

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

**Form 10-Q**

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

**For the quarterly period ended September 30, 2022**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 000-15327**

**LadRx Corporation**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**58-1642740**

(I.R.S. Employer Identification No.)

**11726 San Vicente Blvd., Suite 650**

**Los Angeles, CA**

(Address of principal executive offices)

**90049**

(Zip Code)

**(310) 826-5648**

(Registrant's telephone number, including area code)

CytRx Corporation

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

**None**

**None**

**None**

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

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

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

Large accelerated filer ☐  
Emerging growth company ☐

Accelerated filer

Non-accelerated filer ☒

Smaller reporting company ☒

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

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

Number of shares of LadRx Corporation common stock, \$0.001 par value, outstanding as of November 10, 2022: 45,037,391 shares.



**LADRX CORPORATION**

**FORM 10-Q**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I. — FINANCIAL INFORMATION</u></b>	<b><u>4</u></b>
Item 1. Condensed Consolidated Financial Statements (unaudited)	4
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Quantitative and Qualitative Disclosures About Market Risk	24
Item 4. Controls and Procedures	24
<b><u>PART II. — OTHER INFORMATION</u></b>	<b><u>24</u></b>
Item 1. Legal Proceedings	24
Item 1A Risk Factors	24
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	24
Item 6. Exhibits	24
<b><u>SIGNATURES</u></b>	<b><u>25</u></b>
<b><u>INDEX TO EXHIBITS</u></b>	<b><u>26</u></b>

### ***Forward Looking Statements***

All statements in this Quarterly Report, including statements in this section, other than statements of historical fact are forward-looking statements, including statements of our current views with respect to the recent developments regarding our business strategy, business plan and research and development activities, our future financial results, and other future events. These statements include forward-looking statements both with respect to us, specifically, and the biotechnology industry, in general. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “estimates,” “potential” or “could” or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct, and actual results could differ materially from those projected or assumed in the forward-looking statements.

All forward-looking statements involve inherent risks and uncertainties, and there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. We believe that these factors include, but are not limited to, the factors discussed in this section and under the caption “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Annual Report”), which should be reviewed carefully. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we anticipate. Please consider our forward-looking statements in light of those risks as you read this Quarterly Report. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

### ***Note Regarding Company References***

References throughout this Quarterly Report on Form 10-Q, the “Company”, “LadRx”, “we”, “us”, and “our”, except where the context requires otherwise, refer to LadRx Corporation and its subsidiary.

**PART I — FINANCIAL INFORMATION**

**Item 1. — Condensed Consolidated Financial Statements**

**LADRX CORPORATION**  
**(formerly CytRx Corporation)**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,015,714	\$ 6,769,603
Insurance claim receivable	—	200,000
Prepaid expenses and other current assets	<u>71,388</u>	<u>1,310,382</u>
Total current assets	3,087,102	8,279,985
Equipment and furnishings, net	22,303	32,784
Other assets	7,703	16,836
Operating lease right-of-use assets	<u>262,031</u>	<u>397,172</u>
Total assets	<u>\$ 3,379,139</u>	<u>\$ 8,726,777</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable	\$ 903,141	\$ 1,470,652
Accrued expenses and other current liabilities	1,163,402	2,064,506
Current portion of operating lease liabilities	<u>192,722</u>	<u>198,819</u>
Total current liabilities	<u>2,259,265</u>	<u>3,733,977</u>
Operating lease liabilities, net of current portion	<u>83,450</u>	<u>216,381</u>
Preferred Stock, Series C 10% Convertible, \$1,000 par value, 2,752 and 8,240 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	<u>1,343,684</u>	<u>4,022,700</u>
Stockholders' equity (deficit):		
Preferred Stock, \$0.01 par value, 833,333 shares authorized, including 50,000 shares of Series B Junior Participating Preferred Stock; no shares issued and outstanding	—	—
Common stock, \$0.001 par value, 62,393,940 shares authorized; 45,037,391 and 38,780,038 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	45,037	38,780
Additional paid-in capital	487,472,352	484,790,650
Accumulated deficit	<u>(487,824,649)</u>	<u>(484,075,711)</u>
Total stockholders' equity (deficit)	<u>(307,260)</u>	<u>753,719</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 3,379,139</u>	<u>\$ 8,726,777</u>

