery and product development efforts on disorders of the nervous system.

The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and pursuant to the instructions to the Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, the condensed financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management of the Company, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for any other interim period or for the year 2021. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Coronavirus Disease 2019 (COVID-19)

The widespread outbreak of a novel infectious disease called Coronavirus Disease 2019, or COVID-19, has not significantly impacted the Company's operations or financial condition as of April 29, 2021. However, this pandemic has created a dynamic and uncertain situation in the national economy. The Company continues to closely monitor the latest information to make timely, informed business decisions and public disclosures regarding the potential impact of pandemic on its operations and financial condition. The scope of pandemic is unprecedented and its long-term impact on the Company's operations and financial condition cannot be reasonably estimated at this time.

Liquidity

The Company has incurred significant net losses and negative cash flows since inception, and as a result has an accumulated deficit of $178.4 million at March 31, 2021. The Company expects its cash requirements to be significant in the future. The amount and timing of the Company's future cash requirements will depend on regulatory and market acceptance of its product candidates and the resources it devotes to researching and developing, formulating, manufacturing, commercializing and supporting its products. The Company may seek additional funding through public or private financing in the future, if such funding is available and on terms acceptable to the Company. There are no assurances that additional financing will be available on favorable terms, or at all. However, management believes that the current working capital position will be sufficient to meet the Company's working capital needs for at least the next 12 months.

Note 2. Significant Accounting Policies

Use of Estimates

The Company makes estimates and assumptions in preparing its condensed financial statements in conformity with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed financial statements and the reported amount of revenue earned and expenses incurred during the reporting period. The Company evaluates its estimates on an ongoing basis, including those estimates related to manufacturing agreements and research collaborations. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents and Concentration of Credit Risk

The Company invests in cash and cash equivalents. The Company considers highly liquid financial instruments with original maturities of three months or less to be cash equivalents. Highly liquid investments that are considered cash equivalents include money market accounts, certificates of deposits, and treasury bills. The Company maintains its cash and cash equivalents at one financial institution.

Fair Value Measurements

The Company reports its cash and cash equivalents at fair value as Level 1, Level 2 or Level 3 using the following inputs:

- Level 1 includes quoted prices in active markets. The Company bases the fair value of its money market funds on Level 1 inputs.
- Level 2 includes significant observable inputs, such as quoted prices for identical or similar securities, or other inputs that are observable and can be corroborated by observable market data for similar securities. The Company uses market pricing and other observable market inputs obtained from third-party providers. It uses the bid price to establish fair value where a bid price is available. The Company bases the fair value of its certificates of deposit on Level 2 inputs.
- Level 3 includes unobservable inputs that are supported by little or no market activity. The Company does not have any financial instruments where the fair value is based on Level 3 inputs.

If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation. The fair value of cash and cash equivalents was based on Level 1 inputs at March 31, 2021 and December 31, 2020.

Proceeds from Grants

During the three months ended March 31, 2021 and 2020, the Company received reimbursements totaling $0.6 million and $1.3 million pursuant to National Institutes of Health (“NIH”) research grants, respectively. The Company records the proceeds from these grants as reductions to its research and development expenses.

Stock-based Compensation

The Company recognizes non-cash expense for the fair value of all stock options and other share-based awards. The Company uses the Black-Scholes option valuation model (“Black-Scholes”) to calculate the fair value of stock options, using the single-option award approach and straight-line attribution method. For all options granted, it recognizes the resulting fair value as expense on a straight-line basis over the vesting period of each respective stock option, generally four years.

The Company has granted share-based awards that vest upon achievement of certain performance criteria (“Performance Awards”). The Company multiplies the number of Performance Awards by the fair value of its common stock on the date of grant to calculate the fair value of each award. It estimates an implicit service period for achieving performance criteria for each award. The Company recognizes the resulting fair value as expense over the implicit service period when it concludes that achieving the performance criteria is probable. It periodically reviews and updates as appropriate its estimates of implicit service periods and conclusions on achieving the performance criteria. Performance Awards vest and common stock is issued upon achievement of the performance criteria.

Net Loss per Share

The Company computes basic net loss per share on the basis of the weighted-average number of common shares outstanding for the reporting period. Diluted net loss per share is computed on the basis of the weighted-average number of common shares outstanding plus potential dilutive common shares outstanding using the treasury-stock method. Potential dilutive common shares consist of outstanding common stock options and warrants. There is no difference between the Company’s net loss and comprehensive loss.

The Company included the following in the calculation of basic and diluted net loss per share (in thousands, except per share data):

	Three months ended March 31,	
	2021	2020
Numerator:		
Net loss	$ (3,526)	$ (1,150)
Denominator:		
Shares used in computing net loss per share, basic and diluted	37,721	24,481
Net loss per share, basic and diluted	$ (0.09)	$ (0.05)
Dilutive common stock options excluded from net loss per share, diluted	2,121	1,561
Common stock warrants excluded from net loss per share, diluted	—	1,616

The Company excluded common stock options and warrants outstanding from the calculation of net loss per share, diluted, because the effect of including options and warrants outstanding would have been anti-dilutive.

Fair Value of Financial Instruments

Financial instruments include accounts payable and accrued liabilities. The estimated fair value of certain financial instruments may be determined using available market information or other appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value; therefore, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions and/or estimation methodologies may be material to the estimated fair value amounts. The carrying amounts of accounts payable and accrued liabilities are at cost, which approximates fair value due to the short maturity of those instruments.

Research Contract Costs and Accruals

The Company has entered into various research and development contracts with research institutions and other third-party vendors. 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 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 actual costs.

Incentive Bonus Plan

In 2020, the Company established the 2020 Cash Incentive Bonus Plan (the "Plan") to incentivize Plan participants. Awards under the Plan are accounted for as liability awards under Accounting Standards Codification (ASC) 718 "*Stock-based Compensation*". The fair value of each potential Plan award will be determined once a grant date occurs and will be remeasured each reporting period. Compensation expense associated with the Plan will be recognized over the expected achievement period for each Plan award, when a Performance Condition is considered probable of being met. See Note 7 for further discussion of the Plan.

Leases

The Company recognizes assets and liabilities that arise from leases. For operating leases, the Company is required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments during the lease term, in the condensed balance sheets. The Company elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company does not recognize right-of-use assets or lease liabilities. As the Company`s leases do not provide an implicit rate, it uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax balances are adjusted to reflect tax rates based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. The Company has accumulated significant deferred tax assets that reflect the tax effects of net operating loss and tax credit carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of certain deferred tax assets is dependent upon future earnings. The Company is uncertain about the timing and amount of any future earnings. Accordingly, the Company offsets these deferred tax assets with a valuation allowance.

The Company accounts for uncertain tax positions in accordance with ASC 740, “Income Taxes”, which clarifies the accounting for uncertainty in tax positions. These provisions require recognition of the impact of a tax position in the Company’s condensed financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. Any interest and penalties related to uncertain tax positions will be reflected as a component of income tax expense.

