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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 8, 2023

DIFFUSION PHARMACEUTICALS INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-24477**	**30-0645032**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

300 East Main Street, Suite 101 **Charlottesville, Virginia**	**22902**
(Address of principal executive offices)	(Zip Code)

(434) 220-0718
(Registrant's telephone number, including area code)

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

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

☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

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. ☐

Introductory Note

As previously announced, on March 30, 2023, Diffusion Pharmaceuticals Inc., a Delaware corporation ("Diffusion" or the "Company"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), by and among Diffusion, EIP Pharma, Inc., a Delaware corporation ("EIP"), and Dawn Merger Sub Inc., a Delaware corporation and a direct, wholly-owned subsidiary of Diffusion ("Merger Sub"), pursuant to which, and subject to the satisfaction or waiver of the conditions set forth in the Merger Agreement, Merger Sub will be merged with and into EIP (the "Merger") at the effective time of the Merger, with EIP continuing after the Merger as the surviving corporation and a wholly-owned subsidiary of Diffusion. In connection with the Merger and as more fully described in the Company's proxy statement/prospectus/information statement (as defined below), at a special meeting of stockholders currently scheduled for August 15, 2023 (the "Special Meeting"), the Company is seeking stockholder approval of certain matters related to the Merger.

This Current Report on Form 8-K, among other things, supplements the proxy statement/prospectus/information statement (the "proxy statement/prospectus/information statement") (1) included in the Registration Statement on Amendment No. 2 to Form S-4, File No. 333-271823 (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "SEC") on July 12, 2023 and declared effective by the SEC on July 13, 2023, (2) filed by the Company with the SEC as a prospectus on July 13, 2023, and (3) first mailed to the Company's stockholders on July 14, 2023. Terms used in this Current Report on Form 8-K, but not otherwise defined, shall have the meanings ascribed to such terms in the proxy statement/prospectus/information statement. All page references are to pages in the proxy statement/prospectus/information statement.

If you have not already submitted a proxy for use at the Special Meeting, you are urged to do so promptly. This Current Report on Form 8-K does not affect the validity of any proxy card or voting instructions that Company stockholders may have previously received or delivered. No action is required by any Company stockholder who has previously delivered a proxy or voting instructions and who does not wish to revoke or change that proxy or voting instructions.

Item 8.01 Other Events

Unaudited Pro Forma Financial Information As Of And For The Period Ended June 30, 2023

The information attached hereto as Exhibit 99.1, which is incorporated herein by reference, supplements the section, "Unaudited Pro Forma Condensed Combined Financial Statements," beginning on page 274 of the proxy statement/prospectus/information statement.

Unaudited EIP Financial Statements As Of And For The Period Ended June 30, 2023

The information attached hereto as Exhibit 99.2, which is incorporated herein by reference, supplements the section, "EIP's Financial Statements," beginning on page F-30 of the proxy statement/prospectus/information statement.

Proposed Reverse Stock Split

As further described in the proxy statement/prospectus/information statement, at the Special Meeting, Diffusion stockholders will consider and vote upon a proposal to approve an amendment to the certificate of incorporation of Diffusion, as amended, to effect a reverse stock split of outstanding Diffusion Common Stock (the "Reverse Split") at a ratio within a range of one new share for not less than 1.5 and not greater than 8 shares outstanding, at any time prior to December 31, 2023, the implementation and timing of which shall be subject to the discretion of Diffusion's board of directors.

On August 8, 2023, Diffusion's board of directors (the "Board") determined that, if approved by the Company's stockholders at the Special Meeting and necessary to meet the initial listing requirements of Nasdaq in connection with the closing of the Merger, the Reverse Split will be effected at a ratio of one (1) post-split share of Diffusion common stock for every 1.5 pre-split shares of Diffusion common stock, provided that the Board may, at any time prior to the effective time of the Reverse Split, (i) change the split ratio to any other number within the range approved by stockholders if and as necessary to comply with the initial listing requirements of Nasdaq or (ii) abandon the split in its entirety if deemed unnecessary to comply with such requirements.

If the Reverse Split is effected, the Exchange Ratio in the Merger will be adjusted proportionally such that there will be no impact on the pre-Merger Diffusion stockholders' aggregate ownership of the combined company immediately following the closing of the Merger, other than de minimis changes related to the rounding of fractional shares.

EIP Presentation at Canaccord Genuity Annual Growth Conference

On August 9, 2023, EIP's senior management team will be presenting at the Canaccord Genuity 43rd Annual Growth Conference at approximately 4:00 p.m. ET. A copy of the presentation is attached as Exhibit 99.3 to this Current Report on Form 8-K and is incorporated herein by reference. The presentation will also be available on EIP's website in the "News and Events – Corporate Presentation" section at www.eippharma.com.

No Offer or Solicitation

This Current Report on Form 8-K does not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No public offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Important Additional Information and Where to Find It

In connection with a proposed transaction between the Company and EIP, the Company has filed with the SEC a proxy statement/prospectus/information statement containing a proxy statement and prospectus related to a special meeting of its stockholders. The Company has mailed the definitive proxy statement and prospectus to the Company's stockholders as of July 10, 2023, the record date established for voting on the merger and any other matters to be voted on at the special meeting. BEFORE MAKING ANY VOTING DECISION, INVESTORS AND STOCKHOLDERS ARE URGED TO READ THESE MATERIALS – INCLUDING THE DEFINITIVE PROXY STATEMENT, ANY AMENDMENTS OR SUPPLEMENTS THERETO, AND ANY DOCUMENTS INCORPORATED THEREIN – CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY, EIP, THE PROPOSED TRANSACTION AND RELATED MATTERS. This communication is not a substitute for the proxy statement/prospectus/information statement or any other documents that the Company may file with the SEC or send to the Company's stockholders in connection with the proposed transaction. Investors and stockholders may obtain free copies of the proxy statement, prospectus and other documents filed by the Company with the SEC (as they become available) through the website maintained by the SEC at www.sec.gov. In addition, investors and stockholders may obtain free copies of the proxy statement, prospectus and other documents filed by the Company with the SEC by contacting the Company by mail at 300 East Main Street, Suite 101, Charlottesville, VA 22902, Attn: Corporate Secretary.

Participants in the Solicitation

The Company and EIP, and each of their respective directors and executive officers and certain of their other members of management and employees, may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information regarding these persons and their interests in the transaction is or will be included in the proxy statement/prospectus/information statement relating to the transaction and other relevant materials to be filed with the SEC. Additional information regarding the Company's directors and officers is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on March 24, 2023. These documents can be obtained free of charge from the SEC and the Company sources indicated above.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Unaudited Pro Forma Financial Information as of June 30, 2023
99.2	Unaudited EIP Pharma, Inc. Financial Statements as of June 30, 2023
99.3	Corporate Presentation of EIP Pharma, Inc.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

Dated: August 9, 2023

DIFFUSION PHARMACEUTICALS INC.

By: /s/ William Elder
Name: William Elder
Title: General Counsel & Corporate Secretary

Exhibit 99.1

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On March 30, 2023, Diffusion, Merger Sub, and EIP entered into the Merger Agreement, pursuant to which, among other things, and subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will merge with and into EIP at the Effective Time, with EIP continuing after the Merger as the surviving corporation and a wholly-owned subsidiary of Diffusion. In connection with the Merger, Diffusion intends to change its corporate name from "Diffusion Pharmaceuticals Inc." to "CervoMed Inc."

At the Effective Time, each outstanding share of EIP Common Stock (other than certain excluded shares and dissenting shares, but after giving effect to the conversion of the EIP Convertible Notes and EIP Preferred Stock) will be converted into the right to receive a number of shares of Diffusion Common Stock based upon the Exchange Ratio calculated as set forth in the Merger Agreement. Each excluded share will automatically be cancelled and will cease to exist, and no consideration will be delivered in exchange therefor. In addition, (i) each EIP Option granted under the EIP Plan, whether vested or unvested, that is outstanding immediately prior to the Effective Time will be assumed by Diffusion and converted into an option to purchase shares of Diffusion Common Stock, on the same terms and conditions as were applicable to such EIP Option immediately prior to the Effective Time and (ii) each EIP warrant that is outstanding and unexercised immediately prior to the Effective Time will be assumed by Diffusion and converted into and become a warrant to purchase Diffusion Common Stock, in each case, with the number of underlying shares and exercise price adjusted to give effect to the Exchange Ratio.

Immediately following the Effective Time, former EIP stockholders are expected to own approximately 75.32% of the outstanding shares of Diffusion Common Stock, and stockholders of Diffusion as of immediately prior to the Effective Time are expected to own approximately 24.68% of the outstanding shares of Diffusion Common Stock, in each case, assuming (i) Diffusion's net cash at the closing of the Merger is between $13.5 million and $14.5 million and (ii) excluding an estimated 705,571 shares underlying pre-funded warrants that may be issued to former EIP equity holders at the Effective Time in lieu of an equivalent number of shares of Diffusion Common Stock. Under certain circumstances further described in the Merger Agreement and elsewhere in this prospectus/proxy statement/information statement, these ownership percentages may be adjusted upward or downward if the amount of Diffusion's net cash at the closing of the Merger is above $14.5 million or below $13.5 million.

At the special meeting, Diffusion has recommended that stockholders approve the Reverse Split Proposal. If approved by stockholders and implemented by the Diffusion board of directors, which may be necessary to satisfy certain listing requirements of Nasdaq the satisfaction of which is a condition to closing the Merger, upon the effectiveness of the Reverse Split, the outstanding shares of Diffusion Common Stock immediately prior to the Reverse Split will be combined into a lesser number of shares based upon a factor within the approved range to be determined by Diffusion's board of directors prior to the effective time of the Reverse Split. As the Reverse Split may not be required to consummate the Merger and, if required, will be effected at an exact ratio that may be amended by the Diffusion board of directors at any point prior to the Effective Time, and would be subject to a variety of factors, including the closing price of the Diffusion Common Stock, these unaudited pro forma condensed combined financial statements do not reflect any adjustments related to the Reverse Split.

Accordingly, the following selected unaudited pro forma condensed combined financial information gives effect to the (i) the conversion of the EIP Convertible Notes into EIP Common Stock immediately prior to the Effective Time of the Merger, (ii) the conversion of the EIP Preferred Stock into EIP Common Stock immediately prior to the Effective Time of the Merger, and (iii) the Merger.

The Merger has been accounted for as a reverse recapitalization of Diffusion by EIP under GAAP for purposes of these unaudited pro forma condensed combined financial information, similar to the issuance of equity for the net assets of Diffusion, which as of the Effective Time are assumed to be primarily cash, cash equivalents and marketable securities. EIP has been determined to be the acquiring company in the Merger for financial reporting purposes based upon several factors, including: (i) former EIP securityholders are expected to own approximately 75.32% of the Diffusion Common Stock outstanding immediately following the Effective Time (subject to adjustment in accordance with the Merger Agreement), (ii) EIP is entitled to designate the majority (five of seven) of initial members of the board of directors of the combined company, and (iii) EIP's current senior management will hold the majority (three of five) positions in the senior management of the combined company. As a result of EIP being treated as the acquiring company for financial reporting purposes, if the Merger is consummated, among other things, the historical financial statements of EIP will become the historical consolidated financial statements of the combined company.

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma condensed combined balance sheet data assumes that the Merger took place on June 30, 2023 and combines the EIP and Diffusion historical balance sheets on June 30, 2023. The unaudited pro forma condensed combined statements of operations data assumes that the Merger took place as of January 1, 2022 and combines the historical results of EIP and Diffusion for the periods ending June 30, 2023 and December 31, 2022. The historical financial statements of EIP and Diffusion, which are included elsewhere in this proxy statement/prospectus/information statement, have been adjusted to give pro forma effect to events that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results. The unaudited pro forma condensed combined financial information, including the notes thereto, should be read in conjunction with the separate historical audited financial statements of EIP and Diffusion for the years ended December 31, 2022 and December 31, 2021, which are or included elsewhere in the proxy statement/prospectus/information statement.

In the unaudited pro forma combined condensed financial statements, the Merger has been accounted for as a reverse recapitalization under GAAP because the assets of Diffusion at the Effective Date are expected to be primarily cash, cash equivalents and marketable securities. The unaudited pro forma condensed combined financial statements are based on the assumptions and adjustments that are described in the accompanying notes. The actual amounts recorded as of the completion of the Merger may differ materially from the information presented in these unaudited pro forma condensed combined financial statements as a result of the amount of cash used by Diffusion's operations between the signing of the Merger Agreement and the closing of the Merger; the timing of the closing of the Merger; and other changes in Diffusion's assets and liabilities that occur prior to the completion of the Merger.