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

**LADRX CORPORATION**  
**(formerly CytRx Corporation)**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue:				
Licensing revenue	\$ —	\$ —	\$ —	\$ —
Expenses:				
General and administrative	1,167,527	1,532,613	3,610,172	3,993,672
	<u>1,167,527</u>	<u>1,532,613</u>	<u>3,610,172</u>	<u>3,993,672</u>
Loss from operations	(1,167,527)	(1,532,613)	(3,610,172)	(3,993,672)
Other income (loss):				
Liquidated damages expense	—	(164,800)	—	(164,800)
Interest income	789	4,383	2,643	13,365
Forgiveness of accounts payable	—	—	353,565	—
Other income (loss), net	<u>59</u>	<u>(2,223)</u>	<u>(2,402)</u>	<u>(5,245)</u>
Net loss	<u>\$ (1,166,679)</u>	<u>\$ (1,695,253)</u>	<u>\$ (3,256,366)</u>	<u>\$ (4,150,352)</u>
Dividends paid on preferred shares	<u>(84,005)</u>	<u>—</u>	<u>(492,572)</u>	<u>—</u>
Net loss attributable to common stockholders	<u>\$ (1,250,684)</u>	<u>\$ (1,695,253)</u>	<u>\$ (3,748,938)</u>	<u>\$ (4,150,352)</u>
Total basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.09)</u>	<u>\$ (0.11)</u>
Basic and diluted weighted-average shares outstanding	<u>45,037,391</u>	<u>38,472,346</u>	<u>42,802,664</u>	<u>37,069,376</u>

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

**LADRX CORPORATION**  
**(formerly CytRx Corporation)**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Net loss from operations	\$ (3,256,366)	\$ (4,150,352)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,248	9,831
Stock-based compensation expense	8,940	—
Changes in assets and liabilities:		
Insurance claim receivable	200,000	324,030
Prepaid expenses and other current assets	1,238,994	1,007,152
Other assets	9,133	—
Amortization of right-of-use asset	135,141	136,861
Accounts payable	(567,512)	(234,109)
Decrease in lease liabilities	(139,028)	(134,949)
Accrued expenses and other current liabilities	(901,101)	242,424
Net cash used in operating activities	<u>(3,260,551)</u>	<u>(2,799,112)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(766)	—
Net cash used in investing activities	<u>(766)</u>	<u>—</u>
Cash flows from financing activities		
Net proceeds from issuance of common stock and investment option	—	5,153,090
Net proceeds from issuance of preferred stock	—	4,022,700
Preferred stock dividend	(492,572)	—
Proceeds from exercise of stock options	—	78,000
Net cash from (used in) financing activities	<u>(492,572)</u>	<u>9,253,790</u>
Net increase (decrease) in cash and cash equivalents	(3,753,889)	6,454,678
Cash and cash equivalents at beginning of period	6,769,603	10,003,375
Cash and cash equivalents at end of period	<u>\$ 3,015,714</u>	<u>\$ 16,458,053</u>
Supplemental disclosure of Cash Flow Information:		
Conversion of Series C Preferred Stock to Common Stock	<u>\$ 2,679,019</u>	<u>\$ —</u>

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

**LADRX CORPORATION**  
**(formerly CytRx Corporation)**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

**For the Nine Month Period Ended September 30, 2022**

	<b>Common Shares Issued</b>	<b>Common Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance at January 1, 2022	38,780,038	\$ 38,780	\$ 484,790,650	\$ (484,075,711)	\$ 753,719
Exercise of stock options	21,404	21	(21)		—
Conversion of preferred shares	4,681,819	4,682	2,006,609		2,011,351
Preferred dividend				(206,000)	(206,000)
Issuance of restricted stock for compensation			3,299		3,299
Net loss				(1,295,911)	(1,295,911)
Balance at March 31, 2022	<u>43,483,261</u>	<u>\$ 43,483</u>	<u>\$ 486,800,597</u>	<u>\$ (485,577,622)</u>	<u>\$ 1,266,458</u>
Conversion of preferred shares	1,554,130	1,554	666,114		667,668
Issuance of restricted stock for compensation			2,805		2,805
Preferred dividend				(202,567)	(202,567)
Net loss				(793,776)	(793,776)
Balance at June 30, 2022	<u>45,037,391</u>	<u>\$ 45,037</u>	<u>\$ 487,469,516</u>	<u>\$ (486,573,965)</u>	<u>\$ 940,588</u>
Preferred dividend				(84,005)	(84,005)
Issuance of restricted stock for compensation			2,836		2,836
Net loss				(1,166,679)	(1,166,679)
Balance at September 30, 2022	<u>45,037,391</u>	<u>\$ 45,037</u>	<u>\$ 487,472,352</u>	<u>\$ (487,824,649)</u>	<u>\$ (307,260)</u>

**For the Nine Month Period Ended September 30, 2021**

	<b>Common Shares Issued</b>	<b>Common Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total</b>
Balance at January 1, 2021	36,480,038	\$ 36,480	\$ 479,561,860	\$ (470,727,380)	\$ 8,870,960
Net loss				(1,279,303)	(1,279,303)
Balance at March 31, 2021	<u>36,480,038</u>	<u>\$ 36,480</u>	<u>\$ 479,561,860</u>	<u>(\$ 472,006,683)</u>	<u>\$ 7,591,657</u>
Exercise of stock options	300,000	300	77,700	—	78,000
Net loss				(1,175,796)	(1,175,796)
Balance at June 30, 2021	<u>36,780,038</u>	<u>\$ 36,780</u>	<u>\$ 479,639,560</u>	<u>\$ (473,182,479)</u>	<u>\$ 6,493,861</u>
Issuance of common stock and preferred investment options	2,000,000	2,000	5,151,090		5,153,090
Net loss				(1,695,253)	(1,695,253)
Balance at September 30, 2021	<u>38,780,038</u>	<u>\$ 38,780</u>	<u>\$ 484,790,650</u>	<u>\$ (474,877,732)</u>	<u>\$ 9,951,698</u>