Note 3. Stockholders’ Equity and Stock-Based Compensation Expense

Stockholders’ Equity Activity during the Three Months Ended March 31, 2021 and 2020

During the three months ended March 31, 2021 and 2020, the Company’s common stock outstanding and stockholders’ equity changed as follows:

	Common Stock	Stockholders' equity (in thousands)
Balance at December 31, 2019	21,841,810	$ 22,099
Stock-based compensation for:		
Stock options for employees	—	261
Stock options for non-employees	—	9
Proceeds from exercise of common stock warrants	2,888,092	3,613
Net loss	—	(1,150)
Balance at March 31, 2020	24,729,902	$ 24,832
Balance at December 31, 2020	35,237,987	$ 92,200
Stock-based compensation for:		
Stock options for employees	—	249
Stock options for non-employees	—	1
Proceeds from exercise of common stock warrants	554,019	692
Exercise of stock options	135,015	1,746
Proceeds from registered direct offering of common stock	4,081,633	189,825
Net loss	—	(3,526)
Balance at March 31, 2021	40,008,654	$ 281,187

2021 Registered Direct Offering

On February 12, 2021, the Company completed a common stock offering pursuant to which certain investors purchased 4,081,633 shares of common stock at a price of $49.00 per share. Net proceeds of the offering were approximately $189.8 million after deducting offering expenses.

At-the-Market Common Stock Offering

On March 27, 2020, the Company established an at-the-market offering program ("ATM") to sell, from time to time, shares of Company common stock having an aggregate offering price of up to $100 million in transactions pursuant to a shelf registration statement that was declared effective by the U.S. Securities and Exchange Commission (the "SEC") on May 5, 2020. The Company is obligated to pay a commission of 3.0% of the gross proceeds from the sale of shares of common stock in the offering. The Company is not obligated to sell any shares in the offering.

There were no common stock sales under the ATM during the three months ended March 31, 2021 and 2020.

Common Stock Warrants

In August 2018, the Company issued warrants to purchase up to an aggregate of 9.1 million shares of its common stock in conjunction with an offering of its common stock.

During the three months ended March 31, 2021, the Company received proceeds of $0.7 million from the exercise of 0.6 million shares pursuant to warrants. During the three months ended March 31, 2020, the Company received proceeds of $3.6 million from the exercise of 2.9 million shares pursuant to warrants.

There were no remaining common stock warrants outstanding as of March 31, 2021.

Stock Option and Performance Award Activity in 2021

During the three months ended March 31, 2021, stock options and unvested Performance Awards outstanding under the Company's stock option plans changed as follows:

	Stock Options	Performance Awards
Outstanding as of December 31, 2020	2,817,504	138,055
Options granted	10,000	—
Options exercised	(163,398)	—
Options forfeited/canceled	—	—
Outstanding as of March 31, 2021	2,664,106	138,055

The weighted average exercise price of options outstanding at March 31, 2021 was $10.80. As outstanding options vest over the current remaining vesting period of 2.0 years, the Company expects to recognize non-cash expense of $1.6 million. If and when outstanding Performance Awards vest, the Company will recognize non-cash expense of $2.3 million over the implicit service period.

During the three months ended March 31, 2021, there were 163,398 stock options exercised. Of the stock options exercised, 28,383 stock options were net settled in satisfaction of the exercise price, with no cash proceeds received. Proceeds to the Company totaled $1,746,000, including $475,000 in cash paid and $1,271,000 recorded as receivables in other current assets at March 31, 2021 due to timing differences. All such receivables related to stock option exercises were received by the Company in April 2021.

There were no stock options exercised during the three months ended March 31, 2020.

Stock-based Compensation Expense in 2021

During the three months ended March 31, 2021 and 2020, the Company's stock-based compensation expenses were as follows (in thousands):

	Three months ended March 31,	
	2021	2020
Research and development	$ 120	$ 115
General and administrative	130	155
Total stock-based compensation expense	$ 250	$ 270

2018 Equity Incentive Plan

In January 2018, the Company's Board of Directors (the "Board") approved the Company's 2018 Omnibus Incentive Plan (the "2018 Plan"). The Board or a designated committee of the Board is responsible for administration of the 2018 Plan and determines the terms and conditions of each option granted, consistent with the terms of the 2018 Plan. The Company's employees, directors, and consultants are eligible to receive awards under the 2018 Plan, including grants of stock options and Performance Awards. Share-based awards generally expire 10 years from the date of grant. The 2018 Plan provides for issuance of up to 1,000,000 shares of common stock, par value $0.001 per share, subject to adjustment as provided in the 2018 Plan.

When stock options or Performance Awards are exercised net of the exercise price and taxes, the number of shares of stock issued is reduced by the number of shares equal to the amount of taxes owed by the award recipient and that number of shares are cancelled. The Company then uses its cash to pay tax authorities the amount of statutory taxes owed by and on behalf of the award recipient.

Note 4. Income Taxes

The Company did not provide for income taxes during the three months ended March 31, 2021, because it has projected a net loss for the full year 2021 for which any benefit will be offset by an increase in the valuation allowance. There was also no provision for income taxes for the three months ended March 31, 2020.

Note 5. Commitments

Right-of-use Asset and Liability

The Company has a non-cancelable operating lease for approximately 6,000 square feet of office space in Austin, Texas that expires on April 30, 2024. Future lease payments as of March 31, 2021 are as follows (in thousands):

For the year ending December 31,	
2021	$ 66
2022	102
2023	107
2024	36
Total future lease payments	311
Less: imputed interest	(14)
Total	$ 297

Subsequent to March 31, 2021, the Company entered into a lease agreement for an additional 3,600 square feet of office space in Austin, Texas that expires on April 30, 2022. Future lease payments under this lease total $64,000.

Rent expense for the three months ended March 31, 2021 and 2020 totaled $23,000 and $25,000, respectively.

There was no cash paid for operating lease liabilities during the three months ended March 31, 2021. Cash paid for operating lease liabilities during the three months ended March 31, 2020 totaled $25,000.

Other Commitments

The Company conducts its product research and development programs through a combination of internal and collaborative programs that include, among others, arrangements with universities, contract research organizations and clinical research sites. The Company has contractual arrangements with these organizations that are cancelable. The Company's obligations under these contracts are largely based on services performed. The Company also had non-cancellable commitments for the manufacture of simufilam totaling $817,000 at March 31, 2021.

Note 6. Sale of Property and Equipment

There were no sales of property and equipment during the three months ended March 31, 2021. During the three months ended March 31, 2020, the Company sold surplus manufacturing equipment to a third party and received proceeds totaling $100,000.

Note 7. 2020 Cash Incentive Bonus Plan

On August 26, 2020, the Board approved the Plan. The Plan was established to promote the long-term success of the Company by creating an "at-risk" cash bonus program that rewards Plan participants with additional cash compensation in lockstep with significant increases in the Company's market capitalization. The Plan is considered "at-risk" because Plan participants will not receive a cash bonus unless the Company's market capitalization increases significantly and certain other conditions specified in the Plan are met. Specifically, Plan participants will not be paid any cash bonuses unless (1) the Company completes a merger or acquisition transaction that constitutes a sale of ownership of the Company or its assets (a Merger Transaction) or (2) the Compensation Committee of the Board (the Compensation Committee) determines the Company has sufficient cash on hand, as defined in the Plan. Because of the inherent discretion and uncertainty regarding these requirements, the Company has concluded that a Plan grant date has not occurred as of March 31, 2021.

Plan participants will be paid all earned cash bonuses in the event of a Merger Transaction.