In addition, the unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the Merger. The actual results reported in periods following the Merger may differ significantly from those reflected in the unaudited pro forma condensed combined financial information presented herein for a number of reasons, including, but not limited to, differences in the assumptions used to prepare this unaudited pro forma condensed combined financial information. Furthermore, accounting rules require evaluation of certain assumptions, estimates, or determination of financial statement classifications. While this unaudited pro forma condensed combined financial information assumes no material differences, the accounting policies of Diffusion may materially vary from those of EIP. Following consummation of the Merger, management will conduct a final review of Diffusion's accounting policies in order to determine if differences in accounting policies require adjustment or reclassification of Diffusion's results of operations or reclassification of assets or liabilities to conform to EIP's accounting policies and classifications. As a result of this review, management may identify differences that, when conformed, could have a material impact on these unaudited pro forma condensed combined financial statements.

Accordingly, the unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only are not necessarily indicative of the combined financial position or results of operations in future periods or the results that actually would have been realized had EIP and Diffusion been a combined company during the specified period and may not be useful in predicting the future consolidated results of operations or financial position.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2023

	EIP	Diffusion	Transaction Adjustments	Notes	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 649,784	$ 14,999,548	$ (2,602,000)	**A**	$ 13,047,332
Prepaid expenses, deposits and other current assets	1,654,664	695,070	-		2,349,734
Total current assets	2,304,448	15,694,618	(2,602,000)		15,397,066
Total assets	$ 2,304,448	$ 15,694,618	$ (2,602,000)		$ 15,397,066
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable	$ 580,858	$ 932,427	$ (48,160)	**B**	$ 1,465,125
Deferred grant revenue	1,169,222	-	-		1,169,222
Accrued expenses and other current liabilities	670,329	532,550	(864,162)	**B**	338,717
Convertible note	11,768,000	-	(11,768,000)	**C**	-
Total liabilities	14,188,409	1,464,977	(12,680,322)		2,973,064
Convertible preferred stock	24,287,111	-	(24,287,211)	**D**	-
Stockholders' equity (deficit):					
Common stock $0.001 par value	4,502	2,040	2,432	**E**	8,974
Additional paid-in capital	19,112,847	166,029,626	(117,438,924)	**E**	67,703,549
Accumulated deficit	(55,288,521)	(151,802,025)	151,802,025	**E**	(55,288,521)
Total stockholders' equity (deficit) attributable to Diffusion and EIP	(36,171,172)	14,229,641	34,365,533		12,424,002
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	$ 2,304,448	$ 15,694,618	$ (2,602,000)		$ 15,397,066

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statements of Operation
For the Period Ended June 30, 2023

	EIP	Diffusion	Transaction Adjustments	Notes	Pro Forma Combined
Grant revenue	$ 3,127,812	$ -	$ -		$ 3,127,812
Operating expenses:					
Research and development	3,791,662	1,380,774	-		5,172,436
General and administrative	3,053,234	5,178,065	-		8,231,299
Loss from operations	(3,717,084)	(6,558,840)	-		(10,275,923)
Non-operating income (expense):					
Interest income	53,111	353,353	-		406,464
Other income	644,368	-	(646,000)	**F**	(1,632)
Loss before income taxes	(3,019,605)	(6,205,487)	(646,000)		(9,871,091)
Income tax benefit	-	-	-		-
Net loss	$ (3,019,605)	$ (6,205,487)	$ (646,000)		$ (9,871,091)
Net loss per share, basic and diluted	$ (0.67)	$ (3.04)			$ (1.10)
Weighted average common shares outstanding, basic and diluted	4,501,652	2,039,902	2,432,820	**G**	8,974,374

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statements of Operation
For the Year Ended December 31, 2022

	EIP	Diffusion	Transaction Adjustments	Notes	Pro Forma Combined
Operating expenses:					
Research and development	$ 1,336,469	$ 7,237,165	$ -		$ 8,573,634
General administrative	2,139,065	8,735,015	-		10,874,080
Loss from operations	(3,475,534)	(15,972,180)	-		(19,447,714)
Non-operating income (expense):					
Interest income, net	61,639	380,752	-		442,391
Other expense, net	(2,389,152)	-	2,389,000	F	(152)
Net Loss	$ (5,803,047)	$ (15,591,428)	$ 2,389,000		$ (19,005,475)
Net loss per share, basic and diluted	$ (1.29)	$ (7.65)			$ (2.12)
Weighted average common shares outstanding, basic and diluted	4,501,652	2,038,891	2,433,748	G	8,974,291

See accompanying notes to the unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of Transactions

Merger Transaction

On March 30, 2023, Diffusion, Merger Sub, and EIP entered into the Merger Agreement, pursuant to which, among other things, and subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will merge with and into EIP at the Effective Time, with EIP continuing after the Merger as the surviving corporation and a wholly-owned subsidiary of Diffusion. In connection with the Merger, Diffusion intends to change its corporate name from "Diffusion Pharmaceuticals Inc." to "CervoMed Inc."

At the Effective Time, all shares of EIP Common Stock outstanding immediately prior to the Effective Time, after giving effect to the conversion of EIP Preferred Stock and the EIP Convertible Notes and excluding certain excluded and dissenting shares, will be converted into the right to receive approximately 9.0 million shares of Diffusion Common Stock in the aggregate, based on an estimated Exchange Ratio of 0.1659, which is based on an assumption that Diffusion's net cash at the closing of the Merger is between $13.5 million and $14.5 million and is subject to certain adjustments, including the final determination of Diffusion's net cash at closing. This Exchange Ratio is an estimate only and the final exchange ratio will be determined pursuant to a formula described in more detail in the Merger Agreement. Accordingly, because Diffusion's final net cash will not be determined until the closing, Diffusion stockholders cannot be certain of the exact number of shares that will be issued to EIP stockholders when Diffusion stockholders vote on the proposals at the special meeting.

In addition, (i) each EIP Option granted under the EIP Plan, whether vested or unvested, that is outstanding immediately prior to the Effective Time will be assumed by Diffusion and converted into an option to purchase shares of Diffusion Common Stock, on the same terms and conditions as were applicable to such EIP Option immediately prior to the Effective Time and (ii) each EIP warrant that is outstanding and unexercised immediately prior to the Effective Time will be assumed by Diffusion and converted into and become a warrant to purchase Diffusion Common Stock, in each case, with the number of underlying shares and exercise price adjusted to give effect to the Exchange Ratio.

Immediately following the Effective Time, former EIP stockholders are expected to own approximately 75.32% of the outstanding shares of Diffusion Common Stock, and stockholders of Diffusion as of immediately prior to the Effective Time are expected to own approximately 24.68% of the outstanding shares of Diffusion Common Stock, in each case, on a fully-diluted basis as calculated in accordance with the Merger Agreement and assuming (i) that Diffusion's net cash at the closing of the Merger is between $13.5 million and $14.5 million and (ii) excluding an estimated 705,571 shares underlying pre-funded warrants that may be issued to former EIP equity holders at the Effective Time in lieu of an equivalent number of shares of Diffusion Common Stock.

July 2023 Share Transactions

On July 10, 2023, EIP sold and issued (x) 472,303 shares of EIP Common Stock to Joshua Boger at a purchase price of $1.47 per share for a total purchase price of $0.7 million and (y) 78,717 shares of EIP Common Stock to Frank Zavrl at a purchase price of $1.47 per share for a total purchase price of $0.1 million. Based on the estimated Exchange Ratio of 0.1659, the purchase price of $1.47 per share of EIP Common Stock implies a purchase price of $8.86 per share of post-closing combined company stock.

On July 11, 2023, EIP and AI EIPP Holdings LLC entered into an amendment to the warrant to purchase EIP Common Stock, originally purchased by AI EIPP Holdings LLC in 2018. Such amendment prohibits any exercise of the warrant that would result in AI EIPP Holdings owning more than 9.99% of the outstanding voting stock of the combined company.

Conversion of EIP Convertible Notes

Immediately prior to the Effective Time, EIP's $11.8 million convertible notes will convert into EIP Common Stock that will subsequently be converted into the right to receive shares of Diffusion Common Stock upon completion of the Merger. The estimated Exchange Ratio was calculated as of the date of the Merger Agreement using an assumed conversion price of $3.00. In connection with the Second Amendment, the actual conversion price in connection with the Merger was established as $1.47. Pursuant to the terms of the Second Amendment, a portion of the Diffusion Common Stock shares otherwise issuable upon to former convertible note holders upon completion of the Merger may be issued in the form of pre-funded warrants.

Conversion of EIP Convertible Preferred Stock

Immediately prior to the Effective Time, EIP Preferred Stock will convert into EIP Common Stock that will subsequently be converted into the right to receive shares of Diffusion Common Stock at the Effective Time. Pursuant to the terms of the July 2023 Share Transactions, a portion of the Diffusion Common Stock shares otherwise issuable upon to former holders of EIP Preferred Stock upon completion of the Merger may be issued in the form of pre-funded warrants.

2. Basis of Presentation

The unaudited pro forma condensed combined financial statements were prepared in accordance with the regulations of the SEC. The unaudited pro forma condensed combined balance sheet as of June 30, 2023 is presented as if the merger had been completed on January 1, 2022. The unaudited pro forma condensed combined statements of operation for the periods ending June 30, 2023 and December 31, 2022 assumes that the Merger occurred on January 1, 2022, and combines the historical results of EIP and Diffusion.

For accounting purposes, EIP is considered to be the acquiring company and the Merger will be accounted for as a reverse recapitalization of Diffusion by EIP because at Effective Time, the primary pre-combination assets of Diffusion will be cash and cash equivalents and prepaid and other assets. The exchange ratio was initially estimated at the time of the execution of the Merger Agreement based on certain assumptions described elsewhere herein but is subject to adjustment prior to the closing for, among other things, Diffusion's net cash at the cash determination time. Because Diffusion's final net cash will not be determined until the closing, and because the number of shares of Diffusion Common Stock issuable to EIP stockholders is determined based on, among other things, Diffusion's final net cash, Diffusion stockholders cannot be certain of the exact number of shares that will be issued to EIP stockholders when Diffusion stockholders vote on the proposals at the Diffusion special meeting. The exchange ratio referenced above is an estimate only and the final Exchange Ratio will be determined pursuant to a formula described in more detail in the section titled "*The Merger Agreement-Merger Consideration*" in this proxy statement/prospectus/information statement. The final Exchange Ratio will be determined based on a net cash calculation prior to the closing, the actual Exchange Ratio will vary based on the net cash calculation prior to the closing as described above and that difference could be material, and as such, the estimated exchange ratio reflected in these unaudited pro forma condensed combined financial statements does not purport to represent what the actual Exchange Ratio will be when the Merger is completed. Holding all other assumptions set forth herein the same, (i) if Diffusion's net cash at the closing of the Merger is equal to $12.5 million, the Exchange Ratio would be approximately 0.1730 and (ii) if Diffusion's net cash at the closing of the Merger is equal to $15.5 million, the Exchange Ratio would be approximately 0.1634.

Under reverse recapitalization accounting, the assets and liabilities of Diffusion will be recorded at their carrying values. No goodwill or intangible assets are to be recognized. The historical financial statements of EIP and Diffusion, which are provided elsewhere in this proxy statement/prospectus/information statement, have been adjusted to give pro forma effect to events that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

Immediately prior to the Effective Time, EIP Preferred Stock will convert into EIP Common Stock that will subsequently be converted into the right to receive shares of Diffusion Common Stock upon the Effective Time.

Immediately prior to the Effective Time, EIP's convertible notes will convert into EIP Common Stock that will subsequently be converted into the right to receive shares of Diffusion Common Stock following the Effective Time.

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

3. Pro Forma Adjustments

The pro forma adjustments were based on the preliminary information available at the time of the preparation of the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the separate historical audited financial statements of EIP and Diffusion for the years ended December 31, 2022 and December 31, 2021 which are included elsewhere in this proxy statement/prospectus/information statement.

Unaudited Pro forma Condensed Combined Balance Sheet Transaction Adjustments

A Reflects (i) payment of total estimated unpaid transaction costs (ii) payment of severance costs upon consummation of the merger and (iii) the July 2023 Share Issuance.