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



**LADRX CORPORATION**  
**(formerly CytRx Corporation)**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine-Months Period Ended September 30, 2022 and 2021**  
**(Unaudited)**

**1. Basis of Presentation and Significant Accounting Policies**

***Basis of Presentation and Principles of Consolidation***

The accompanying condensed consolidated financial statements at September 30, 2022 and for the three-month and nine-month periods ended September 30, 2022 and 2021, respectively, are unaudited, but include all adjustments, consisting of normal recurring entries, that management believes to be necessary for a fair presentation of the periods presented. Interim results are not necessarily indicative of results for a full year. Balance sheet amounts as of December 31, 2021 have been derived from our audited financial statements as of that date.

The consolidated financial statements included herein have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The consolidated financial statements should be read in conjunction with our audited financial statements contained in its Annual Report.

***Change in Company Name***

Effective September 26, 2022, the Company changed its name from CytRx Corporation to LadRx Corporation pursuant to a Certificate of Amendment to our Certificate of Incorporation filed with the Secretary of State of Delaware. In accordance with the General Corporation Law of the State of Delaware (the "DGCL"), its board of directors approved the name change and the Certificate of Amendment. Pursuant to Section 242(b)(1) of the DGCL, stockholder approval was not required for the name change or the Certificate of Amendment.

***Going Concern***

The Company's condensed consolidated financial statements have been presented on the basis that it will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the nine months ended September 30, 2022, the Company incurred a net loss of \$3,256,366, utilized cash in operations of \$3,260,551, and had a stockholders deficit of \$307,260 as of September 30, 2022. In addition, the Company has no recurring revenue. As a result, management has concluded that there is substantial doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's independent registered public accounting firm, in its report on the Company's consolidated financial statements for the year ended December 31, 2021, has also expressed substantial doubt about the Company's ability to continue as a going concern.

At September 30, 2022, we had cash and cash equivalents of approximately \$3.0 million. We believe we have sufficient cash to fund operations through March 2023. The continuation of the Company as a going concern is dependent upon its ability to obtain necessary debt or equity financing to continue operations until it begins generating positive cash flow. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stockholders, in case of equity financing.

***Use of Estimates***

Preparation of the Company's condensed consolidated financial statements in conformance with U.S. GAAP requires the Company's management to make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the Company's condensed consolidated financial statements and accompanying notes. The significant estimates in the Company's condensed consolidated financial statements relate to the valuation of equity awards, recoverability of deferred tax assets, and estimated useful lives of fixed assets. The Company bases estimates and assumptions on historical experience, when available, and on various factors that it believes to be reasonable under the circumstances. The Company evaluates its estimates and assumptions on an ongoing basis, and its actual results may differ from estimates made under different assumptions or conditions.

**Stock Compensation**

The Company accounts for share-based awards to employees and nonemployee directors and consultants in accordance with the provisions of ASC 718, *Compensation—Stock Compensation*, and under the recently issued guidance following FASB’s pronouncement, ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. Under ASC 718, and applicable updates adopted, share-based awards are valued at fair value on the date of grant and that fair value is recognized over the requisite service, or vesting, period. The Company values its equity awards using the Black-Scholes option pricing model, and accounts for forfeitures when they occur.

**Foreign Currency Remeasurement**

The U.S. dollar has been determined to be the functional currency for the net assets of our German operations. The transactions are recorded in the local currencies and are remeasured at each reporting date using the historical rates for nonmonetary assets and liabilities and current exchange rates for monetary assets and liabilities at the balance sheet date. Exchange gains and losses from the remeasurement of monetary assets and liabilities are recognized in other income (loss). The Company recognized a (loss) of approximately \$(12,200) and \$(16,200), respectively, for the three-month and nine-month periods ended September 30, 2022 and a (loss) of approximately \$(7,400) and \$(9,500), respectively, for the three and nine-month periods ended September 30, 2021, respectively.

**Basic and Diluted Net Loss Per Common Share**

Basic and diluted net loss per common share is computed based on the weighted-average number of common shares outstanding, for the period. Diluted net income (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued using the treasury stock method. Potential common shares are excluded from the computation when their effect is antidilutive. Common share equivalents that could potentially dilute net loss per share in the future, and which were excluded from the computation of diluted loss per share, were as follows:

	As of September 30,	
	2022	2021
Options to acquire common stock	1,847,611	2,862,700
Warrants to acquire common stock	4,167	4,167
Series C Convertible preferred stock	3,127,273	9,336,637
Investment option	11,363,637	11,363,637
	16,342,688	23,567,141

**Fair Value Measurements**

Assets and liabilities recorded at fair value on the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure the fair value. Level inputs are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – other significant observable inputs for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – significant unobservable inputs that reflect management’s best estimate of what market participants would use to price the assets or liabilities at the measurement date.