The Company's market capitalization for purposes of the Plan is determined based on either (1) the Company's closing price of one share on the Nasdaq Capital Market multiplied by the total issued and outstanding shares and options to purchase shares of the Company, or (2) the aggregate consideration payable to security holders of the Company in a Merger Transaction. This constitutes a market condition under applicable accounting guidance.

The Plan triggers a potential cash bonus each time the Company's market capitalization increases significantly, up to a maximum $5 billion in market capitalization. The Plan specifies 14 incremental amounts between $200 million and $5 billion (each increment, a "Valuation Milestone"). Each Valuation Milestone triggers a potential cash bonus award in a pre-set amount defined in the Plan. Each Valuation Milestone must be achieved and maintained for no less than 20 consecutive trading days for Plan participants to be eligible for a potential cash bonus award. Approximately 59% of each cash bonus award associated with a Valuation Milestone is subject to adjustment and approval by the Compensation Committee. Any amounts not awarded by the Compensation Committee are no longer available for distribution.

If the Company were to exceed a $5 billion market capitalization for no less than 20 consecutive trading days, all Valuation Milestones would be deemed achieved, in which case cash bonus awards would range from a minimum of $137.4 million up to a hypothetical maximum of $322.3 million. Payment of cash bonuses is deferred until such time as (1) the Company completes a Merger Transaction, or (2) the Compensation Committee determines the Company has sufficient cash on hand to render payment (each, a "Performance Condition"), neither of which may

ever occur. Accordingly, there can be no assurance that Plan participants will ever be paid a cash bonus that is awarded under the Plan, even if the Company's market capitalization increases significantly.

The Plan is accounted for as a liability award. The fair value of each Valuation Milestone award will be determined once a grant date occurs and will be remeasured each reporting period. Compensation expense associated with the Plan will be recognized over the expected achievement period for each of the 14 Valuation Milestones, when a Performance Condition is considered probable of being met.

On October 13, 2020, the Company achieved the first Valuation Milestone. Subsequently, the Compensation Committee approved a potential cash bonus award of $7.3 million in total for all Plan participants, subject to future satisfaction of a Performance Condition.

During the three months ended March 31, 2021, the Company achieved eight Valuation Milestones triggering potential Company obligations to all Plan participants from a minimum of $59.9 million up to a hypothetical maximum of $145.0 million, to be determined by the Compensation Committee. However, no compensation expense has been recorded since no grant date has occurred and no Performance Conditions are considered probable of being met. There is no continuing service requirement for Plan participants once the Compensation Committee approves a cash bonus award.

No actual cash payments were authorized or made to participants under the Plan during the three months ended March 31, 2021.

Note 8. Recently Issued Accounting Pronouncements

In December 2019, the FASB issued Accounting Standards Update ("ASU") No. 2019-12, *Income Taxes (Topic 740) Simplifying Accounting for Income Taxes*, as part of its initiative to reduce complexity in the accounting standards. The guidance amended certain disclosure requirements that had become redundant, outdated or superseded. Additionally, this guidance amends accounting for the interim period effects of changes in tax laws or rates, and simplifies aspects of the accounting for franchise taxes. The guidance is effective for annual periods beginning after December 15, 2020, including interim periods therein. The adoption of ASU 2019-12 in the first quarter of 2021 did not have a material impact on the Company's condensed financial statements.

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

This discussion and analysis should be read in conjunction with Cassava Sciences, Inc.'s (the "Company,", "we," "us," or "our") condensed financial statements and accompanying notes included elsewhere in this Quarterly Report on Form 10-Q. Operating results are not necessarily indicative of results that may occur in future periods.

This Quarterly Report on Form 10-Q contains certain statements that are considered forward-looking statements within the meaning of the Private Securities Reform Act of 1995. We intend that such statements be protected by the safe harbor created thereby. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," "will" and "would" or the negatives of these terms or other comparable terminology.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. Forward-looking statements involve risks and uncertainties and our actual results and the timing of events may differ significantly from the results discussed in the forward-looking statements. Examples of such forward-looking statements include, but are not limited to statements about:

- our intention to initiate a pivotal Phase 3 clinical program with simufilam in Alzheimer's disease, the anticipated scope of Phase 3 studies and our estimated timeline for doing so;

- our reliance on third-party contractors to make drug supply on a large-scale for our Phase 3 clinical program, or their ability to do so on-time or on-budget;
- our intention to initiate a Cognition Maintenance Study with simufilam in Alzheimer's disease;
- limitations around the interpretation of cognitive results from a long-term open-label study design, as compared to efficacy results from a fully completed, randomized controlled study design;
- the expected rate of cognitive decline over time in untreated Alzheimer's patients;
- the ability of the Alzheimer's Disease Assessment Scale-Cognitive Subscale (ADAS-cog), Neuropsychiatric Inventory (NPI), CANTAB or other clinical scales to assess cognition or health in our trials of Alzheimer's disease;
- announcements or plans regarding any future interim analyses of our open-label study of simufilam and our estimated timeline for doing so;
- any significant changes we have made, or anticipate making, to the design of an on-going open-label study of simufilam;
- announcements regarding an End-of-Phase 2 meeting with the U.S. Food and Drug Administration (FDA);
- our ability to initiate, conduct or analyze additional clinical and non-clinical studies with our product candidates targeted at Alzheimer's disease and other neurodegenerative diseases;
- the interpretation of results from our Phase 2 clinical studies;
- our estimated timeline for publishing in a peer-reviewed technical journal clinical results of our Phase 2b study of simufilam;
- our plans to further develop SavaDx, our investigational blood-based diagnostic, and our estimated timeline for doing so;
- the safety, efficacy, or potential therapeutic benefits of our product candidates;
- the utility of protection, or the sufficiency, of our intellectual property;
- our potential competitors or competitive products;
- expected future sources of revenue and capital and increasing cash needs;
- our use of Clinical Research Organizations (CROs) to conduct clinical studies of our product candidates;
- expectations regarding trade secrets, technological innovations, licensing agreements and outsourcing of certain business functions;
- our expenses increasing or fluctuations in our financial or operating results;
- our operating losses and anticipated operating and capital expenditures;
- expectations regarding the issuance of shares of common stock to employees pursuant to equity compensation awards, net of employment taxes;
- the development and maintenance of our internal information systems and infrastructure;
- our need to hire additional personnel and our ability to attract and retain such personnel;
- existing regulations and regulatory developments in the United States and other jurisdictions;
- our need to expand the size and scope of our physical facilities;
- the sufficiency of our current resources to continue to fund our operations;
- the accuracy of our estimates regarding expenses, capital requirements, and needs for additional financing;
- assumptions and estimates used for our disclosures regarding stock-based compensation; and
- the long-term impact of COVID-19, a novel coronavirus first detected in 2019, on our operations and financial condition.

Such forward-looking statements and our business involve risks and uncertainties, including, but not limited to the following:

- We are in the early stages of clinical drug development and have a limited operating history in our business targeting Alzheimer's disease and no products approved for commercial sale.
- We have incurred significant net losses in each period since our inception and anticipate that we will continue to incur net losses for the foreseeable future.
- Research and development of biopharmaceutical products is a highly uncertain undertaking and involves a substantial degree of risk and our business is heavily dependent on the successful development of our product candidates.
- We may need to obtain substantial additional financing to complete the development and any commercialization of our product candidates.