Payment of transaction costs	$ (640,000)	$ (2,772,000)	$ (3,412,000)
Proceeds from July 2023 Share Issuance	810,000	-	810,000
Pro forma adjustment	$ 170,000	$ (2,772,000)	$ (2,602,000)

B Reflects payment of total estimated unpaid transaction costs as of June 30, 2023 in connection with the merger:

	EIP	**Diffusion**	**Total**
Unpaid transaction costs as of June 30, 2023 in accrued expenses	$ (111,299)	$ (752,863)	$ (864,162)
Unpaid transaction costs as of June 30, 2023 in accounts payable	(48,160)	-	(48,160)
Pro forma adjustment	$ (159,459)	$ (752,863)	$ (912,322)

C Immediately prior to closing of the Merger, EIP's Convertible Notes will convert into EIP Common Stock that will subsequently be converted into the right to receive shares of Diffusion Common Stock upon closing of the Merger.

D Immediately prior to closing of the Merger, EIP's Preferred Stock will convert into EIP Common Stock that will subsequently be converted into the right to receive shares of Diffusion Common Stock upon closing of the Merger.

E To record the (i) Exchange Ratio adjustment to EIP Common Stock outstanding, (ii) conversion of EIP Preferred Stock into EIP Common Stock, (iii) automatic conversion of the EIP Convertible Notes into EIP Common Stock, (iv) elimination of Diffusion's historical equity carrying value, (v) issuance of shares of common stock of the continuing company to EIP shareholders, (vi) recording of transaction and severance costs:

	Common Stock		Additional Paid-In	Other Comprehensive	Accumulated	
	Shares	Amount	Capital	Income	Deficit	Total
EIP adjusted common stock outstanding in connection with the Exchange Ratio	746,815	$ (3,755)	$ 3,755	$ -	$ -	$ -
Issuance of common stock upon conversion of EIP convertible preferred shares and convertible promissory note	5,977,697	5,978	36,049,233	-	-	36,055,211
Sale of EIP common stock and pre-funded warrants in July 2023	208,468	208	809,792	-	-	810,000
Elimination of Diffusion's historical carrying values	-	(2,040)	(151,799,985)	-	151,802,025	-
Issuance of shares of common stock of the continuing company to Diffusion shareholders	2,041,394	2,041	(2,041)	-	-	-
Payment of transaction costs and severance expenses	-	-	(2,499,678)	-	-	(2,499,678)
	8,974,374	$ 2,432	$ (117,438,924)	$ -	$ 151,802,025	$ 34,365,533

Unaudited Pro forma Condensed Combined Statement of Operations Transaction Adjustments

F Elimination of change in fair value associated with the EIP Convertible Notes upon conversion into common stock as of January 1, 2023 and January 1, 2022, respectively.

G The pro forma combined basic and diluted loss per share have been adjusted to reflect the pro forma net loss for the periods ending June 30, 2023 and December 31, 2022. In addition, the number of shares used in calculating the pro forma combined basic and diluted net loss per share has been adjusted to reflect the estimated total number of shares of common stock of the combined company that would be outstanding as of the closing. The following table sets forth the calculation of the pro forma weighted average number of common shares outstanding-basic and diluted.

	Period Ended June 30, 2023	Year Ended December 31, 2022
Elimination of historical Diffusion weighted average shares	(2,039,902)	(2,038,891)
Effect of applying estimated Exchange Ratio to EIP stock	(3,754,837)	(3,754,837)
Sale of EIP common stock in July 2023	91,414	91,414
Issuance of pre-funded warrants	117,054	117,054
Issuance of common stock upon conversion and settlement of EIP's Preferred Stock and EIP Convertible Notes	5,977,697	5,977,697
Issuance of shares of common stock of the continuing company to Diffusion shareholders	2,041,394	2,041,311
	2,432,820	2,433,748

EIP Pharma, Inc.

Financial Statements as of June 30, 2023 and 2022

EIP Pharma, Inc.
Index to Financial Statements

EIP Pharma, Inc.

Balance Sheets

(Unaudited)

	June 30, 2023	Dec 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 649,784	$ 4,093,579
Prepaid expenses and other current assets	1,654,664	64,127
TOTAL ASSETS	$ 2,304,448	$ 4,157,706
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 580,858	$ 97,302
Deferred grant revenue	1,169,222	-
Accrued expenses and other current liabilities	670,329	644,252
Convertible notes	11,768,000	12,414,000
TOTAL CURRENT LIABILITIES	14,188,409	13,155,554
TOTAL LIABILITIES	14,188,409	13,155,554
Commitments and Contingences (Note 9)		
CONVERTIBLE PREFERRED STOCK		
Series A-1 preferred stock $0.001 par value; Authorized - 17,033,883 shares; Issued and outstanding - 17,033,883 shares at June 30, 2023 and December 31, 2022; aggregate liquidation preference of $1,516,016 at June 30, 2023	246,849	246,849
Series A-2 preferred stock, $0.001 par value; Authorized - 2,916,686 shares; Issued and outstanding - 2,916,686 shares at June 30, 2023 and December 31, 2022; aggregate liquidation preference of $4,200,028 at June 30, 2023	4,173,267	4,173,267
Series B preferred stock, $0.001 par value; Authorized - 8,991,228 shares; Issued and outstanding - 8,991,228 shares at June 30, 2023 and December 31, 2022; aggregate liquidation preference of $20,500,000 at June 30, 2023	19,867,095	19,867,095
TOTAL CONVERTIBLE PREFERRED STOCK	24,287,211	24,287,211
STOCKHOLDERS' DEFICIT		
Common stock $0.001 par value; Authorized - 36,000,000 shares; Issued and outstanding - 4,501,652 shares at June 30, 2023 and December 31, 2022	4,502	4,502
Additional paid-in capital	19,112,847	18,979,355
Accumulated deficit	(55,288,521)	(52,268,916)
Total stockholders' deficit	(36,171,172)	(33,285,059)
TOTAL LIABILITIES, CONVERTIBLE PREFERED STOCK, AND STOCKHOLDERS' DEFICIT	$ 2,304,448	$ 4,157,706

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

EIP Pharma, Inc.

Statements of Operations

(Unaudited)

	Six Months Ended June 30,	
	2023	**2022**
Grant revenue	$ 3,127,812	$ -
Operating expenses:		
Research and development	3,791,662	625,241
General and administrative	3,053,234	1,007,416
Total operating expenses	6,844,896	1,632,657
Loss from operations	(3,717,084)	(1,632,657)
Other income (expense):		
Other income (expense)	644,368	(1,769,005)
Interest income	53,111	8,655
Interest expense	-	(17)
Total other income (expense)	697,479	(1,760,367)
Net loss	$ (3,019,605)	$ (3,393,024)
Net loss per share, basic and diluted	$ (0.67)	$ (0.75)
Weighted average common shares outstanding, basic and diluted	4,501,652	4,501,652

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

EIP Pharma, Inc.

Statements of Changes in Convertible Preferred Stock and Stockholders' Deficit

(Unaudited)

For the Six Months Ended June 30, 2023	Preferred Series A-1		Preferred Series A-2		Preferred Series B		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of December 31, 2022	17,033,883	$ 246,849	2,916,686	$ 4,173,267	8,991,228	$ 19,867,095	4,501,652	$ 4,502	$ 18,979,355	$ (52,268,916)	$ (33,285,059)
Stock-based compensation expense	-	-	-	-	-	-	-	-	133,492	-	133,492
Net loss	-	-	-	-	-	-	-	-	-	(3,019,605)	(3,019,605)
Balance as of June 30, 2023	17,033,883	$ 246,849	2,916,686	$ 4,173,267	8,991,228	$ 19,867,095	4,501,652	$ 4,502	$ 19,112,847	$ (55,288,521)	$ (36,171,172)

For the Six Months Ended June 30, 2022	Preferred Series A-1		Preferred Series A-2		Preferred Series B		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance as of December 31, 2021	17,033,883	$ 246,849	2,916,686	$ 4,173,267	8,991,228	$ 19,867,095	4,501,652	$ 4,502	$ 18,518,004	$ (46,465,869)	$ (27,943,363)
Stock-based compensation expense	-	-	-	-	-	-	-	-	170,464	-	170,464
Contributed capital in lieu of executive compensation	-	-	-	-	-	-	-	-	127,516	-	127,516
Net loss	-	-	-	-	-	-	-	-	-	(3,393,024)	(3,393,024)
Balance as of June 30, 2022	17,033,883	$ 246,849	2,916,686	$ 4,173,267	8,991,228	$ 19,867,095	4,501,652	$ 4,502	$ 18,815,984	$ (49,858,893)	$ (31,038,407)

The accompanying notes are an integral part of these financial statements

EIP Pharma, Inc.

Statements of Cash Flows

(Unaudited)

	Six months Ended June 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (3,019,605)	$ (3,393,024)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	133,492	170,464
Contributed capital in lieu of executive compensation	-	127,516
Change in fair value of convertible debt	(646,000)	1,769,000
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses and other current assets	(1,590,537)	84,276
Increase (decrease) in:		
Accounts payable	483,556	(1,736)
Deferred grant revenue	1,169,222	-
Accrued expenses and other current liabilities	26,077	(65,785)
Net cash used in operating activities	(3,443,795)	(1,309,289)
Net decrease in cash and cash equivalents	(3,443,795)	(1,309,289)
Cash and cash equivalents, beginning of period	4,093,579	6,666,338
Cash and cash equivalents, end of period	$ 649,784	$ 5,357,049

The accompanying notes are an integral part of these financial statements

1. The Company and Liquidity

EIP Pharma, Inc. (the "Company") is a corporation organized under the laws of the state of Delaware and headquartered in Boston, Massachusetts. The Company is a clinical stage therapeutics company dedicated to the development and commercialization of drug treatments for neurodegenerative diseases with a focus on the early stages of the neurodegenerative process.

To date, the Company has devoted substantially all of its efforts to product research and development and raising capital. The Company has operated at a loss since its inception and has no recurring revenue from operations. Further, the Company is subject to a number of risks similar to those of other life science companies, including dependence on key individuals, competition from other companies, the need for development of commercially viable products, and the need to obtain adequate additional financing to fund the development of its product candidates. The Company is also subject to a number of risks similar to other companies in the industry, including rapid technological change, regulatory approval of products, uncertainty of market acceptance of products, compliance with government regulations, protection of proprietary technology, dependence on third parties, and product liability. The Company expects to continue to incur significant expenses and operating losses for at least the next several years.

Merger

In March 2023, the Company entered into a definitive merger agreement with Diffusion Pharmaceuticals Inc. ("Diffusion"). Under the terms of the merger agreement, subject to approval by the Company and Diffusion stockholders and satisfaction of other customary closing conditions, the Company will merge with a newly-created subsidiary of Diffusion. Immediately after the merger, the current equity and convertible note holders of the Company are expected to own, in the aggregate, approximately 77.25% of the total number of outstanding shares of common stock of the combined company and the current stockholders of Diffusion are expected to own approximately 22.75%. In each case the expected ownership is calculated on a fully diluted and as-converted basis, subject to adjustment as set forth in the merger agreement based on, among other things, the amount of Diffusion net cash (as defined in the merger agreement) at the closing date.

The combined company is expected to be renamed "CervoMed" and will trade on the Nasdaq Capital Market under a new ticker symbol, CRVO. The merger agreement has been approved by the Board of Directors of both companies. The merger is expected to close in the third quarter of 2023, subject to approvals by the Company and Diffusion stockholders and other customary closing conditions. The effectiveness of a registration statement to register the shares of Diffusion common stock to be issued to the Company's security holders in connection with the merger was filed by Diffusion with the Securities and Exchange Commission and declared effective on July 13, 2023

Liquidity and Capital Resources

The Company has incurred net operating losses since inception and has generated negative cash flows from operations. As of June 30, 2023, the Company had accumulated deficit of approximately $55.3 million. In January 2023, the Company was awarded a $21.0 million grant from the National Institute of Aging ("NIA") to support a Phase 2b study of neflamapimod in dementia with Lewy bodies, which is expected to be received over a three-year period. The total principal and accrued interest of the Company's convertible notes of $11.5 million, which has a fair value of $11.8 million as of June 30, 2023, becomes due in December 2023. Management believes that, without an additional debt or equity financing or extension of its convertible notes, its existing cash resources will not be sufficient to fund its current operating plan and meet its obligations as they become due for a period of at least one year from the date of the issuance of these financial statements. In the future, the Company may raise additional capital through a variety of sources, including public or private equity offerings, debt financings, grant funding, or strategic collaborations and licensing arrangements. Adequate additional financing may not be available on acceptable terms, or at all. The Company's failure to raise capital would have a negative effect on its financial condition and its ability to pursue the Company's business strategy. If the Company is unable to secure additional capital in sufficient amounts or on acceptable terms, the Company may have to delay, scale back or discontinue its development or commercialization activities for drug treatments. The Company might also be required to seek funds through arrangements with third parties that require the Company to relinquish certain of its rights to intellectual property or otherwise agree to unfavorable terms. Based on these factors, management has concluded that substantial doubt exists about the Company's ability to continue as a going concern for a period of at least twelve months form the date of the financial statements.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("GAAP") as defined by the Financial Accounting Standards Board ("FASB").