We consider carrying amounts of accounts receivable, accounts payable and accrued expenses to approximate fair value due to the short-term nature of these financial instruments. Our non-financial assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

**Recently Issued Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments (“ASC 326”). The standard significantly changes how entities will measure credit losses for most financial assets, including accounts and notes receivables. The standard will replace today’s “incurred loss” approach with an “expected loss” model, under which companies will recognize allowances based on expected rather than incurred losses. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for interim and annual reporting periods beginning after December 15, 2022. The adoption of ASU 2016-13 is not expected to have a material impact on the Company’s financial position, results of operations, and cash flows.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (“ASU 2021-04”). ASU 2021-04 provides guidance as to how an issuer should account for a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option (i.e., a warrant) that remains classified after modification or exchange as an exchange of the original instrument for a new instrument. An issuer should measure the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange and then apply a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). ASU 2021-04 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the guidance provided in ASU 2021-04 prospectively to modifications or exchanges occurring on or after the effective date. Early adoption is permitted, including adoption in an interim period. If an entity elects to early adopt ASU 2021-04 in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes that interim period. The adoption of ASU 2021-04 did not have any impact on the Company’s consolidated financial statement presentation or disclosures.

Other recent authoritative guidance issued by the FASB (including technical corrections to the ASC), the American Institute of Certified Public Accountants, and the Securities and Exchange Commission (“SEC”) did not, or are not expected to, have a material impact on the Company’s consolidated financial statements and related disclosures.

**2. Financing Under Security Purchase Agreement**

On July 13, 2021, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with a single institutional investor (the “Investor”) for aggregate gross proceeds of \$10 million and net proceeds of approximately \$9.2 million. The transaction closed on July 16, 2021. Under the Purchase Agreement, the Company sold and issued (i) 2 million shares of its common stock at a purchase price of \$0.88 per share for total gross proceeds of approximately \$1.76 million in a registered direct offering (the “Registered Direct Offering”) and (ii) 8,240 shares of Series C 10.00% Convertible Preferred Stock (the “Preferred Stock”) at a purchase price of \$1,000 per share, for aggregate gross proceeds of approximately \$8.24 million, in a concurrent private placement (the “Private Placement” and, together with the Registered Direct Offering, the “July 2021 Offerings”). The shares of the Preferred Stock are convertible, upon shareholder approval as described below, into an aggregate of up to 9,363,637 shares of common stock at a conversion price of \$0.88 per share. Holders of the Preferred Stock shall be entitled to receive, and the Company shall pay, cumulative dividends at the rate per share (as a percentage of the stated value per share) of 10.00% per annum, payable quarterly on January 1, April 1, July 1 and October 1, beginning on the first such date after the date of issuance. The terms of the Preferred Stock include beneficial ownership limitations that preclude conversion that would result in the Investor owning in excess of 9.99% of the Company’s outstanding shares of common stock. LadRx also issued to the Investor an unregistered preferred investment option (the “Preferred Investment Option”) that allows for the purchase of up to 11,363,637 shares of common stock for additional gross proceeds of approximately \$10 million if the Preferred Investment Option is exercised in full. The exercise price for the Preferred Investment Option is \$0.88 per share. The Preferred Investment Option has a term equal to five and one-half years commencing upon the Company increasing its authorized common stock following shareholder approval.

The Company accounted for these transactions as a single transaction for accounting purposes and allocated total proceeds to the respective instruments based upon the relative fair value of each instrument. The Company determined that the relative fair value of (i) the 2,000,000 shares of the common stock issued was \$859,218, (ii) the relative fair value of the 8,240 shares of Preferred Stock was \$4,022,700, and (iii) the relative fair value of the Preferred Investment Option was \$4,293,872 based upon a Black Scholes valuation model. As such, the Company recorded as Additional Paid in Capital the fair value of the common stock and Preferred Investment Option of \$5,153,090, and the fair value of the Series C Preferred Stock was \$4,022,700 which was reflected as mezzanine equity due to certain clauses of the Securities Purchase Agreement.

On October 1, 2021, the Company paid a quarterly 10% dividend to the Investor in the amount of \$171,668. In 2022, the Company paid the following dividends: on January 1, 2022, \$206,000, on April 1, 2022, \$202,567 and on July 1, 2022, \$84,005 for a total of \$492,572.

On March 15, 2022, at a special meeting of its stockholders which was originally opened and subsequently adjourned on September 23, 2021, the Company's stockholders, by an affirmative vote of the majority of the Company's outstanding shares of capital stock, approved the amendment to the Company's Restated Certificate of Incorporation to effect an increase in the number of shares of authorized common stock, par value \$0.001 per share, from 41,666,666 shares to 62,393,940 shares, and to make a corresponding change to the number of authorized shares of capital stock in order to comply with the Company's contractual obligations under the Purchase Agreement.