- We may not be successful in our efforts to continue to develop product candidates or commercially successful products.
- We may not be successful in our efforts to expand indications for product candidates.
- We are concentrating a substantial portion of our research and development efforts on the diagnosis and treatment of Alzheimer's disease, an area of research that has recorded many clinical failures.
- We may encounter substantial delays in our clinical trials or may not be able to conduct or complete our clinical trials on the timelines we expect, if at all.
- Our clinical trials may fail to demonstrate evidence of the safety and efficacy of our product candidates, which would prevent, delay, or limit the scope of regulatory approval and the commercialization of our product candidates.
- We may be unable to protect our intellectual property rights or trade secrets.
- We may be subject to third-party claims of intellectual property infringement.
- We may not succeed in our maintenance or pursuit of licensing rights or third-party intellectual property necessary for the development of our product candidates.
- Enacted or future legislation or regulatory actions may adversely affect our product pricing, or limit the reimbursement we may receive for our products.
- A significant breakdown, security breach or interruption affecting our internal computer systems, or those used by our third-party research collaborators, may compromise the confidentiality of our financial or proprietary information, result in material disruptions of our products and operations and adversely affect our reputation.
- We may be unsuccessful at hiring and retaining qualified personnel.
- Adverse circumstances caused by disease epidemics or pandemics, such as Coronavirus Disease 2019, or COVID-19, a novel coronavirus first detected in 2019;

Please also refer to the section entitled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as such risk factors may be amended, updated or modified periodically in our reports filed with the U.S. Securities and Exchange Commission (the "SEC") for further information on these and other risks affecting us.

We caution you not to place undue reliance on forward-looking statements because our future results may differ materially from those expressed or implied by them. We do not intend to update any forward-looking statement, whether written or oral, relating to the matters discussed in this Quarterly Report on Form 10-Q, except as required by law.

Our research programs in neurodegeneration benefit from longstanding scientific and financial support from the National Institutes of Health ("NIH"). The contents of this Quarterly Report on Form 10-Q are solely our responsibility and do not necessarily represent any official views of NIH.

Overview

Cassava Sciences, Inc. is a clinical-stage biotechnology company based in Austin, Tx. Our mission is to detect and treat neurodegenerative diseases, such as Alzheimer's disease. Our novel science is based on stabilizing – but not removing – a critical protein in the brain.

Over the past 10 years, we have combined state-of-the-art technology with new insights in neurobiology to develop novel solutions for Alzheimer's disease and other neurodegenerative diseases. Our strategy is to leverage our unique scientific/clinical platform to develop a first-in-class program for treating neurodegenerative diseases, such as Alzheimer's.

We currently have two clinical-stage biopharmaceutical assets under development:

- our lead therapeutic product candidate, called simufilam, is a novel treatment for Alzheimer's disease; and
- our lead investigational diagnostic product candidate, called SavaDx, is a novel way to detect the presence of Alzheimer's disease from a small sample of blood, possibly years before the overt appearance of clinical symptoms.

Our scientific approach for the treatment of Alzheimer's disease seeks to simultaneously improve *both* neurodegeneration and neuroinflammation. We believe our ability to improve multiple vital functions in the brain represents a new, different and crucial approach to address Alzheimer's disease.

Our lead therapeutic product candidate, simufilam, is a proprietary small molecule (oral) drug. Simufilam targets an altered form of a protein called filamin A (FLNA) in the Alzheimer's brain. Published studies have demonstrated that the altered form of FLNA causes neuronal dysfunction, neuronal degeneration and neuroinflammation.

We believe simufilam improves brain health by reverting altered FLNA back to its native, healthy conformation, thus countering the downstream toxic effects of altered FLNA. We have generated and published experimental and clinical evidence of improved brain health with simufilam. Importantly, simufilam is not dependent on clearing amyloid from the brain. Since simufilam has a unique mechanism of action, we believe its potential therapeutic effects may be additive or synergistic with that of other therapeutic candidates aiming to treat neurodegeneration.

Simufilam has demonstrated a multitude of beneficial effects in animal models of disease, including normalizing neurotransmission, decreasing neuroinflammation, suppressing neurodegeneration, and restoring memory and cognition.

Simufilam and SavaDx were both discovered and designed in-house and were characterized by our academic collaborators during research activities that were conducted from approximately 2008 to date. We own exclusive, worldwide rights to these drug assets and related technologies, without royalty obligations to any third party. Our patent protection with respect to simufilam and use of simufilam for Alzheimer's disease and other neurodegenerative disease currently runs through 2033 and includes six issued patents and related patent filings and applications. In addition, we have patent protection with respect to simufilam for use in treating certain cancers that runs through 2034. We currently have no patents or patent applications with respect to SavaDx, which is protected in the United States by trade secrets, know-how and other proprietary rights technology.

Alzheimer's disease is a progressive neurodegenerative disorder that affects cognition, function and behavior. There are no disease-modifying drug therapies to treat the disease. As of 2020, there were approximately 50 million people worldwide living with dementia, a figure expected to increase to 150 million by 2050 and the annual global cost of dementia is now above $1 trillion**,** according to *Alzheimer's Disease International*, a charitable organization. According to the non-profit *Alzheimer's Association*, Alzheimer's disease is expected to nearly triple in the U.S. between now and 2050. If this occurs, there is potential for Alzheimer's disease to cause a major financial drain on the national economy.

Phase 2a Study

In 2019, we completed a small, first-in-patient, clinical-proof-of-concept, open-label Phase 2a study of simufilam in the U.S., with substantial support from the *National Institute on Aging* (NIA), a division of the NIH. Treatment with simufilam for 28 days significantly improved key biomarkers of Alzheimer's pathology, neurodegeneration and neuroinflammation ($p<0.001$). Biomarkers effects were seen in all patients in both cerebrospinal fluid (CSF) and plasma.

Phase 2b Study

In September 2020, we announced final results of a Phase 2b study with simufilam in Alzheimer's disease. In this clinical study funded by the NIH, Alzheimer's patients treated with 50 mg or 100 mg of simufilam twice-daily for 28 days showed statistically significant ($p<0.05$) improvements in CSF biomarkers of disease pathology, neurodegeneration and neuroinflammation, versus Alzheimer's patients who took placebo. In addition, Alzheimer's patients treated with simufilam showed improvements in validated tests of episodic memory and spatial working memory, versus patients on placebo *(*Effect Size 17-46%). Cognitive improvements correlated most strongly ($R^2=0.5$) with decreases in levels of P-tau181.

Open-label Study

In March 2020, we initiated a long-term, open-label study to evaluate simufilam in patients with Alzheimer's disease. This study is intended to monitor the long-term safety and tolerability of simufilam 100 mg twice-daily for 12 or more months. Another study objective is to measure changes in cognition using ADAS-Cog, a standard test of cognition in Alzheimer's disease. The study protocol has pre-specified cognition measurements at 6, 9 and 12 months.

This study also uses the Neuropsychiatric Inventory (NPI) to assess the presence and severity of dementia-related behavior. ADAS-Cog and NPI scales are both widely used clinical tools in trials of Alzheimer's disease.