Unaudited interim financial statements

The accompanying unaudited interim financial statements have been prepared by the Company in accordance with GAAP for interim information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited interim financial statements should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2022.

The unaudited interim financial statements have been prepared on the same basis as the audited financial statements, and in management's opinion, include all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the financial information for the interim periods have been made. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full fiscal year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, grant revenue, expenses, and related disclosures. On an ongoing basis, the Company's management evaluates its estimates, including estimates related to money market accounts, clinical trial accruals, convertible notes, stock-based compensation expense, grant revenue, and expenses during the reported period. The Company bases its estimates on historical experience and other market-specific or relevant assumptions that it believes to be reasonable under the circumstances. Actual results may differ from those estimates or assumptions.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents. The Company maintains its cash and cash equivalent balances with financial institutions that management believes are creditworthy. The Company has no financial instruments with off-balance-sheet risk of loss. The Company has not experienced any losses in such accounts.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of 90 days or less at the date of purchase to be cash and cash equivalents. Cash equivalents, which consist of amounts invested in money market funds, are stated at fair value. There are no unrealized gains or losses on the money market funds for the periods presented.

Fair Value of Financial Instruments

The Company's financial instruments consists primarily of cash, accounts payable, convertible notes and accrued liabilities. The Company's cash, accounts payable and accrued liabilities approximate fair value due to their relatively short maturities. The Company determined the fair value of the convertible notes as described in Note 8.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines the fair value of its financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

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

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3 – Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "Leases" ("ASC 842"), which establishes a right-of-use model ("ROU") that requires a lessee to recognize an ROU asset and corresponding lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement as well as the reduction of the right-of-use asset. The new standard provides a number of optional practical expedients in transition. The Company has elected to apply (i) the practical expedient, which allows us to not separate lease and non-lease components, for new leases and (ii) the short-term lease exemption for all leases with an original term of less than 12 months, for purposes of applying the recognition and measurements requirements in the new standard. The Company adopted ASC 842 on January 1, 2021.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on specific facts and circumstances, the existence of an identified asset(s), if any, and the Company's control over the use of the identified asset(s), if applicable. Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of future lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company will utilize the incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

The Company has elected to combine lease and non-lease components as a single component. Operating leases will be recognized on the balance sheet as ROU lease assets, lease liabilities current and lease liabilities non-current. Fixed rent payments are included in the calculation of the lease balances, while variable costs paid for certain operating and pass-through costs are excluded. Lease expense is recognized over the expected term on a straight-line basis.

Research and Development Costs

Research and development costs are expensed as incurred and consist primarily of new product development. Research and development costs include salaries and benefits, consultants' fees, process development costs and stock-based compensation, as well as fees paid to third parties that conduct certain research and development activities on the Company's behalf.

A substantial portion of the Company's ongoing research and development activities are conducted by third-party service providers. The Company records accrued expenses for estimated preclinical study and clinical trial expenses. Estimates are based on the services performed pursuant to contracts with research institutions, contract research organizations in connection with clinical studies, investigative sites in connection with clinical studies, vendors in connection with preclinical development activities, and contract manufacturing organizations in connection with the production of materials for clinical trials. Further, the Company accrues expenses related to clinical trials based on the level of subject enrollment and activity according to the related agreement. The Company monitors subject enrollment levels and related activity to the extent reasonably possible and make judgments and estimates in determining the accrued balance in each reporting period. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the financial statements as prepaid or accrued research and development.

If the Company underestimates or overestimates the level of services performed or the costs of these services, actual expenses could differ from estimates. To date, the Company has not experienced significant changes in its estimates of preclinical studies and clinical trial accruals.

Patent Costs

All patent-related costs incurred in connection with filing and prosecuting patent applications are expensed as incurred due to the uncertainty about the recovery of the expenditure. Amounts incurred are classified as general and administrative expenses.

Stock-based Compensation

Stock-based compensation for employee and non-employee awards is measured on the grant date based on the fair value of the award and recognized on a straight-line basis over the requisite service period. The fair value of stock options to purchase common stock are measured using the Black-Scholes option pricing model. The Company accounts for forfeitures as they occur.

The fair value of stock options is determined by the Company using the methods and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment and estimation by management.

Expected Term—The expected term represents the period that stock-based awards are expected to be outstanding. The Company uses the "simplified method" to estimate the expected term of stock option grants. Under this approach, the weighted-average expected life is presumed to be the average of the contractual term of ten years and the weighted-average vesting term of the Company stock options, taking into consideration multiple vesting tranches. The Company utilizes this method due to lack of historical data and the plain-vanilla nature of the Company's stock-based awards.

Expected Volatility—The Company has limited information on the volatility of common stock as the shares are not actively traded on any public markets. The expected volatility was derived from the historical stock volatilities of comparable peer public companies within its industry. These companies are considered to be comparable to the Company's business over a period equivalent to the expected term of the stock-based awards.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the and stock options expected term.

Expected Dividend Rate—The expected dividend is zero as the Company has not paid, nor does it anticipate paying, any dividends on its stock options in the foreseeable future.

Revenue Recognition

The Company generates revenue from government contracts that reimburse the Company for certain allowable costs for funded projects. For contracts with government agencies, when the Company has concluded that it is the principal in conducting the research and development activities, and where the funding arrangement is considered central to the Company's ongoing operations, the Company classifies the recognized funding received as grant revenue.

The Company will recognize funding received as grant revenue for the Company's grant from the NIA, rather than as a reduction of research and development expenses, because the Company is the principal in conducting the research and development activities and these contracts are central to its ongoing operations. Revenue is recognized as the qualifying expenses related to the contracts are incurred. Revenue recognized upon incurring qualifying expenses in advance of receipt of funding is recorded in the Company's consolidated balance sheet as accounts receivable. Amounts received in advance of services rendered are recorded as deferred grant revenue. The related costs incurred by the Company are included in research and development expense in the Company's statements of operations.

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax basis of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to recover or settle. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income for the period that includes the enactment date.

The deferred tax assets are recognized to the extent the Company believes that these assets are more likely than not to be realized. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. Due to the Company's historical operating performance and the recorded cumulative net losses in prior fiscal periods, the net deferred tax assets have been fully offset by a valuation allowance.

The Company records uncertain tax positions using a two-step process. First, the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position. Second, for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement with the related tax authority.

The Company recognizes interest and penalties related to unrecognized tax benefits on the interest expense line and other expense line, respectively, in the accompanying statements of operations. Accrued interest and penalties are included on the related liability lines in the balance sheet.

Net Loss Per Share

The Company has reported losses since inception and has computed basic net loss per share attributable to common stockholders by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period, without consideration for potentially dilutive securities. The Company computes diluted net loss per common share after giving consideration to all potentially dilutive common shares, including options and warrants to purchase common stock, outstanding during the period determined using the treasury-stock and if-converted methods, except where the effect of including such securities would be antidilutive. Because the Company has reported net losses since inception, these potential common shares are anti-dilutive and basic and diluted loss per share are the same.

Segments

The Company has one operating segment. The Company's chief operating decision maker, its Chief Executive Officer, manages the Company's operations on a consolidated basis for purposes of allocating resources.

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06, "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815 – 40)" ("ASU 2020-06"). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The ASU's amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The Company elected to early adopt ASU 2020-06 during the year ended December 31, 2022 using the modified retrospective method, which did not have a material impact on the financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), together with a series of subsequently issued related ASUs, has been codified in Topic 326. Topic 326 establishes new requirements for companies to estimate expected credit losses when measuring certain financial assets, including accounts receivables. The new guidance is effective for fiscal years beginning after December 15, 2022. The Company adopted ASU No. 2016-13 on January 1, 2023 which did not have a material impact on the financial statements.

3. Significant Agreements and Contracts

Vertex Option and License Agreement

In August 2012, the Company entered into an option and license agreement ("Agreement") for an option to acquire an exclusive license to develop and commercialize a drug candidate "VX-745" from Vertex Pharmaceuticals Inc. ("Vertex"). The Agreement required the Company to pay a nonrefundable upfront license fee upon exercising the option to license VX-745 and downstream milestones and royalties upon achieving certain development, regulatory and revenue milestones as discussed further below. The Agreement gave the Company an option with Vertex on VX-745 for the exclusive worldwide use in the field of diagnosis, treatment and prevention of Alzheimer's disease and related central nervous system disorders in humans.

The Agreement was amended by the Company in April 2014 to change the amount of the option fee and downstream milestones and royalties. In August 2014, the Company exercised its option and paid an option fee of $100,000, which was expensed as incurred. In November 2015, the Agreement was further amended for additional changes to downstream milestones and royalties.

The Company is obligated to make certain payments totaling up to approximately $134.5 million upon achievement of certain regulatory and sales milestones, and royalties on net sales of products and indications covered by the agreement. The Company has made a total of $100,000 in payments to the Vertex since inception. As of June 30, 2023, none of the future milestones or downstream royalties have been reached.

National Institute of Aging Grant

In January 2023, the Company was awarded a $21.0 million grant from the NIA to support a Phase 2b study of neflamapimod in dementia with Lewy bodies. The grant monies are expected to be received over a period of three years including $6.7 million in 2023, $8.1 million in 2024 and $6.2 million in 2025.

The total revenue recognized from the NIA grant was $3.1 million and $0 for the six months ended June 30, 2023 and 2022, respectively. As of June 30, 2023, total cash funding of $4.3 million has been received from the NIA grant, resulting in approximately $16.7 million in funding remaining. There is $1.2 million in funding that has not been recognized as revenue as of June 30, 2023, which has been recorded as deferred revenue.

4. Fair Value Measurements

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value hierarchy utilized to determine such fair values.

	June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market fund	$ 457,037	$ -	$ -	$ 457,037
Total financial assets	$ 457,037	$ -	$ -	$ 457,037

	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Convertible notes	$ -	$ -	$ 11,768,000	$ 11,768,000
Total financial liabilities	$ -	$ -	$ 11,768,000	$ 11,768,000

	December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Money market fund	$ 3,719,348	$ -	$ -	$ 3,719,348
Total financial assets	$ 3,719,348	$ -	$ -	$ 3,719,348

	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Convertible notes	$ -	$ -	$ 12,414,000	$ 12,414,000
Total financial liabilities	$ -	$ -	$ 12,414,000	$ 12,414,000

The following table presents a roll-forward of the fair value of the convertible notes for which fair value is determined by Level 3 inputs:

	Convertible Note
Balance December 31, 2021	$ 10,025,000
Fair market adjustments	2,389,000
Balance December 31, 2022	$ 12,414,000
Fair market adjustments	(646,000)
Balance June 30, 2023	$ 11,768,000

Valuation techniques used to measure fair value maximize the use of relevant observable inputs and minimize the use of unobservable inputs (See Note 8). Our convertible notes are classified within Level 3 of the fair value hierarchy because the fair value measurement is based, in part, on significant inputs not observed in the market.

There were no transfers among Level 1, Level 2 or Level 3 categories in the six months ended June 30, 2023 or in the year ended December 31, 2022.

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at June 30, 2023 and December 31, 2022 consisted of the following:

	June 30, 2023	December 31, 2022
Prepaid clinical expenses	$ 1,590,817	$ -
Insurance	17,365	9,937
Rent	-	2,455
Other	46,482	51,735
Total prepaid and other current assets	$ 1,654,664	$ 64,127

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities at June 30, 2023 and December 31, 2022 consisted of the following:

	June 30, 2023	December 31, 2022
Professional fees	$ 340,770	$ 206,675
Employee compensation costs	248,760	364,070
Clinical development costs	75,944	23,185
Other	4,855	50,322
Total accrued expenses and other current liabilities	$ 670,329	$ 644,252

7. Line of Credit

The Company established a line of credit with a lender during 2020 in the amount of $2,500,000, with a variable interest rate of 1.75% over the 30-day LIBOR (6.93% and 6.08% at June 30, 2023 and December 31, 2022, respectively). The line was secured by the personal assets of the Company's Chief Executive Officer and Executive Chair of the Board.

No drawdowns were made, and no costs incurred related to the line of credit during the six months ended June 30, 2023 nor the year ended December 31, 2022.