On March 28, 2022, the Investor converted 4,120 shares of the Series C Preferred Stock in accordance with the initial terms of the agreement and received 4,681,819 common shares. On May 15, 2022, the Investor converted a further 1,368 shares of the Series C Preferred Stock and received 1,554,130 common shares.

*Terms of Series C Preferred Stock*

Under the Certificate of the Designations, Powers, Preferences and Rights of Series C 10.00% Convertible Preferred Stock (the "**Certificate of Designations**"), each share of Series C Preferred Stock will be convertible, subject to the Beneficial Ownership Limitation (as defined below), at either the holder's option or at the Company's option (a "**Company Initiated Conversion**") at any time following stockholder approval having been obtained to amend our restated certificate of incorporation to increase the number of authorized shares of common stock above 41,666,666 (the "Stockholder Approval"), into common stock at a conversion rate equal to the quotient of (i) the Series C Stated Value of \$1,000 (the "**Series C Stated Value**") plus, in the case of a Company Initiated Conversion, all accrued and accumulated and unpaid dividends on such share of Series C Preferred Stock, divided by (ii) the initial conversion price of \$0.88, subject to specified adjustments for stock splits, stock dividends, reclassifications or other similar events as set forth in the Certificate of Designations.

The Certificate of Designations contains limitations that prevent the holder thereof from acquiring shares of common stock upon conversion that would result in the number of shares of common stock beneficially owned by such holder and its affiliates exceeding 9.99% of the total number of shares of common stock outstanding immediately after giving effect to the conversion (the "**Beneficial Ownership Limitation**"), except that upon notice from the holder to the Company, the holder may increase or decrease the amount of ownership of outstanding shares of common stock after converting the holder's shares of Series C Preferred Stock, provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of outstanding shares of the common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the shares of Series C Preferred Stock held by the holder and provided that any increase in the Beneficial Ownership Limitation shall not be effective until 61 days following notice to the Company.

Each holder of shares of Preferred Stock is entitled to receive dividends, commencing from the date of issuance of the Preferred Stock. Such dividends may be paid only when, as and if declared by the Board of Directors of the Company (the "**Board**"), out of assets legally available therefore, quarterly in arrears on the first day of January, April, July and October in each year, commencing on the date of issuance, at the dividend rate of 10.00% per year. Such dividends are cumulative and continue to accrue on a daily basis whether or not declared and whether or not we have assets legally available therefore.

Under the Certificate of Designations, each share of Series C Preferred Stock carries a liquidation preference equal to the Series C Stated Value plus accrued and unpaid and accumulated dividends thereon. Such liquidation preference is payable upon certain change in control transactions and accordingly, this instrument is classified as mezzanine (temporary equity).

The holders of the Series C Preferred Stock may vote their shares of Preferred Stock on an as-converted basis, subject to the Beneficial Ownership Limitation (which Beneficial Ownership Limitation shall be calculated on a basis which includes the number of shares of common stock which are issuable upon conversion of the unconverted Series C Stated Value beneficially owned by a holder or any of its affiliates or attribution parties on all matters submitted to the holders of common stock for approval). The Company may not take the following actions without the prior consent of the holders of at least a majority of the Preferred Stock then outstanding: (a) alter or change adversely the powers, preferences or rights given to the Preferred Stock or alter or amend the Certificate of Designations, (b) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a Liquidation (as defined in the Certificate of Designations) senior to, or otherwise *pari passu* with, the Preferred Stock, (c) amend its Certificate of Incorporation or other charter documents in any manner that adversely affects any rights of the holders of the Preferred Stock, (d) increase the number of authorized shares of Preferred Stock, or (e) enter into any agreement with respect to any of the foregoing.

*Terms of Preferred Investment Option*

The Preferred Investment Option to purchase up to 11,363,637 shares of common stock is exercisable at a price of \$0.88 per share. The Preferred Investment Option has a term of five and one-half years from the Authorized Share Increase Date. The holders of the Preferred Investment Option may exercise the Preferred Investment Option on a cashless basis, solely to the extent there is no effective registration statement registering, or the prospectus in such registration statement is not available for the resale of the shares of common stock issuable at the time of exercise. The Company is prohibited from effecting an exercise of any Preferred Investment Option to the extent that such exercise would result in the number of shares of common stock beneficially owned by such holder and its affiliates exceeding 9.99% of the total number of shares of common stock outstanding immediately after giving effect to the exercise of the Preferred Investment Options by the holder (the “**PIO Beneficial Ownership Limitation**”), except that upon notice from the holder to the Company, the holder may increase or decrease the amount of ownership of outstanding shares of Common Stock after exercising the holder’s Preferred Investment Option, provided that the PIO Beneficial Ownership Limitation in no event exceeds 9.99% of the number of outstanding shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of common stock upon exercise of the Preferred Investment Option held by the holder and provided that any increase in the PIO Beneficial Ownership Limitation shall not be effective until 61 days following notice to the Company. The Preferred Investment Option provides for a Black-Scholes payout upon certain fundamental change transactions relating to the Company, as specified therein. If the fundamental change transaction is within the control of the Company, the payout will be in cash. Otherwise, the payout will be in the same form of consideration received by the common stockholders as a result of this transaction.