The open-label study has a target enrollment of approximately 150 subjects with mild-to-moderate Alzheimer's disease (recently increased by 50 subjects). As of April 2021, 100 subjects have enrolled in this study across multiple clinical sites in the U.S. and Canada.

In February 2021, we announced results of a preplanned interim analysis of our open-label study of simufilam. The interim analysis summarizes clinical data at the midway point of enrollment, i.e., the first 50 patients who have completed at least 6 months of drug treatment. Patients' cognition and behavior scores both improved following six months of simufilam treatment, with no safety issues. Six months of simufilam treatment improved cognition scores by 1.6 points on ADAS-Cog11, a 10% mean improvement from baseline to month 6. In these same patients, simufilam also improved dementia-related behavior, such as anxiety, delusions and agitation, by 1.3 points on the Neuropsychiatric Inventory, a 29% mean improvement from baseline to month 6.

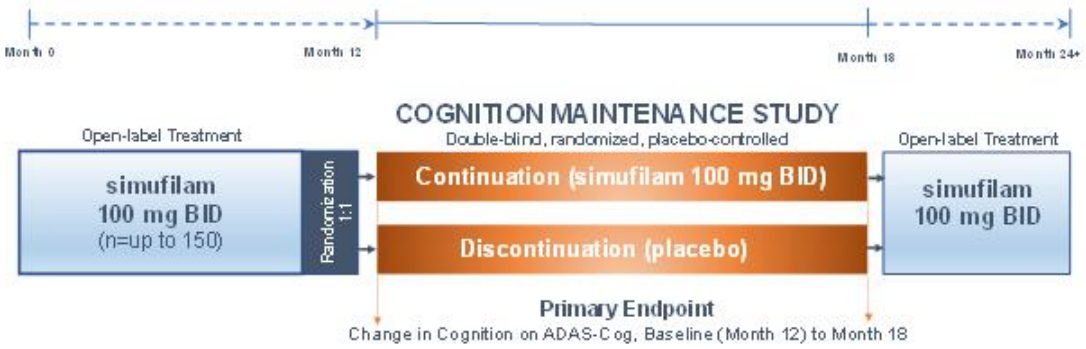
In July 2021, we plan to announce results of a pre-specified interim analysis that summarizes safety and cognition data on approximately the first 50 subjects to complete at least 9 months of open-label drug treatment. We expect to present these data at the *2021 Alzheimer's Association International Conference* (AAIC), being held on July 26 - 29th in Amsterdam, Netherlands. AAIC's scientific committee has invited our scientists to present the dataset as an oral presentation.

In approximately September 2021, we plan to announce results of an interim analysis that summarizes safety and cognition data on approximately the first 50 subjects to complete at least 12 months of open-label drug treatment.

Cognition Maintenance Study

In approximately June 2021, we plan to initiate a double-blind, randomized, placebo-controlled study in patients with Alzheimer's disease. Patients who have completed at least one year of open-label treatment with simufilam qualify to enroll in the *Cognition Maintenance Study* (CMS). Study subjects in the CMS will be randomized (1:1) to simufilam or placebo for six months. The CMS is designed to compare simufilam's effects on cognition in Alzheimer's patients who continue with drug treatment versus patients who discontinue drug treatment.

Figure 1. Cognition Maintenance Study Design



End-of-Phase 2 (EOP2) Meeting with FDA

In January 2021, we held an End-of-phase 2 (EOP2) meeting for simufilam with the U.S Food and Drug Administration (FDA). The purpose of this EOP2 was to gain general agreement around key elements of a pivotal Phase 3 program to treat Alzheimer's disease dementia. FDA attendees included Robert Temple, MD, Deputy Center Director for Clinical Science and Senior Advisor in the Office of New Drugs; Billy Dunn, MD, Director, Office of Neuroscience; Eric Bastings, MD, Director, Division of Neurology, and others.

In February 2021, we announced the successful completion of our EOP2 meeting. Official meeting minutes confirm that we and FDA are aligned on key elements of a Phase 3 clinical program for simufilam. FDA has agreed that the completed Phase 2 program, together with an upcoming and well-defined Phase 3 clinical program, are sufficient to show evidence of clinical efficacy for simufilam in Alzheimer's disease. There is also agreement that the use of separate clinical scales to assess cognition (ADAS-cog[1]) and function (ADCS-ADL[2]) are appropriate co-primary endpoints of efficacy. A clinical scale that combines cognition and function, such as iADRS[3], is a secondary efficacy endpoint.

FDA has provided us further flexibility by agreeing to review the final version of each protocol for the two Phase 3 studies, and to conduct a Special Protocol Assessment (SPA) for each Phase 3 study. An SPA is a formal regulatory procedure that confirms certain critical details of a Phase 3 study protocol, such as the statistical analyses, meet FDA's standards of approvability.

Agreements reached during the EOP2 meeting show a clear path forward for advancing simufilam into Phase 3 studies. As a result, we expect to initiate a pivotal Phase 3 program with simufilam in Alzheimer's disease in the second half of 2021.

Phase 3 Drug Supply

In March 2021, we announced we had entered into a drug supply agreement with Evonik Industries AG for simufilam. Under the agreement, Evonik will supply us with large-scale, clinical-grade quantities of simufilam. Evonik is one of the world's largest contract development and manufacturing organizations for pharmaceutical ingredients.

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[1] *ADAS-Cog = The Alzheimer's Disease Assessment Scale – Cognitive Subscale, a measure of cognition*
[2] *ADCS-ADL = Alzheimer's Disease Cooperative Study – Activities of Daily Living, a measure of health function*
[3] *iADRS = integrated Alzheimer's Disease Rating Scale, a composite measure of cognition and health function*

Phase 3 Clinical Program

We plan to initiate a Phase 3 program of simufilam in Alzheimer's disease in the second half of 2021. The Phase 3 program consists of two large, double-blind, randomized, placebo-controlled studies in patients with mild-to-moderate Alzheimer's disease dementia, each described below.

Our first Phase 3 study is designed to evaluate *disease-modifying effects* of simufilam in Alzheimer's disease. The goal is to demonstrate a slower rate of decline in cognition and health function in subjects treated with simufilam compared to placebo.

Details of the first Phase 3 study include:

- Approximately 1,000 subjects with mild-to-moderate Alzheimer's disease to be enrolled.
- Subjects to be randomized (1:1:1) to simufilam 100 mg, 50 mg, or placebo BID.
- Subjects to be treated for 18 months.
- The co-primary efficacy endpoints are ADAS-Cog, a cognitive scale, and ADCS-ADL, a functional scale; both are widely used clinical tools in trials of Alzheimer's disease.
- A secondary efficacy endpoint is iADRS, a widely used clinical tool in trials of Alzheimer's disease that combines cognitive and functional scores from ADAS-Cog & ADCS-ADL.
- Other secondary endpoints include biomarkers of disease and NPI[4], a clinical tool that assesses the presence and severity of dementia-related behavior.
- We plan to initiate the first pivotal Phase 3 study approximately Q3 2021.

[4] *Neuropsychiatric Inventory (NPI)*

Our second Phase 3 study is designed to evaluate *symptomatic improvement* in Alzheimer's disease. The goal is to demonstrate improved cognition and health function in subjects treated with simufilam compared to placebo.