In January 2021, the FASB issued ASU No. 2021-01 "Reference Rate Reform (Topic 848): Scope" ("ASU 2021-01"), which was effective immediately and permits entities to elect certain optional expedients and exceptions when accounting for derivatives and certain hedging relationships affected by changes in interest rates and the transition. Additionally, ASU 2022-06 "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848" defers the sunset date of ASC 848 from December 31, 2022 to December 31, 2024. Entities that apply ASC 848 can continue to do so until December 31, 2024. The Company does not currently believe that this transition from LIBOR will have a material impact on its financial statements.

8. Convertible Notes

In December 2020, the Company issued convertible notes, hereafter the 2020 Notes, to predominantly related party investors for proceeds of $5,078,500. Upon issuance, the Company elected the fair value option for the 2020 Notes in accordance with ASC 825, "Financial Instruments," pursuant to which the entire instrument, including interest expense, is measured at fair value with the initial change in fair value deemed to be a capital contribution and any subsequent changes in fair value being recorded to other income (expense). The fair value of the 2020 Notes as of June 30, 2023 and December 31, 2022 was determined to be $6,147,000 and $6,484,000, respectively. The fair value adjustments recognized in other income (expense) were $337,000 and ($2,050,000) for the six months ended June 30, 2023 and 2022, respectively.

In December 2021, the Company issued convertible notes, hereafter the 2021 Notes, to predominantly related party investors for proceeds of $6,000,000. Upon issuance, the Company elected the fair value option for the 2021 Notes, with the initial change in fair value deemed to be a capital contribution and any subsequent changes in fair value being recorded to other income (expense). The fair value of the 2021 Notes as of June 30, 2023 and December 31, 2022 was determined to be $5,621,000 and $5,930,000, respectively. The fair value adjustments recognized in other income (expense) were $309,000 and $281,000 for the six months ended June 30, 2023 and 2022, respectively.

In April 2022, the Company entered into an amendment with the noteholders for the 2020 Notes (the "2022 Amendment"). In accordance with the 2022 Amendment, the maturity of the 2020 Notes was extended from June 2022 to December 2023, the interest rate was modified so interest accrued at 5% through the original maturity of June 2022 and at 0% thereafter, the conversion discount was increased from 20% to 30%, and a conversion price limit of $3.00 was established for certain conversion scenarios, as discussed further below. Expenses associated with the 2022 Amendment were de minimis.

The Company concluded the 2022 Amendment qualified as a troubled debt restructuring, in accordance with FASB ASC 470, *Debt*, as the noteholders for the 2020 Notes, for economic reasons related to the Company's financial difficulties, granted concessions to the Company. The Company concluded no gain or loss, and no adjustment to, or reclassification of, the carrying value of the 2020 Notes were considered necessary as a result of the 2022 Amendment. In addition, the Company concluded there was no other financial statement impact as a result of the 2022 Amendment, as any prospective change would be related to interest and, as a result of the 2022 Amendment, the interest rate decreased to 0% following the original maturity of June 2022.

The 2020 Notes accrued interest at an annual rate of 5% through June 2022 and, following the 2022 Amendment, 0% thereafter. The 2020 Notes, which had an original maturity date of June 2022, have a maturity date of December 2023 following the 2022 Amendment. The 2021 Notes do not accrue any interest and have a maturity date of December 2023. No payments of principal or interest are due prior to maturity.

Subsequent to the 2022 Amendment, the terms of the 2020 Notes and the 2021 Notes provide for automatic conversion upon either (i) the occurrence of a qualified financing of at least $15,000,000 in gross proceeds, in which the outstanding principal and all accrued and unpaid interest shall convert into shares of the equity financing at a conversion price equal to the lesser of 70% of the price per share or $3.00 per share; (ii) the occurrence of an initial public offering, in which the outstanding principal and all accrued and unpaid interest shall convert into common shares offered in the initial public offering at a conversion price equal to the initial public offering price; or (iii) the occurrence of special purpose acquisition company ("SPAC") transaction or a Reverse Merger, in which the outstanding principal and all accrued and unpaid interest shall convert into common shares determined in connection with and at the time of the SPAC transaction, or Reverse Merger, at the conversion price. The terms of the 2020 Notes and the 2021 Notes further provide the holders an option to convert in connection with a financing transaction that is not a qualified financing in which the outstanding principal and all accrued and unpaid interest shall convert into shares of the equity financing at a conversion price equal to the lesser of 70% of the price per share or $3.00 per share for the 2020 Notes and the 2021 Notes.

The terms of the 2020 Notes and the 2021 Notes further provide for payment of 150% of all outstanding principal and all accrued and unpaid interest in the event of a change in control of the Company. The 2021 Notes also have the option to fully convert to common stock at a price per share equal to the conversion price in the event of a change in control.

In June 2023, the Company entered into an amendment to the 2020 Notes and the 2021 Notes (the "2023 Amendment") which amended the conversion price of the 2020 Notes and the 2021 Notes to $1.47 upon effectiveness of the merger with Diffusion or a 30% conversion discount upon the occurrence of any other reverse merger, as defined in the 2020 Notes and the 2021 Notes. Further, the amendment provided that if the merger with Diffusion resulted in a holder of these notes beneficially owning more than 9.99% of the outstanding voting stock of the combined company (such threshold, the "Diffusion Conversion Threshold"), then, the holder of these notes shall be granted pre-funded warrants in lieu of the Company's common stock for the conversion of any principal and accrued but unpaid interest in excess of the Diffusion Conversion. The exercise price of one share of the Company's common stock under this pre-funded warrant shall be equal $0.001.

The Company concluded the 2023 Amendment qualified as a modification, in accordance with FASB ASC 470, *Debt*, since there were no concessions granted to the Company and no substantive change to the fair value of the conversion option before and after the 2023 Amendment. Therefore, the Company concluded there was no financial statement impact as a result of the 2023 Amendment other than the change in fair value of the 2020 and 2021 Notes as of June 30, 2023 and debt issuance costs of approximately $50,000 that was recorded to general and administrative expenses.

The fair value of the 2020 Notes and the 2021 Notes as of June 30, 2023 and December 31, 2022 were estimated as the combination of a zero-coupon bond and a call option. The combined values for each of the 2020 Notes and the 2021 Notes as of June 30, 2023 and December 31, 2022 were then weighted by the probability of completing a financing or reverse merger. This approach resulted in the classification of the 2020 Notes and the 2021 Notes as of June 30, 2023 and December 31, 2022 as Level 3 of the fair value hierarchy (Note 4). The assumptions utilized to value the 2020 Notes and the 2021 Notes as of June 30, 2023 were an estimated term of 0.13 years, volatility of 69.0% and a market yield of 54.0% and 5.4% for completing a financing or reverse merger, respectively. The assumptions utilized to value the 2020 Notes and the 2021 Notes as of December 31, 2022 were an estimated term of 0.94 years, volatility of 80.0% and a market yield of 55.2%. The measurement of fair value incorporates expected future cash flows associated with interest payments; as such, there is no separate accrual for interest accrued but not yet paid.

9. Commitments and Contingencies

Operating Lease

Effective September 2022, the Company entered into a six-month lease for its office space in Boston, Massachusetts, which allowed for automatic extensions until a 90-day notice is rendered to the lessor from the Company. In March 2023, the Company entered into an amendment to the lease that extended the lease through August 31, 2023. Under the terms of the lease, lease payments are $2,800 per month and are recognized as incurred. As the term of this lease is less than 12 months, it meets the short-term lease exemption under ASC 842.

During 2022, the Company was party to a lease for office space in Boston, Massachusetts that expired in June 2022. Under the terms of the lease, lease payments were $5,800 per month and were recognized as incurred.

Lease expense was $15,150 and $34,800 for the six months ended June 30, 2023 and 2022, respectively.

Contingencies

From time to time, the Company may be involved in disputes or regulatory inquiries that arise in the ordinary course of business. When the Company determines that a loss is both probable and reasonably estimable, a liability is recorded and disclosed if the amount is material to the financial statements taken as a whole. When a material loss contingency is only reasonably possible, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can reasonably be made.

As of June 30, 2023 and December 31, 2022, there was no litigation or contingency with at least a reasonable possibility of a material loss.

10. Preferred Stock

The following table summarizes the authorized and the issued and outstanding preferred stock of the Company:

	June 30, 2023			
	Shares Authorized	Shares Issued and Outstanding	Issuance Price per Share	Aggregate Liquidation Preference
Preferred Stock:				
Series A-1	17,033,883	17,033,883	$ 0.089	$ 1,516,016
Series A-2	2,916,686	2,916,686	$ 1.440	4,200,028
Series B	8,991,228	8,991,228	$ 2.280	20,500,000
Total preferred stock	28,941,797	28,941,797		$ 26,216,044

The Company recorded its preferred stock at the issuance price on the dates of issuance, net of issuance costs. As of June 30, 2023 and December 31, 2022, the Company classified the preferred stock as temporary equity because the shares are contingently redeemable outside the control of the Company. During the six months ended June 30, 2023 and the year ended December 31, 2022, the Company did not adjust the carrying values of the preferred stock to the deemed redemption values of such shares since a redemption event was not probable of occurring. Subsequent adjustments to increase the carrying values to the ultimate redemption values will be made only when it becomes probable that such a redemption event will occur.

As of June 30, 2023, the holders of the preferred stock had the following rights and preferences.

Voting Rights

Each holder of outstanding shares of preferred stock shall be entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock held by the holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Holders of preferred stock shall vote together with holders of common stock as a single class. The holders of Series A-1 Preferred Stock and Series A-2 Preferred Stock, as a separate class, shall be entitled to elect one member of the Company's Board of Directors as long as they continue to own beneficially 10,000,000 shares of Series A-1 Preferred Stock and Series A-2 Preferred Stock, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to Series A-1 Preferred Stock and Series A-2 Preferred Stock. The holders of Series B Preferred stock, as a separate class, shall be entitled to elect one member of the Company's Board of Directors as long as they continue to own beneficially 4,500,000 shares of Series B Preferred stock, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to Series B Preferred stock. The holders of common stock and any other class or series of voting stock, including Series A-1 Preferred Stock and Series A-2 Preferred Stock and Series B Preferred Stock, voting together as a single class shall be entitled to elect the balance of the total number of directors of the Company.

Additionally, as long as at least 1,000 shares of Preferred Stock are outstanding (subject to adjustment in the event of any recapitalizations), the Company must obtain approval from holders of at least a majority of the outstanding shares of Preferred Stock (the "Requisite Preferred Holders") in order to effect certain corporate actions.

Dividend Rights

The Company's preferred stock does not have a stated dividend rate. The Company shall not declare, pay or set aside any dividend on shares of any class or series of capital stock of the Company unless the holders of the preferred stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of preferred stock in an amount at least equal to (i) in the case of a dividend on common stock or any class or series that is convertible into common stock, that dividend per share of preferred stock as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into common stock and (B) the number of shares of common stock issuable upon conversion of a share of preferred stock, in each case calculated on the record date for determination of holders entitled to receive such dividend or (ii) in the case of a dividend on any class or series that is not convertible into common stock, at a rate per share of preferred stock determined by (A) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (B) multiplying such fraction by an amount equal to the applicable Original Issue Price (as defined below); provided that, if the Company declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Company, the dividend payable to the holders of preferred stock shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest preferred stock dividend.

The Original Issue Price of each series of preferred stock shall be as follows: (i) with respect to the Series A-1 Preferred Stock, Original Issue Price shall mean $0.089 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A-1 Preferred Stock; (ii) with respect to the Series A-2 Preferred Stock, the Original Issue Price shall mean $1.44 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A-2 Preferred Stock; and (iii) with respect to the Series B Preferred Stock, Original Issue Price shall mean $2.28 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, or Deemed Liquidation Event (as defined below), the holders of preferred stock shall be entitled to receive, before any payments of the Company to the holders of shares of common stock, the greater of (i) an amount equal to the Original Issuance Price per share for each series of preferred stock, plus all declared and unpaid dividends on such shares or (ii) such amount per share as would have been payable had all shares of such applicable series of preferred stock been converted to common stock immediately prior to such liquidation event. If available assets are insufficient to pay the full liquidation preference, available assets will be distributed ratably among the holders of the preferred stock-based on amounts that would be received if such shares were paid in full. After the payment of the liquidation preference, all remaining assets available for distribution will be distributed ratably among the holders of the common stock.

A Deemed Liquidation Event is defined as (i) a merger or consolidation in which the Company or a subsidiary of the Company is a constituent party and the Company issues shares of its common stock pursuant to such merger or consolidation, except any such merger or consolidation involving the Company or a subsidiary in which the shares of common stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of common stock that represent, immediately following such merger or consolidation, at least a majority, by voting power, of the common stock of (1) the surviving or resulting corporation; or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or (ii) a sale, lease, transfer exclusive license, or other disposition in a single transaction or series of related transactions of all or substantially all of the assets of the Company unless the Requisite Preferred Holders elect otherwise by written notice sent to the Company at least ten days prior to the effective date of any such event.