*Registration Rights Agreement*

In connection with the July 2021 Offerings, the Company entered into a registration rights agreement, dated as of July 13, 2021 (the “Registration Rights Agreement”), with the investor named therein, pursuant to which the Company will undertake to file, within five calendar days of the date of the filing of the proxy statement seeking the Stockholder Approval, a resale registration statement to register the shares of common stock issuable upon: (i) the conversion of the Preferred Stock sold in the Private Placement and (ii) the exercise of the Preferred Investment Option (the “**Registrable Securities**”); and to cause such registration statement to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event no later than 75 days following the pricing date of this offering, or no later than 105 days following such date in the event of a “full review” by the SEC, and shall use its reasonable best efforts to keep such registration statement continuously effective under the Securities Act until the date that all Registrable Securities covered by such registration statement have been sold or are otherwise able to be sold pursuant to Rule 144. The Registration Rights Agreement provides for liquidated damages to the extent that the Company does not file or maintain a registration statement in accordance with the terms thereof. The registration rights agreement entered into between us and the Investor on July 13, 2021, contains a triggering event which would require us to pay to any holder of the Preferred Stock an amount in cash, as partial liquidated damages and not as a penalty, on a monthly basis equal to the product of 2.0% multiplied by the aggregate subscription amount paid by such holder for shares of Preferred Stock pursuant to the Purchase Agreement; provided, however, that such partial liquidated damages shall not exceed 24% of the aggregate subscription amounts paid by such holders pursuant to the Purchase Agreement, or \$1,977,600. If we fail to pay any partial liquidated damages within seven days after the date payable, we will be required to pay interest on any such amounts at a rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law.

During the year ended December 31, 2021, the Company did not have enough shares of authorized common stock to issue the shares of common stock issuable upon the exercise or conversion of the Registrable Securities, as applicable. For the year ended December 31, 2021, the Company attempted, but was unsuccessful, to obtain its stockholders’ approval for the increase in its shares of authorized common stock at a special meeting that was originally opened and subsequently adjourned on September 23, 2021, and accordingly, the Company was unable to meet its registration rights obligation as of December 31, 2021. As such, the Company recognized an aggregate of approximately \$1.1 million in liquidated damages during the year ended December 31, 2021, of which included a provision of \$615,123 as an accrual for estimated damages until stockholders’ approval is achieved and the registration statement registering the shares of common stock issuable upon the exercise or conversion, as applicable, of the Registrable Securities is filed. On March 15, 2022, the Company received its stockholders’ approval to increase its authorized shares and filed a certificate of amendment to its Certificate of Incorporation to increase the number of authorized shares from 41,666,666 shares to 63,227,273 shares on the same date. The Company filed its registration statement registering the shares underlying the Registrable Securities on March 23, 2022 and has provided for liquidated damages through that date. The registration statement was declared effective on March 28, 2022.

3. Series D Preferred Stock

On May 19, 2022, the Board declared a dividend of one one-thousandth of a share of Series D Preferred Stock, par value \$0.01 per share (“Series D Preferred Stock”), for each outstanding share of Company’s Common Stock to stockholders of record at 5:00 p.m. Eastern Time on May 20, 2022. The Certificate of Designation of Series D Preferred Stock (the “Series D Certificate of Designation”) provides that all shares of Series D Preferred Stock that are not present in person or by proxy at any meeting of stockholders held to vote on the Reverse Stock Split (as defined in the Series D Certificate of Designation) and the Adjournment Proposal (as defined in the Series D Certificate of Designation) as of immediately prior to the opening of the polls at such meeting (the “Initial Redemption Time”) will automatically be redeemed in whole, but not in part, by the Company at the Initial Redemption Time without further action on the part of the Company or the holder of shares of Series D Preferred Stock (the “Initial Redemption”). Any outstanding shares of Series D Preferred Stock that have not been redeemed pursuant to an Initial Redemption will be redeemed in whole, but not in part, (i) if such redemption is ordered by the Board in its sole discretion, automatically and effective on such time and date specified by the Board in its sole discretion or (ii) automatically upon the approval by the Company’s stockholders of the Reverse Stock Split at any meeting of the stockholders held for the purpose of voting on such proposal (the “Subsequent Redemption”).

On July 27, 2022, at the Company’s 2022 Annual Meeting of Stockholders, the Company’s stockholders approved a proposal to authorize the Board, in its discretion but prior to July 26, 2023, to amend the Company’s Restated Certificate of Incorporation to effect a reverse stock split of all of the outstanding shares of the Company’s Common Stock, at a ratio in the range of 1-for-2 to 1-for-100, with such ratio to be determined by the Board, and all outstanding shares of Series D Preferred Stock were automatically redeemed. As a result, no shares of Series D Preferred Stock remain outstanding. The stock split is not yet effective as of the date of this filing.