Details of the second Phase 3 study include:

- Ø Approximately 600 subjects with mild-to-moderate Alzheimer's disease to be enrolled.
- Ø Subjects to be randomized (1:1) to simufilam 100 mg or placebo BID.
- Ø Subjects to be treated for 9 to 12 months.
- Ø The co-primary efficacy endpoints are ADAS-Cog, a cognitive scale, and ADCS-ADL, a functional scale; both are widely used clinical tools in trials of Alzheimer's disease.
- Ø A secondary efficacy endpoint is iADRS, a widely used clinical tool in trials of Alzheimer's disease that combines cognitive and functional scores from ADAS-Cog & ADCS-ADL.
- Ø Other secondary endpoints include biomarkers of disease and NPI, a clinical tool that assesses the presence and severity of dementia-related behavior.
- Ø We plan to initiate the second pivotal Phase 3 study approximately Q4 2021.

Figure 2. Phase 3 Study Design Overview

				Co-Primary Endpoints		Secondary Endpoints	
	Enrollment Target	Treatment	Length of Treatment	Cognition Scale	Function Scale	Cognition + Function Scale	Dementia-related Behavior Scale
1st Phase 3	1,000 Subjects	100 mg or 50 mg	18 Months	ADAS-Cog	ADCS-ADL	iADRS	NPI
2nd Phase 3	600 Subjects	100 mg	9 – 12 Months	ADAS-Cog	ADCS-ADL	iADRS	NPI

SavaDx

Our diagnostic effort, called SavaDx, is a clinical-stage program focused on detecting the presence of Alzheimer's disease from a small sample of blood, possibly years before the overt appearance of clinical symptoms. We are developing SavaDx as a fast, accurate and quantitative blood-based investigational biomarker/diagnostic to detect and monitor Alzheimer's disease. The goal is to make the detection of Alzheimer's disease as simple as getting a blood test. There is no patent protection for SavaDx in the U.S., but we believe this product candidate is protected by trade secrets, know-how and other proprietary rights technology. The SavaDx program is substantially funded by a research grant award from the National Institutes of Health (NIH).

In blinded studies, SavaDx detected >10-fold differences between patients with Alzheimer's and age-matched normal controls or young cognitively intact subjects (N=232). In 2021, we expect to announce clinical results of a validation study with SavaDx.

Impact of COVID-19 on our Business

In these times of pandemic, our top priorities are to protect the health, well-being, and safety of our employees and partners, while still focusing on the key drivers of our business. Despite COVID-19, we believe we remain on-track to achieve our major strategic objectives for 2021 with simufilam. We have not experienced major disruptions across our drug manufacturing operations or supply of materials. Our broad spectrum of technical consultants, scientific advisors and service providers continue to provide timely services. We have adapted flexible business practices, such as remote work arrangements and temporary travel restrictions, to insure we continue to operate safety and cautiously while also meeting our public health responsibilities. We recognize the pandemic has created a dynamic and uncertain situation in the national economy. We continue to closely monitor the latest information to make timely, informed business decisions and public disclosures regarding the potential impact of pandemic on our operations. However, the scope of pandemic is unprecedented and its long-term impact on our operations cannot be reasonably estimated at this time.

Financial Overview

We have yet to generate any revenues from product sales. We have an accumulated deficit of $178.4 million at March 31, 2021. These losses have resulted principally from costs incurred in connection with research and development activities, salaries and other personnel-related costs and general corporate expenses. Research and

development activities include costs of preclinical and clinical trials as well as clinical supplies associated with our product candidates. Salaries and other personnel-related costs include stock-based compensation associated with stock options and other equity awards granted to employees and non-employees. Our operating results may fluctuate substantially from period to period as a result of the timing of reimbursement from NIH grants, preclinical activities, enrollment rates of clinical trials for our product candidates and our need for clinical supplies.

We expect to continue to use significant cash resources in our operations for the next several years. Our cash requirements for operating activities and capital expenditures may increase substantially in the future as we:

- initiate a large-scale drug manufacturing campaign for simufilam;
- plan to initiate a Phase 3 clinical program with simufilam;
- conduct other preclinical and clinical studies for our product candidates;
- seek regulatory approvals for our product candidates;
- develop, formulate, manufacture and commercialize our product candidates;
- implement additional internal systems and develop new infrastructure;
- acquire or in-license additional products or technologies, or expand the use of our technology;
- maintain, defend and expand the scope of our intellectual property
- hire additional personnel; and
- expand our office facilities to accommodate growth in personnel and R&D activities.

Product revenue will depend on our ability to receive regulatory approvals for, and successfully market, our product candidates. If our development efforts result in regulatory approval and successful commercialization of our product candidates, we will generate revenue from direct sales of our drugs and/or, if we license our drugs to future collaborators, from the receipt of license fees and royalties from sales of licensed products. We conduct our research and development programs through a combination of internal and collaborative programs. We rely on arrangements with universities, our collaborators, contract research organizations and clinical research sites for a significant portion of our product development efforts.

We focus substantially all of our research and development efforts in the area of neurology. The following table summarizes expenses which have been reduced for reimbursements received for NIH grants (in thousands):

	Three months ended March 31,	
	2021	2020
Research and development expenses - gross	$ 3,105	$ 1,886
Less: Reimbursement from NIH grants	576	1,342
Research and development expenses - net	$ 2,529	$ 544

Research and development expenses include compensation, contractor fees and supplies as well as allocated common costs. Contractor fees and supplies generally include expenses for preclinical studies and clinical trials and costs for formulation and manufacturing activities. Other common costs include the allocation of common costs such as facilities. During the three months ended March 31, 2021 and 2020, we received $0.6 million and $1.3 million from NIH research grants, respectively. These reimbursements were recorded as a reduction to our research and development expenses.

Our technology has been applied across certain of our product candidates. Data, know-how, personnel, clinical results, research results and other matters related to the research and development of any one of our product candidates also relate to, and further the development of, our other product candidates. As a result, costs allocated to a specific drug candidate may not necessarily reflect the actual costs surrounding research and development of that product candidate due to cross application of the foregoing.

Estimating the dates of completion of clinical development, and the costs to complete development, of our product candidates would be highly speculative, subjective and potentially misleading. Pharmaceutical product candidates take a significant amount of time to research, develop and commercialize. The clinical trial portion of the development of a new drug alone usually spans several years. We expect to reassess our future research and development plans based

on our review of data we receive from our current research and development activities. The cost and pace of our future research and development activities are linked and subject to change.

Critical Accounting Policies

The preparation of our condensed financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and interest income in our condensed financial statements and accompanying notes. We evaluate our estimates on an ongoing basis, including those estimates related to agreements and research collaborations. We base our estimates on historical experience and various other assumptions that we believe to be 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. Actual results may differ from these estimates under different assumptions or conditions. The following items in our condensed financial statements require significant estimates and judgments:

- *Research Contracts and Accruals.* We have entered into various research and development contracts with research institutions and other third-party vendors. Related payments are recorded as research and development expenses as incurred. We record accruals for estimated ongoing research costs. When evaluating the adequacy of the accrued liabilities, we analyze progress of the studies 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 our estimates. Our historical accrual estimates have not been materially different from actual costs.