Optional Conversion Rights

Each share of preferred stock is, at the option of the holder, convertible into the number of fully paid and non-assessable shares of common stock as determined by dividing the Original Issue Price applicable to such preferred stock by the conversion price in effect at that time. The conversion price for each series of convertible preferred stock shall initially be the Original Issue Price of such series of preferred stock and is subject to adjustment from time to time for events such as future stock splits, combinations, and dividends in accordance with conversion provisions contained in the Company's Amended and Restated Certificate of Incorporation.

Mandatory Conversion Rights

Each share of preferred stock is automatically convertible into shares of common stock-based on the then effective conversion price upon either (a) the closing of a sale of common stock to the public at a price of $6.84 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalizations with respect to common stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $50 million of gross proceeds to the Company or (b) the occurrence of an event, specified by the Requisite Preferred Holders, then all outstanding shares of preferred stock shall automatically be converted into shares of common stock, at the effective conversion rate for the Series A-1 Preferred Stock, the Series A-2 Preferred Stock, and the Series B Preferred Stock.

11. Common Stock

The voting, dividend and liquidation rights of the holders of common stock are subject to the rights, powers and preferences of the holders of preferred stock. Common stockholders are entitled to one vote per share, and to receive dividends, when and if declared by the Company's Board of Directors (the "Board").

There were 36,000,000 shares authorized and 4,501,652 shares of common stock outstanding at June 30, 2023 and December 31, 2022.

As of June 30, 2023 and December 31, 2022, the Company has warrants outstanding to purchase an aggregate of 378,982 shares of common stock with an exercise price of $2.28 per share. The warrants have an expiration date of April 2, 2028. The Company evaluated the accounting classification of the warrants and concluded that they should be accounted for as equity. As of the date of these interim financial statements, the warrants associated with Series B Preferred Stock financing remain outstanding and have not been exercised.

12. Stock-Based Compensation Expense

2018 Stock Option and Grant Plan

On March 28, 2018, the Company adopted the 2018 EIP Pharma, Inc. Employee, Director and Consultant Equity Incentive Plan (the "2018 Plan") under which the Company may issue incentive stock options, non-qualified stock options, stock grants, and other stock-based awards to employees, directors, and consultants, as specified in the 2018 Plan. The Board of Directors has the authority to determine to whom options or stock will be granted, the number of shares, the term, and the exercise price. Options granted under the 2018 Plan have a term of up to ten years and generally vest over a four-year period with 25% of the options vesting after one-year of service and the remainder vesting monthly thereafter. As of June 30, 2023, the Company had reserved 1,435,000 shares of common stock for issuance under the 2018 Plan, of which 440,000 shares were available for issuance.

Activity for the options to purchase common stock shown below:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Instrinsic Value
Outstanding as of December 31, 2022	995,000	$ 2.87	6.72	-
Granted	-	-		
Cancelled	-	-		
Outstanding as of June 30, 2023	995,000	$ 2.87	6.25	-
Exercisable as of June 30, 2023	829,938	$ 2.89	5.95	$ -

As of June 30, 2023, total unrecognized stock-based compensation related to unvested stock options issued was $340,812, which the Company expects to recognize over a remaining weighted-average period of 1.7 years. The Company records forfeitures as they occur.

The Company recognized stock-based compensation expense for stock options as follows:

	Six Months Ended June 30,	
	2023	2022
Research and development	$ 71,148	$ 93,013
General and administrative	62,344	77,451
Total stock-based compensation expense	$ 133,492	$ 170,464

Determination of Fair Value

The estimated grant-date fair value of all the Company's options to purchase common stock was calculated using the Black-Scholes option pricing model. There were no options granted for the six months ended June 30, 2023. The fair value of the options granted during the six months ended June 30, 2022 were based on the following assumptions:

	Six Months Ended June 30,
	2022
Expected term (in years)	6.0
Expected volatility	80.3%
Risk-free interest rate	1.9%
Dividend yield	0%

Contributed capital in lieu of Executive Compensation

During the first quarter of 2022, the Executive Chair of the Board and the Chief Executive Officer offered to forego, without repayment, certain compensation to ensure the Company had enough resources to maintain operations until a financial funding is completed. This amount of $127,516 is recorded as contributed capital in additional paid-in capital as of June 30, 2022 and will not be paid in cash, debt or equity in the future. In 2023, there was no similar contribution.

13. Net Loss Per Share

The Company has reported losses since inception and has computed basic net loss per share attributable to common stockholders by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period, without consideration for potentially dilutive securities. The Company computes diluted net loss per share of common stock after giving consideration to all potentially dilutive shares of common stock, including options to purchase common stock and warrants to purchase common stock, outstanding during the period determined using the treasury-stock and if-converted methods, except where the effect of including such securities would be antidilutive. Because the Company has reported net losses since inception, these potential shares of common stock have been anti-dilutive and basic and diluted loss per share were the same for all periods presented.

The following table sets forth the computation of basic and diluted net loss per share:

	Six Months Ended June 30,	
	2023	**2022**
Numerator:		
Net loss	$ (3,019,605)	$ (3,393,024)
Denominator:		
Weighted average common stock outstanding, basic and diluted	4,501,652	4,501,652
Net loss per share, basic and diluted	$ (0.67)	$ (0.75)

The following table sets forth the potentially dilutive securities that have been excluded from the calculation of diluted net loss per share because to include them would be anti-dilutive:

	Six Months Ended June 30,	
	2023	**2022**
Preferred Series A-1	17,033,883	17,033,883
Preferred Series A-2	2,916,686	2,916,686
Preferred Series B	8,991,228	8,991,228
Warrants	378,982	378,982
Stock Options	995,000	1,232,250
Total	30,315,779	30,553,029

14. Employee 401(k) Plan

The Company has a qualified contributory savings plan under Section 401(k) of the Internal Revenue Code (the “Code”) covering substantially all of the Company’s U.S. employees. The Company’s 401(k) plan is designed to provide tax-deferred retirement benefits in accordance with the provisions of Section 401(k) of the Code. Eligible employees may defer up to 100% of their eligible compensation up to the annual maximum as determined by the Internal Revenue Service. The Company’s contributions to the plan are discretionary. For the six months ended June 30, 2023 and 2022, the Company did not make any contributions to the plan.

15. Subsequent Events

The Company has evaluated subsequent events that may require adjustments to or disclosure in the financial statements through August 7, 2023, the date on which the June 30, 2023 financial statements were issued.

Common Stock

In July 2023, the Company issued and sold 551,020 shares of common stock at $1.47 per share for gross proceeds of $810,000.

In July 2023, one of the Company's Series B Preferred stockholders transferred 4,000,000 shares of Series B Preferred stock to two investors at $0.6725 per share for an aggregate purchase price of $2,690,000.

EIP PHARMA

Canaccord Growth Conference
Aug 9-10, 2023; Boston

Investor Presentation

No Offer or Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. Subject to certain exceptions to be approved by the relevant regulators or certain facts to be ascertained, a public off will not be made directly or indirectly in or into any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction, or by use of the mails or by any means or instrumentality (including, without limitation, facsimile transmission, telephone, or Internet) of interstate or foreign commerce, or any facility or a national securities exchange, of any such jurisdiction.

Important Additional Information and Where to Find It

In connection with the proposed transaction between Diffusion Pharmaceuticals and EIP Pharma, Diffusion Pharmaceuticals has filed with the SEC a registration statement on Form S-4 (as amended, the "Registration Statement") containing a proxy statement/prospectus/information statement (the "Definitive Proxy Statement") related to a special meeting of its stockholders. Diffusion Pharmaceuticals has mailed the Definitive Proxy Statement to Diffusion Pharmaceuticals' stockholders as of the record date of July 10, 2023, describing the proposals set forth therein to be voted on at the special meeting. BEFORE MAKING ANY VOTING DECISION, INVESTORS AND STOCKHOLDERS ARE URGED TO READ THESE MATERIALS – INCLUDING THE REGISTRATION STATEMENT, THE DEFINITIVE PROXY STATEMENT, ANY AMENDMENTS OR SUPPLEMENTS THERETO, AND ANY DOCUMENTS INCORPORATED THEREIN – CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT DIFFUSION PHARMACEUTICALS, EIP PHARMA, THE PROPOSED TRANSACTION AND OTHER RELATED MATTERS. This communication is not a substitute for the Registration Statement, Definitive Proxy Statement or any other documents that Diffusion Pharmaceuticals may file with the SEC or send to Diffusion Pharmaceuticals' stockholders in connection with the proposed transaction. Investors and stockholders may obtain free copies of the proxy statement, prospectus and other documents filed by Diffusion Pharmaceuticals with the SEC through the website maintained by the SEC at www.sec.gov. In addition, stockholders may obtain free copies of the Definitive Proxy Statement and other documents filed by Diffusion Pharmaceuticals with the SEC through the "Investors" section of Diffusion Pharmaceuticals' website, www.diffusionpharma.com.

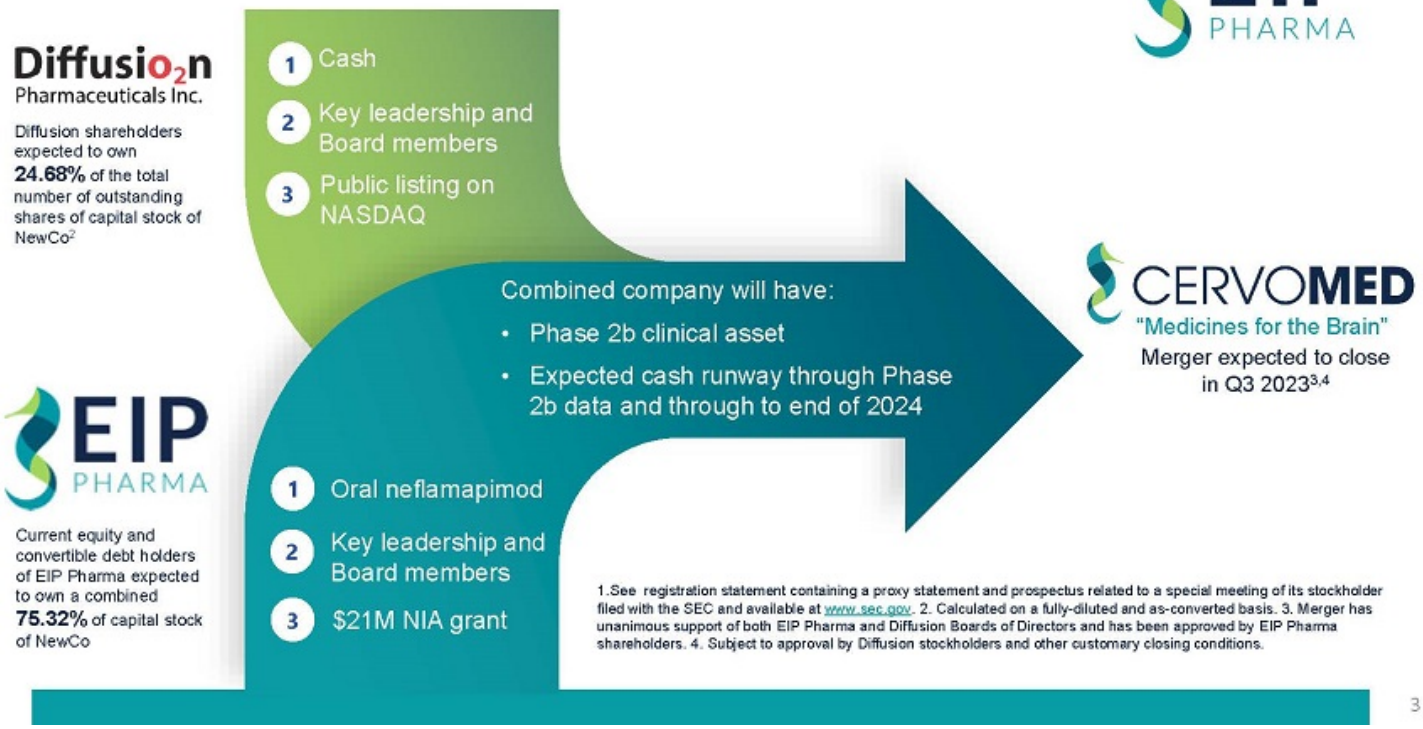
Participants in the Solicitation

Diffusion Pharmaceuticals and EIP Pharma, and each of their respective directors and executive officers and certain of their other members of management and employees, may be deemed to be participants in the solicitation of proxies in connection with the proposed transaction. Information regarding these persons and their interests in the transaction is or will be included in the Definitive Proxy Statement relating to the transaction and other relevant materials that are or will be filed with the SEC. Additional information regarding Diffusion Pharmaceuticals' directors and officers is included in Diffusion Pharmaceuticals' Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the SEC on March 24, 2023. Other information regarding the participants in the proxy solicitation and a description of their interests in the proposed transaction, by security holdings or otherwise, is included in the Definitive Proxy Statement and other relevant materials that are or will be filed with the SEC regarding the proposed transaction. Investors should read the Definitive Proxy Statement statement carefully before making any voting or investment decisions. These documents can be obtained free of charge from the sources indicated above.