4. Leases

We lease office space and office copiers related primarily to the administrative activities. The Company accounts for leases under ASC 842, *Leases*, which requires an entity to recognize a right-of-use asset and a lease liability for virtually all leases.

In January 2020, the Company signed a new four-year lease which covers approximately 2,771 square feet of office and storage space. This lease is effective March 1, 2020 and extends through February 29, 2024, with a right to extend the term for an additional five-year period, subject to the terms and conditions set forth in the lease agreement. The monthly rent is \$13,855, subject to annual increases of 3.5 percent. In February 2020, the Company renewed its additional storage space lease, which requires us to make monthly payments of \$1,370, subject to a 2.5 percent annual increase. The Company recorded a right of use asset and lease liability obligation of \$715,310 upon inception of these leases. The Company also reclassified a previously existing right-of-use asset of \$66,271 from other assets to right-of-use asset.

As of September 30, 2022, the balance of right-of-use assets was approximately \$262,000, and the balance of total lease liabilities was approximately \$276,200.

Future minimum lease payments under non-cancelable operating leases under ASC 842 as of September 30, 2022 are as follows:

	Operating Lease Payments	
October 2022 – September 2023	\$	199,263
October 2023 – March 2024		84,181
Total future minimum lease payments		283,444
Less: present value adjustment		7,272
Operating lease liabilities at September 30, 2022		276,172
Less: current portion of operating lease liabilities		192,722
Operating lease liabilities, net of current portion	\$	83,450

The components of rent expense and supplemental cash flow information related to leases for the period are as follows:

	<b>Period Ended September 30, 2022</b>
<b><u>Lease Cost</u></b>	
Operating lease cost (included in General and administrative expenses in the Company's condensed Consolidated Statements of Operations)	\$ 148,308
<b><u>Other information</u></b>	
Cash paid for amounts included in the measurement of lease liabilities for the period ended September 30, 2022	\$ 136,534
Weighted average remaining lease term – operating leases (in years)	1.4
Average discount rate	3.5%

## 5. Stock Based Compensation

The Company has a 2008 Stock Incentive Plan (the "2008 Plan") under which 5 million shares of common stock are reserved for issuance. As of September 30, 2022, there were approximately 2.3 million shares subject to outstanding stock options and approximately 0.8 million shares outstanding related to restricted stock grants issued from the 2008 Plan. This plan expired on November 20, 2018 and thus no further shares are available for future grant under this plan.

In November 2019, the Company adopted a 2019 Stock Incentive Plan (the "2019 Plan") under which 5.4 million shares of common stock are reserved for issuance. As of September 30, 2022, there were 0.6 million shares subject to outstanding stock options. This plan expires on November 14, 2029.

There were no options granted in either of the periods ended September 30, 2022 and September 30, 2021.

During the nine months ended September 30, 2022, 50,000 options were exercised on a cashless basis in exchange for 21,404 shares of common stock.

Presented below is our stock option activity:

	<b>Nine Months Ended September 30, 2022</b>			
	<b>Number of Options (Employees)</b>	<b>Number of Options (Non- Employees)</b>	<b>Total Number of Options</b>	<b>Weighted- Average Exercise Price</b>
Outstanding at January 1, 2022	2,462,830	365,000	2,827,830	\$ 8.09
Exercised	(50,000)	—	(50,000)	\$ 0.26
Forfeited or expired	(930,219)	—	(930,219)	\$ 10.65
Outstanding at September 30, 2022	1,482,611	365,000	1,847,611	\$ 7.02
Exercisable at September 30, 2022	1,482,611	365,000	1,847,611	\$ 7.02

The following table summarizes significant ranges of outstanding stock options under our plans at September 30, 2022:

<b>Range of Exercise Prices</b>	<b>Number of Options</b>	<b>Weighted- Average Remaining Contractual Life (years)</b>	<b>Weighted- Average Exercise Price</b>	<b>Number of Options Exercisable</b>	<b>Weighted- Average Remaining Contractual Life (years)</b>	<b>Weighted- Average Exercise Price</b>
\$ 0.26 - \$1.00	500,000	7.21	\$ 0.26	500,000	7.21	\$ 0.26
\$ 1.01 - \$3.00	634,006	4.95	\$ 1.96	634,006	4.95	\$ 1.96
\$ 3.01 - \$15.00	454,166	2.52	\$ 11.92	454,166	2.52	\$ 11.92
\$ 15.01 - \$42.42	259,439	1.50	\$ 23.82	259,439	1.50	\$ 23.82
	1,847,611	4.48	\$ 7.02	1,847,611	4.48	\$ 7.02

The Company recorded no stock compensation costs in either periods ended September 30, 2022 or September 30, 2021 as all options had previously vested. At September 30, 2022, there was no unrecognized compensation expense related to unvested stock options.