- *2020 Cash Incentive Bonus Plan.* In 2020, we established the 2020 Cash Incentive Bonus Plan (the "Plan") to incentivize Plan participants. Awards under the Plan are accounted for as liability awards under ASC 718, "Stock-based Compensation". The fair value of each potential Plan award will be determined once a grant date occurs and will be remeasured each reporting period. Compensation expense associated with the Plan will be recognized over the expected achievement period for each Plan award, when a Performance Condition is considered probable of being met.

  The Plan was established to promote the long-term success of the Company by creating an "at-risk" cash bonus program that rewards Plan participants with additional cash compensation in lockstep with significant increases in our market capitalization. The Plan is considered "at-risk" because Plan participants will not receive a cash bonus unless our market capitalization increases significantly and (1) we complete a merger or acquisition transaction that constitutes a sale of ownership of the Company or its assets (a Merger Transaction) or (2) the Compensation Committee of the Board (the Compensation Committee) determines the Company has sufficient cash on hand, as defined in the Plan, to render payment (each, a "Performance Condition"), neither of which may ever occur. Because of the inherent discretion and uncertainty regarding these requirements, we have concluded that a Plan grant date has not occurred as of March 31, 2021. No actual cash payments were authorized or made to participants under the Plan through March 31, 2021.

- *Stock-based Compensation*. We recognize non-cash expense for the fair value of all stock options and other share-based awards. We use the Black-Scholes option valuation model to calculate the fair value of stock options, using the single-option award approach and straight-line attribution method. For all options granted, we recognize the resulting fair value as expense on a straight-line basis over the vesting period of each respective stock option, generally four years.

  We have granted share-based awards that vest upon achievement of certain performance criteria, or Performance Awards. We multiply the number of Performance Awards by the fair value of our common stock on the date of grant to calculate the fair value of each award. We estimate an implicit service period for achieving performance criteria for each award. We recognize the resulting fair value as expense over the implicit service period when we conclude that achieving the performance criteria is probable. We periodically review and update as appropriate our estimates of implicit service periods and conclusions on achieving the performance criteria. Performance Awards vest and common stock is issued upon achievement of the performance criteria.

- *Income Taxes.* We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax balances are adjusted to reflect tax rates based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. We have accumulated significant deferred tax assets that reflect the tax effects of net operating loss and tax credit carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of certain deferred tax assets is dependent upon future earnings. We are uncertain about the timing and amount of any future earnings. Accordingly, we offset these deferred tax assets with a valuation allowance.

  We account for uncertain tax positions in accordance with ASC 740, "Income Taxes", which clarifies the accounting for uncertainty in tax positions. These provisions require recognition of the impact of a tax position in our condensed financial statements only if that position is more likely than not of being sustained upon examination by taxing authorities, based on the technical merits of the position. Any interest and penalties related to uncertain tax positions will be reflected as a component of income tax expense.

Results of Operations – Three Months Ended March 31, 2021 and 2020

Research and Development Expense

Research and development expenses consist primarily of costs of drug development work associated with our product candidates, including:

- Pre-clinical testing,
- clinical trials,
- clinical supplies and related formulation and design costs, and
- compensation and other personnel-related expenses.

Research and development expenses were $2.5 million and $0.5 million during the three months ended March 31, 2021 and 2020, respectively. This increase was due primarily to costs related to the manufacturing of clinical trial supplies in anticipation of launching a Phase 3 clinical program in simufilam, increased personnel costs, as well as a decrease in grant funding received from NIH compared to the prior year. Receipts from NIH grants are recorded as a reduction in research and development expenses. During the three months ended March 31, 2021 and 2020, we received $0.6 million and $1.3 million from research grants from NIH, respectively.

We expect research and development expense to increase significantly in future periods as we continue to hire new personnel, manufacture drug supply, continue our development efforts and launch a Phase 3 clinical program in simufilam.

General and Administrative Expense

General and administrative expenses consist of personnel costs, allocated expenses and other expenses for outside professional services, including legal, human resources, audit and accounting services. Personnel costs consist of salaries, bonus, benefits and stock-based compensation. Allocated expenses consist primarily of facility costs. We incur expenses associated with operating as a public company, including expenses related to compliance with the rules and regulations of the SEC and Nasdaq, additional insurance expenses, additional audit expenses, investor relations activities, Sarbanes-Oxley compliance expenses and other administrative expenses and professional services.

General and administrative expenses were $1.0 million and $0.8 million during the three months ended March 31, 2021 and 2020, respectively. This increase was due primarily to higher insurance costs and professional fees in 2021 compared to the prior year.

We expect our general and administrative expenses to increase in future periods due to higher operating costs such as insurance, office space and information technology related expenses.

Gain on Sale of Property and Equipment

There were no sales of property and equipment during the three months ended March 31, 2021. During the three months ended March 31, 2020, we sold surplus manufacturing equipment to an independent third party and received proceeds totaling $100,000.

We do not expect any future gains on sales of property and equipment.

Interest Income

Interest income was $7,000 and $72,000 during the three months ended March 31, 2021 and 2020, respectively. The decrease in interest income was due to lower interest rates, which more than offset additional interest from increases in our cash balances compared to the prior period.

We expect interest income to decrease in 2021 compared to 2020 due to decreases in interest rates.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through public and private stock offerings, payments received under collaboration agreements and interest earned on our cash and cash equivalents balances. We intend to continue to use our capital resources to fund research and development activities, capital expenditures, working capital requirements and other general corporate purposes. As of March 31, 2021, cash and cash equivalents were $282.2 million.

2021 Registered Direct Offering

On February 12, 2021, we completed a common stock offering pursuant to which certain investors purchased 4,081,633 shares of common stock at a price of $49.00 per share. Net proceeds of the offering were approximately $189.8 million after deducting offering expenses.

Common Stock Warrants

In August 2018, we issued warrants to purchase up to an aggregate of 9.1 million shares of common stock in conjunction with an offering of our common stock.

During the three months ended March 31, 2021, we received proceeds of $0.7 million from the exercise of 0.6 million shares pursuant to warrants. During the three months ended March 31, 2020, we received proceeds of $3.6 million from the exercise of 2.9 million shares pursuant to warrants.

There were no remaining common stock warrants outstanding as of March 31, 2021.

At-the-Market Common Stock Offering

On March 27, 2020, we established an at-the-market offering program (“ATM”) to sell, from time to time, shares of our common stock having an aggregate offering price of up to $100 million in transactions pursuant to a shelf registration statement that was declared effective by the SEC on May 5, 2020. We are obligated to pay a commission of 3.0% of the gross proceeds from the sale of shares of common stock in the offering. We are not obligated to sell any shares in the offering.

There were no common stock sales under the ATM during the three months ended March 31, 2021 and 2020.

NIH Research Grant Awards

Our programs have been supported by NIH under multiple research grant awards. Strong, long-term support from NIH has allowed us to advance our two lead product candidates, simufilam and SavaDx, into clinical development.

In March 2020, we were awarded a supplemental research funding grant from NIH of up to $374,000. In April 2020, we were awarded a research grant from NIH of up to $2.5 million. These non-dilutive research grants are intended to strengthen our clinical program of simufilam, our investigational drug to treat Alzheimer’s disease. All of our NIH research grant awards are paid out on a reimbursement basis and require milestone-based technical progress.