Forward-Looking Statements

This presentation includes express and implied forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, regarding management's intentions, plans, beliefs, expectations or forecasts for the future, including, but not limited to, the timing and potential outcome of the proposed transaction between Diffusion Pharmaceuticals and EIP Pharma, including (without limitation) statements relating to the satisfaction of the conditions to closing, Diffusion's net cash balance at closing, Diffusion's ability to maintain it's listing on the Nasdaq Stock Market, and the expected ownership percentages of the combined company; the therapeutic potential and potential market opportunity of neflamapimod; and anticipated milestones related to the development of the combined company's clinical programs and reporting of data. Terms such as "believes," "estimates," "anticipates," "expects," "plans," "intends," "may," "could," "might," "will," "should," "approximately," or other words that convey uncertainty of future events or outcomes may identify these forward-looking statements. Although there is believed to be reasonable basis for each forward-looking statement contained herein, forward-looking statements by their nature involve risks and uncertainties, known and unknown, many of which are beyond the parties' control and, as a result, actual results could differ materially from those expressed or implied in any forward-looking statement. Particular risks and uncertainties include, among other things, those related to the completion of the proposed transaction, including the need for stockholder approval and the satisfaction of other closing conditions; the cash balances of Diffusion at the time of closing and the combined company following the closing, if completed, of the proposed transaction; the ability of Diffusion Pharmaceuticals to remain listed on the Nasdaq Capital Market, as well as comply with any Nasdaq rules and regulations related to the proposed transaction; the price of Diffusion Pharmaceuticals' securities, which may be volatile due to a variety of factors, including changes in the competitive and highly regulated industries in which Diffusion Pharmaceuticals and/or EIP Pharma operates; variations in operating performance across competitors; changes in laws and regulations affecting Diffusion Pharmaceuticals' or EIP Pharma's business; the ability to implement business plans, forecasts, and other expectations after the completion of the proposed transaction; general economic, political, business, industry, and market conditions, inflationary pressures, and geopolitical conflicts; the uncertainties inherent to the biopharmaceutical industry, including the fact that preclinical and interim results may not be indicative of future results; and the other factors discussed under the heading "Risk Factors" in Diffusion Pharmaceuticals' most recent Annual Report on Form 10-K, most recent Quarterly Report on Form 10-Q, and other filings with the SEC. Any forward-looking statements in this presentation speak only as of the date hereof (or such earlier date as may be identified). New factors emerge from time to time, and it is not possible for us to predict all such factors, nor can we assess the impact of each such factor on the businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. These risks, as well as other risks associated with the merger, are more fully discussed in the Definitive Proxy Statement and the Registration statement filed with the SEC in connection with the proposed transaction and, except as required by applicable law, rule, or regulation, neither Diffusion Pharmaceuticals nor EIP Pharma undertakes any obligation to update any such statements after the date hereof. These forward-looking statements should not be relied upon as representing Diffusion Pharmaceuticals' views as of any date subsequent to the date hereof.

Planned Merger[1]



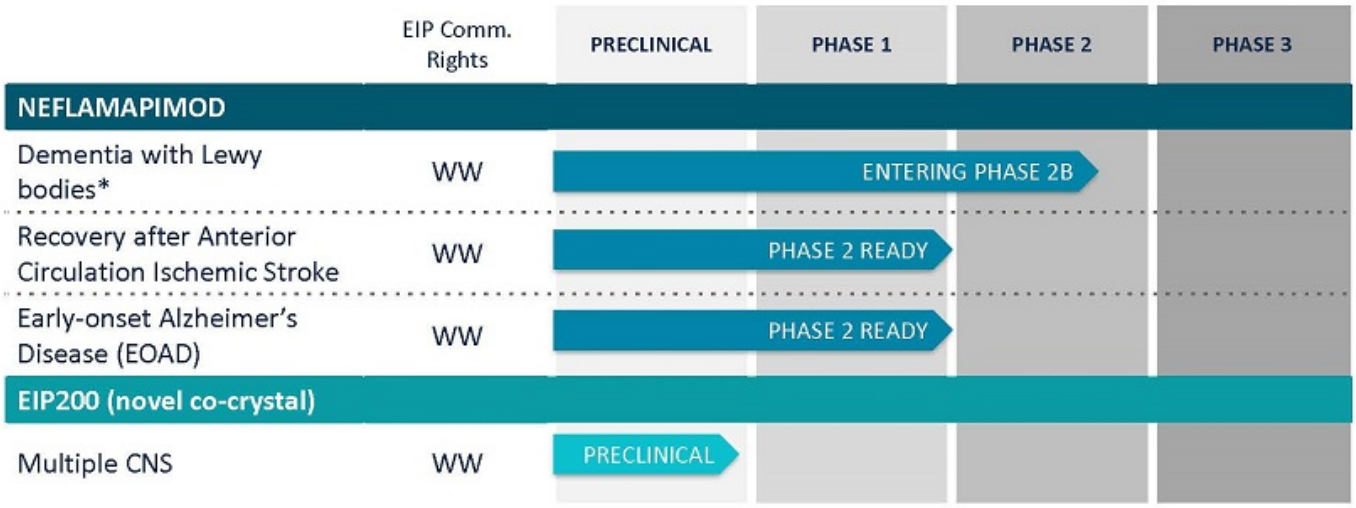
1.See registration statement containing a proxy statement and prospectus related to a special meeting of its stockholder filed with the SEC and available at www.sec.gov. 2. Calculated on a fully-diluted and as-converted basis. 3. Merger has unanimous support of both EIP Pharma and Diffusion Boards of Directors and has been approved by EIP Pharma shareholders. 4. Subject to approval by Diffusion stockholders and other customary closing conditions.

EIP Pharma at a Glance

Late Clinical Stage CNS Company	Differentiated approach to age-related neurologic disorders with a late-stage lead clinical asset; pipeline of additional indications and second asset
Phase 2b Ready Lead Drug Candidate	Neflamapimod has the potential to be the ***first disease-modifying treatment for dementia with Lewy bodies (DLB)***; granted Fast Track designation by FDA
Attractive Commercial Opportunity in DLB	1.4M patients in the US and EU; 3rd most common neurodegenerative disease[1] >$3B US peak sales opportunity for first to market
Multiple Catalysts by the end of 2024	Initiated Phase 2b DLB clinical study in 2Q23; complete enrollment in 1H24 and report primary efficacy results[2] in 2H24
Phase 2b Clinical Study Funded by NIH/NIA	Awarded $21M grant from the NIH's National Institute on Aging (NIA) which will fully fund the planned Phase 2b study[3]

1. After Alzheimer's disease and Parkinson's disease. 2. From placebo-controlled portion of Phase 2b DLB study. 3. The NIA grant funds will be disbursed over the course of study as costs are incurred.

EIP Pharma Pipeline

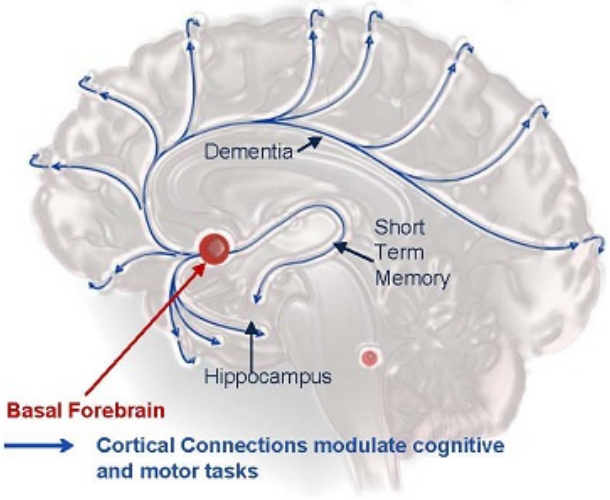


*Received FDA Fast Track designation

Opportunity for Therapeutics Targeting Basal Forebrain Cholinergic Degeneration

- Age-related degeneration of the basal forebrain cholinergic system plays major role in many neurologic disorders:
  - Dementia with Lewy bodies (DLB), where it is the primary pathology
  - Early stages of Alzheimer's
  - Impaired functional recovery after stroke
  - Gait dysfunction, dementia in Parkinson's
- The neurodegenerative process in the basal forebrain is ***reversible***

Basal Forebrain Cholinergic Complex



Dementia with Lewy Bodies (DLB)

What is DLB?

- Disease associated with abnormal deposits of a protein called alpha-synuclein in the brain. These deposits, called Lewy bodies, affect chemicals in the brain whose changes, in turn, can lead to problems with thinking, movement, behavior, and mood[1]
- Patients incur greater rate of cognitive decline, higher healthcare costs, report lower quality of life, and have caregivers with higher levels of distress compared to patients with Alzheimer's disease (AD)

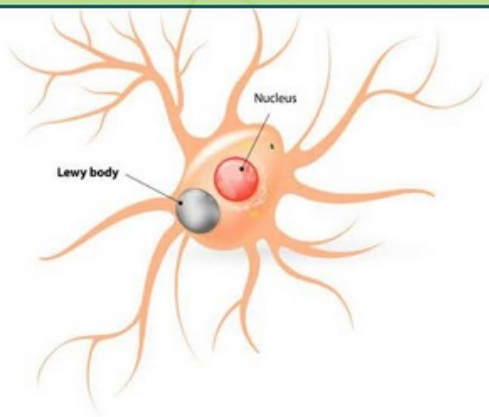
Treatment Landscape and Unmet Need

- No approved therapies; limited drugs in development
- Current standard of care is cholinesterase inhibitor therapy that only transiently improves cognition and does not impact motor component

Market Opportunity

- 3rd most common neurodegenerative disease (after AD and PD)
- ~700,000 individuals in each of US and EU
- Neflamapimod has the potential to be the first disease-modifying approach because it treats the primary pathology - cholinergic degeneration in the basal forebrain

DLB affects ~1.4 million individuals in the US and EU



1. https://www.nia.nih.gov/health/what-lewy-body-dementia-causes-symptoms-and-treatments

Neflamapimod Overview

Mechanism	• Through specifically inhibiting p38a kinase treats synaptic dysfunction • Reverses neurodegenerative process in the basal forebrain in preclinical studies
Toxicology	• Completed long-term toxicology studies in two species • At 40 mg thrice daily (TID) in humans greater than 10-fold safety margin to no-adverse-event level in long-term animal toxicity studies
Clinical Safety	• Clinical safety data in >300 healthy volunteers and patients, with treatment up to six months and doses up to 750 mg BID • Well defined and understood safety profile; transient liver enzyme elevation dose-limiting in the clinic but only at doses ≥ 250 mg BID
Clinical Efficacy	• Target engagement and blood brain barrier demonstrated in studies in AD • Statistically significant and clinically meaningful improvement vs. placebo in dementia severity, cognition and motor function seen at 40mg TID in phase 2a clinical study in DLB

Confirmatory Phase 2b clinical study in DLB initiated in Q2'2023

Licensed in 2014 from Vertex Pharmaceuticals, which had completed chronic toxicology and phase 1 & non-CNS 2a clinical studies

Neflamapimod ***Reverses*** Cholinergic Dysfunction and Degeneration

Ts2 mice

- Down Syndrome transgenic mouse model
- Develop adult-onset basal forebrain cholinergic degeneration
- Treated with vehicle or 3 mg/kg NFMD BID x 28 days

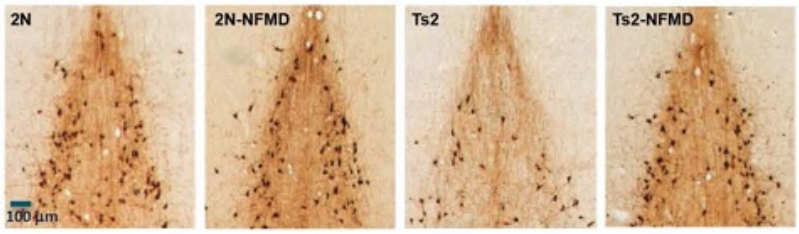
Reversed basal forebrain cholinergic neuron loss and restored cholinergic function

- Significantly increased number of cholinergic neurons in basal forebrain
- Normalized performance in Open field and NOR behavioral tests

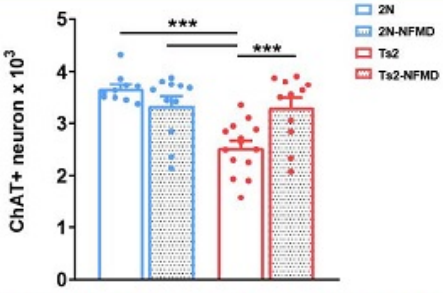
Mechanism of action well defined

- Significantly reduced Rab5 activity and BACE1 / b-CTF protein level
- Reversed Rab5+ endosomal pathology
- Normalized level of phosphorylated p38a and reduced levels of its downstream substrates MK2 and MNK1

Cholinergic neurons in basal forebrain



NFMD-treated Ts2 mice show >30% increase in cholinergic neurons compared to vehicle-treated Ts2 mice (*p<0.001)**



Nature Communications, 13, Article number: 5308 (2022). https://www.nature.com/articles/s41467-022-32944-3

Phase 2a Exploratory Clinical Study in Dementia with Lewy Bodies (DLB)

AscenD-LB

Patients

- Mild-to-Moderate DLB by consensus criteria (McKeith, *Neurology*, 2017)
- Abnormal dopamine uptake by DaTscan™
- **On background cholinesterase inhibitor therapy**

16-WEEK TREATMENT, DOUBLE-BLIND
NFMD 40 mg or matching placebo

Outcome Measures

- DLB-specific Neuropsychological Test Battery (NTB, a cognitive test battery)
- Dementia Severity, assessed by CDR-SB
- Motor Function, assessed by Timed Up and Go (TUG) test

Dosing:

- **Randomized to neflamapimod (n=46) or placebo (n=45)**
- **Twice daily (BID) if weight < 80kg or three times daily (TID) if weight ≥ 80kg**
- **Well tolerated, with no study drug related discontinuations**

Nature Communications, 13, Article number: 5308 (2022). https://www.nature.com/articles/s41467-022-32944-

AscenD-LB demonstrated neflamapimod significantly improved cognition and function in mild-to-moderate DLB

Outcome	Measure	40mg BID + 40mg TID		40mg TID	
		Mean vs. placebo (95% CI)	p-value	Mean vs. placebo (95% CI)	p-value
Dementia Severity	Clinical Dementia Rating Sum of Boxes (CDR-SB)	-0.45 (-0.83, -0.06)	0.023	-0.56 (-0.96, -0.16)	0.007
Cognition	Neuropsychological Test Battery (NTB) Composite z-score	0.04 (-0.11, 0.19)	>0.2	0.17 (0.00, 0.35)	0.049
	Attention Composite z-score	0.14 (-0.06, 0.35)	0.17	0.28 (0.04, 0.51)	0.023
Motor Function	Timed and Go Test (TUG)	-1.4 (-2.7, -0.1)	0.044	-1.4 (-2.6, -0.2)	0.024

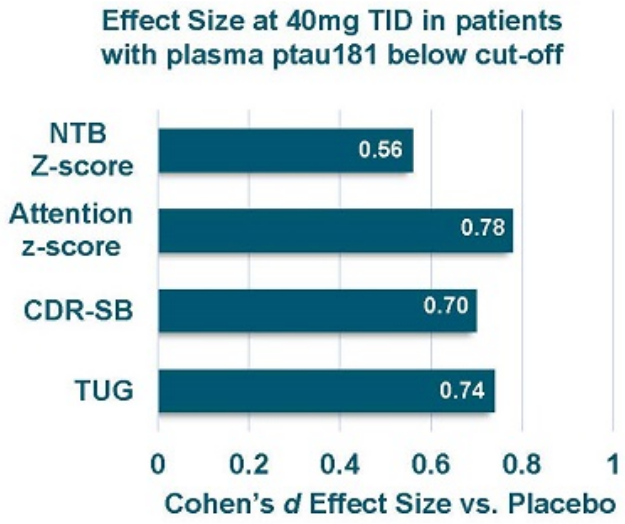
On-study (all time-points) results; change from baseline analysis utilizing Mixed Model for Repeated Measures (MMRM)

Number of participants: 41 for placebo, 20 each for 40mg BID and 40mg TID

Improvement reflected by decrease in CDR-SB and TUG and increase in cognitive measures

Biomarker Results Support Enrichment Strategy for Future Trials

- 35-50% of patients with DLB have biomarker evidence of Alzheimer's disease (AD)
  - Represent patients with extensive neurodegeneration (neuronal loss) in the cerebral cortex, particularly in the medial temporal lobe (i.e., in the hippocampus)
  - DLB patients without positive AD biomarkers have minimal cortical atrophy (Hansen, 1998; Amin, 2020; Abdelnour, 2020)
- In phase 2a, magnitude of neflamapimod treatment effect in DLB was high (>0.5 effect size) in the 54% of patients who did *not* have biomarker evidence of AD (evaluated by plasma ptau181)



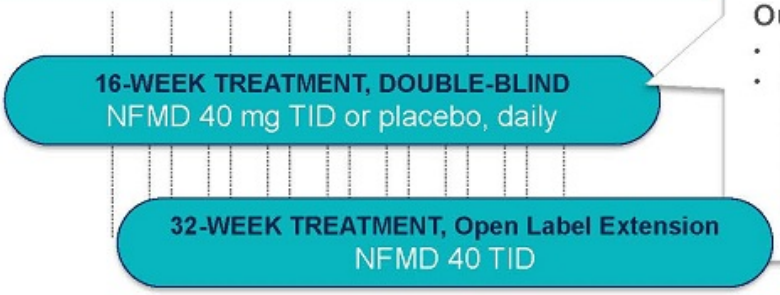
Nature Communications, 13, Article number: 5308 (2022). https://www.nature.com/articles/s41467-022-32944-3

Phase 2b Confirmatory Study in DLB

RewinD-LB

Patients

- DLB by consensus criteria (McKeith, *Neurology*, 2017)
- Abnormal dopamine uptake by DaTscan™
- Global CDR 0.5 or 1.0
- No AD co-pathology by plasma ptau181evaluation
- 160 patients (randomized 1:1 to placebo or NFMD)



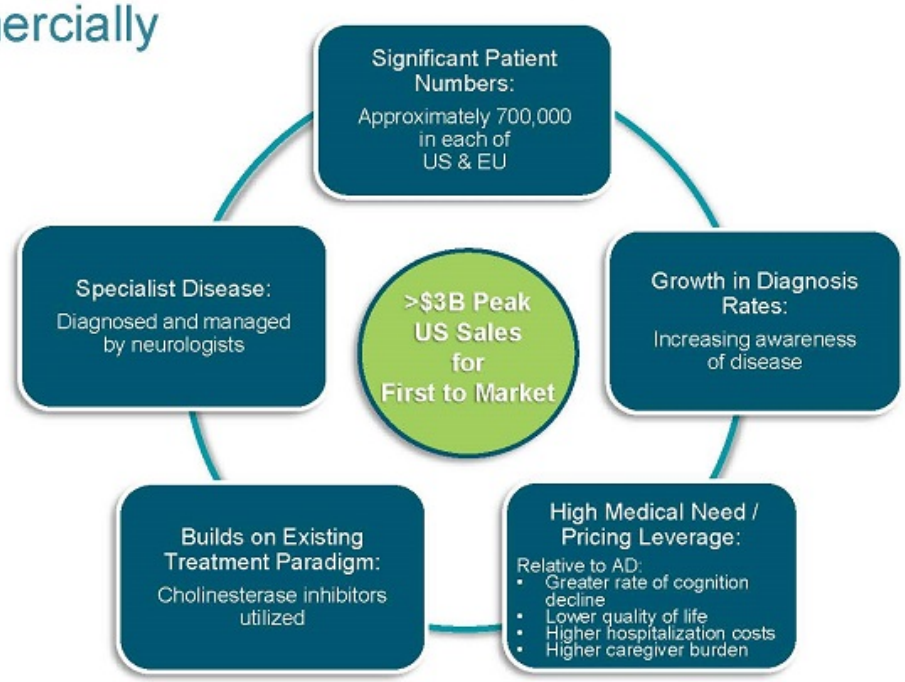
Outcome Measures

- 1º: CDR-Sum of Boxes
- 2º: Cognition assessed by DLB-specific Neuropsychological Test Battery (NTB), CGIC; Motor Function, assessed by Timed Up and Go (TUG) test

Other evaluations:

- **Fluctuation scale, NPI-12, MDS-UPDRS3**
- **EEG evaluations**
- **Structural MRI in 40 patients**

Neflamapimod for DLB: Well-Positioned Commercially



Key Individuals

Management

John Alam, MD
President, CEO & Co-Founder
- Former Chief Medical Officer and EVP Medicines Development, Vertex
- Former Global Head Alzheimer's R&D at Sanofi
- Led clinical development of Avonex for multiple sclerosis at Biogen

Sylvie Gregoire, PharmD
Executive Chair & Co-Founder
- Board member, Novo Nordisk, Perkin Elmer, F2G (private)
- Former President, Human Genetics Therapies, Shire
- Former Executive VP, Biogen; CEO, GlycoFi
- Former Board member at Vifor, Cubist, Board Chair at Corvidia

William Tanner, PhD
Chief Financial Officer (CFO)
- 20 years+ prior experience as a biotech and biopharma research analyst for leading healthcare investment banks including Vector Securities, SG Cowen, Leerink Swann, Lazard Capital Markets and Guggenheim Securities.

Kelly Blackburn
SVP, Clinical Development
- Former VP, Clinical Affairs at aTyr Pharma; VP, Clinical Development Operations at Vertex
- Led global clinical operations for Kalydeco® for the treatment of cystic fibrosis, Incivek® for hepatitis C, and Velcade® for multiple myeloma

Board

Sylvie Gregoire, PharmD (Chair)

Jeff Poulton (Chair of Audit Committee)
- CFO, Alnylam Pharmaceuticals
- Former CFO, Shire Pharmaceuticals; CFO, Indigo Agriculture

Marwan Sabbagh, MD
- Prof. of Neurology at the Alzheimer's and Memory Disorders division of the Barrow Neurological Institute at Dignity Health/St Joseph's Hospital in Phoenix, Arizona
- Camille and Larry Ruvo Endowed Chair for Brain Health and Director of Translational Research at Cleveland Clinic Lou Ruvo Center for Brain Health in Las Vegas

Frank Zavrl
- Former Partner, Adage Capital, Merlin BioMed, Scudder Kemper Investments

John Alam, MD

SAB

Ole Isacson, MD (Chair)
- Prof of Neurology (Neuroscience) Harvard Medical School

Lewis Cantley, PhD
- Dana-Farber Cancer Institute, Co-Founder of Peta Pharma, Agios, and Volastra Therapeutics

Jeff Cummings, MD, PhD
- Director, Chambers-Grundy Center for Transformative Neuroscience at UNLV

Heidi McBride, PhD
- Professor, Dept. of Neurology & Neurosurgery, McGill University

Largest Shareholders
- **Joshua Boger, PhD (22% pre-merger beneficial ownership): Founder and former CEO of Vertex**
- **Two Co-founders (15.4%merger beneficial ownership each)**

Key Upcoming Anticipated Milestones/Catalysts

1H 2023

- ✓ NIA approves $21M grant for Phase 2b
- ✓ Signed merger agreement with Diffusion Pharma
- ✓ Present data at AD/PD 2023
- ✓ Initiate Phase 2b DLB study

2H 2023

- ❑ Publish additional Phase 2a data[1] from DLB study
- ❑ FPD in Phase 2b DLB study
- ❑ Close merger transaction; begin trading as a public company

2024

- ❑ Complete enrollment in Phase 2b DLB study (1H)
- ❑ Report data from placebo-controlled portion of Phase 2b DLB study (2H)

1. Plasma ptau181 stratified results.

Summary

- Differentiated Approach to Age-related Neurologic Disorders with a Late-Stage Asset
- Major value creation potential in phase 2b read-out in dementia with Lewy bodies
- Experienced Management Team and Board of Directors
- Potential to broaden opportunity through additional indications and 2nd asset
- Significant news flow through to end of 2024

EIP PHARMA

CERVOMED

"Medicines for the Brain"

le cerveau (sair-voh), noun, masculine in French for brain or mind

EIP PHARMA

Canaccord Growth Conference
Aug 9-10, 2023; Boston

Investor Presentation