2020 Cash Incentive Bonus Plan Obligations

On August 26, 2020, the Board approved the 2020 Cash Incentive Bonus Plan (the Plan). The Plan was established to promote the long-term success of the Company by creating an "at-risk" cash bonus program that rewards Plan participants with additional cash compensation in lockstep with significant increases in the Company's market capitalization. The Plan is considered "at-risk" because Plan participants will not receive a cash bonus unless the Company's market capitalization increases significantly and certain other conditions specified in the Plan are met. Specifically, Plan participants will not be paid any cash bonuses unless (1) the Company completes a merger or acquisition transaction that constitutes a sale of ownership of the Company or its assets (a Merger Transaction) or (2) the Compensation Committee determines the Company has sufficient cash on hand, as defined in the Plan. Plan participants will be paid all earned cash bonuses in the event of a Merger Transaction.

The Company's market capitalization, including all outstanding stock options, was $89.4 million at the inception of the Plan on August 26, 2020. If the Company were to exceed a $5 billion market capitalization for no less than 20 consecutive trading days, and conditions noted above for payment are met, all Plan milestones would be deemed achieved, in which case total cash bonus awards would range from a minimum of $137.4 million up to a hypothetical maximum of $322.3 million.

The Company's potential financial obligation to plan participants at March 31, 2021 totaled $7.3 million, based upon the achievement of one Plan milestone in the Company's market capitalization in 2020. No actual cash bonus payments have been made to any Plan participant, as the Company has not yet satisfied all the conditions necessary for amounts to be paid under the Plan. During the three months ended March 31, 2021, the Company's market capitalization increased substantially. These increases triggered the achievement of eight additional Plan milestones. Collectively, the achievement of such milestones could trigger potential Company obligations to Plan participants ranging from a minimum of $59.9 million up to a hypothetical maximum of $145.0 million, with exact amounts to be determined by the Compensation Committee.

No actual cash payments have been made to participants under the Plan as of March 31, 2021, or through the filing date of this Form 10-Q.

Use of Cash

Net cash used in operating activities was $2.3 million for the three months ended March 31, 2021, resulting primarily from the net loss reported of $3.5 million, partially offset by an increase in accrued development expense of $0.8 million and a decrease in other assets of $0.2 million as well as stock-based compensation expense of $0.3 million.

Net cash used in operating activities was $1.2 million for the three months ended March 31, 2020, resulting primarily from the net loss reported of $1.2 million partially offset by stock-based compensation expense of $0.3 million and changes in operating liabilities of $0.2 million.

There was no net cash from investing activities during the three months ended March 31, 2021.

Net cash provided by investing activities during the three months ended March 31, 2020 was $100,000 for proceeds received from the sale of property and equipment.

Net cash provided by financing activities during the three months ended March 31, 2021 was $191.0 million, consisting of $189.8 million proceeds from our registered direct offering of common stock in February 2021, $0.7 million proceeds from exercise of common stock warrants and $0.5 million from exercise of stock options.

Net cash provided by financing activities during the three months ended March 31, 2020 was $3.6 million, resulting from proceeds from exercise of common stock warrants during the period.

Leases

We lease approximately 6,000 square feet of office space pursuant to a non-cancelable operating lease in Austin, TX that expires in April 2024. Future lease payments as of March 31, 2021 are as follows (in thousands):

For the year ending December 31,		
2021	$	66
2022		102
2023		107
2024		36
Total future lease payments	$	311

Subsequent to March 31, 2021, we entered into a lease agreement for an additional 3,600 square feet of office space in Austin, Texas that expires on April 30, 2022. Future lease payments under this lease total $64,000.

Other Commitments

We had non-cancellable commitments for the manufacture of simufilam totaling $817,000 at March 31, 2021.

We have an accumulated deficit of $178.4 million as of March 31, 2021. We expect our cash requirements to be significant in the future. The amount and timing of our future cash requirements will depend on regulatory and market acceptance of our drug candidates, the resources we devote to researching and developing, formulating, manufacturing, commercializing and supporting our products and other corporate needs. We believe that our current resources will be sufficient to fund our operations for at least the next 12 months. We may seek additional future funding through public or private financing in the future, if such funding is available and on terms acceptable to us. However, there are no assurances that additional financing will be available on favorable terms, or at all.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Per Item 305(e) of Regulation S-K, the information called for by this Item 3 is not required.

Item 4. *Controls and Procedures*

Evaluation of disclosure controls and procedures. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer (as Principal Executive Officer) and our Chief Financial Officer (as Principal Financial Officer) have concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosures.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting. There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified during the three months ended March 31, 2021 that has material affected, or is reasonable likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. ***Legal Proceedings***

None.

Item 1A. ***Risk Factors***

There have been no material changes to our risk factors from those disclosed under "Risk Factors" in Part I, Item 1A of our 2020 Annual Report on Form 10-K. The risks and uncertainties described in our 2020 Annual Report on Form 10-K are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially adversely affect our business, financial condition or results of operations.

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

None.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

Item 5. ***Other Information***

None.

Item 6. ***Exhibits***

The following exhibits have been filed with this report:

Exhibit No.	Description	Incorporated by Reference			Filed Herewith
		Form	Filing Date	Exhibit No.	
3.1	Amended and Restated Certificate of Incorporation.	10-Q	7/29/2005	3.1	
3.2	Certificate of Amendment of Restated Certificate of Incorporation.	8-K	5/8/2017	3.1	
3.3	Certificate of Amendment of Restated Certificate of Incorporation.	10-K	3/29/2019	3.3	
3.4	Amended and Restated Bylaws of Cassava Sciences, Inc.	8-K	12/11/2020	3.1	
4.1	Specimen Common Stock Certificate.	10-Q	8/12/2019	4.1	
10.1	Form of Securities Purchase Agreement, dated February 10, 2021, by and between Cassava Sciences, Inc. and the purchasers named therein.	8-K	2/12/2021	10.1	
10.2*	Master Services Agreement between Cassava Sciences, Inc. and Evonik Corporation, dated February 22, 2021.	8-K	3/11/2021	10.1	
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				X

*Confidential portions of this document have been redacted as permitted by applicable regulations.

SIGNATURES

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

Cassava Sciences, Inc.
(Registrant)

/s/ REMI BARBIER
Remi Barbier,
Chairman of the Board of Directors,
President and Chief Executive Officer

Date: April 29, 2021

/s/ ERIC J. SCHOEN
Eric J. Schoen,
Chief Financial Officer

Date: April 29, 2021

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Remi Barbier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cassava Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ REMI BARBIER

Remi Barbier,
Chairman of the Board of Directors,
President and Chief Executive Officer
(Principal Executive Officer)

Date: April 29, 2021

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric J. Schoen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cassava Sciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ERIC J. SCHOEN

Eric J. Schoen,
Chief Financial Officer
(Principal Financial Officer)

Date: April 29, 2021

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. Section 1350)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Cassava Sciences, Inc. (the "Company"), hereby certifies that to the best of such officer's knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2021, and to which this certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13-(a) or 15-(d) of the Securities Exchange Act of 1934, and

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

Date: April 29, 2021

/s/ REMI BARBIER
Remi Barbier,
Chairman of the Board of Directors,
President and Chief Executive Officer

/s/ ERIC J. SCHOEN
Eric J. Schoen,
Chief Financial Officer