The aggregate intrinsic value of the outstanding options and options vested as of September 30, 2022 was \$0.

At September 30, 2022 and September 30, 2021, the Company had 4,167 warrants outstanding at a weighted average exercise price of \$10.44. At September 30, 2022, the 4,167 warrants outstanding had no intrinsic value.

**Restricted Stock**

On December 15, 2021, the Company granted to Jennifer Simpson, who serves on our Board of Directors, 25,000 shares of restricted common stock, pursuant to the 2019 Plan. This restricted stock vests on the first anniversary of the date of the grant. The fair value of the restricted stock is based on the market price of the Company’s shares on the grant date. The fair value of the restricted stock on the grant date was \$11,200 and recognized stock compensation expense was \$8,940 during the nine months ended September 30, 2022. As of September 30, 2022, there is approximately \$2,300 of unamortized stock compensation that will be amortized through December 2022.

**6. Stockholder Protection Rights Plan**

On December 13, 2019, the Board of Directors of the Company, authorized and declared a dividend of one right (a “Right”) for each of the Company’s issued and outstanding shares of common stock, par value \$0.001 per share. The dividend was paid to the stockholders of record at the close of business on December 23, 2019. Each Right entitled the registered holder, subject to the terms of the Original Rights Agreement (as defined below), to purchase from the Company one one-thousandth of a share of the Company’s Series B Junior Participating Preferred Stock, par value \$0.01 per share (the “Preferred Stock”), at a price of \$5.00 (the “Purchase Price”), subject to certain adjustments. The description and terms of the Rights were set forth in the Rights Agreement, dated as of December 13, 2019 (the “Original Rights Agreement”), by and between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent (the “Rights Agent”).

On November 12, 2020, the Board approved an amendment and restatement of the Original Rights Agreement (as amended and restated, the “Amended and Restated Rights Agreement”) to effect certain changes to the Original Rights Agreement, including (i) reducing the duration to a term of three years, subject to certain earlier expiration as described in more detail below, and (ii) lowering the beneficial ownership threshold at which a person or group of persons becomes an Acquiring Person (as defined below) to 4.95% or more of the Company’s outstanding shares of Common Stock, subject to certain exceptions. The Amended and Restated Rights Agreement is designed to discourage (i) any person or group of persons from acquiring beneficial ownership of more than 4.95% of the Company’s shares of Common Stock and (ii) any existing stockholder currently beneficially holding 4.95% or more of the Company’s shares of Common Stock from acquiring additional shares of the Company’s Common Stock.

The purpose of the Amended and Restated Rights Agreement is to protect value by preserving the Company’s ability to utilize its net operating losses and certain other tax attributes (collectively, the “Tax Benefits”) to offset potential future income tax obligations. The Company’s ability to use its Tax Benefits would be substantially limited if it experiences an “ownership change,” as such term is defined in Section 382 of the Internal Revenue Code of 1986, as amended (the “Tax Code”). A corporation generally will experience an ownership change if the percentage of the corporation’s stock owned by its “5-percent shareholders,” as defined in Section 382 of the Tax Code, increases by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. The Amended and Restated Rights Agreement is intended to reduce the likelihood the Company would experience an ownership change under Section 382 of the Tax Code.

The Rights will not be exercisable until the earlier to occur of (i) the close of business on the tenth business day after a public announcement or filing that a person or group of affiliated or associated persons has become an “Acquiring Person,” which is defined as a person or group of affiliated or associated persons that, at any time after the date of the Amended and Restated Rights Agreement, has acquired, or obtained the right to acquire, beneficial ownership of 4.95% or more of the Company’s outstanding shares of Common Stock, subject to certain exceptions or (ii) the close of business on the tenth business day after the commencement of, or announcement of an intention to commence, a tender offer or exchange offer the consummation of which would result in any person becoming an Acquiring Person (the earlier of such dates being called the “Distribution Date”) (provided, however, that if such tender or exchange offer is terminated prior to the occurrence of the Distribution Date, then no Distribution Date shall occur as a result of such tender or exchange offer).



The Rights, which are not exercisable until the Distribution Date, will expire at or prior to the earliest of (i) the close of business on November 16, 2023; (ii) the time at which the Rights are redeemed pursuant to the Amended and Restated Rights Agreement; (iii) the time at which the Rights are exchanged pursuant to the Amended and Restated Rights Agreement; (iv) the time at which the Rights are terminated upon the occurrence of certain mergers or other transactions approved in advance by the Board; and (v) the close of business on the date set by the Board following a determination by the Board that (x) the Amended and Restated Rights Agreement is no longer necessary or desirable for the preservation of the Tax Benefits or (y) no Tax Benefits are available to be carried forward or are otherwise available (the earliest of (i), (ii), (iii), (iv) and (v) is referred to as the “**Expiration Date**”).

Each share of Preferred Stock will be entitled, when, as and if declared, to a preferential per share quarterly dividend payment equal to the greater of (i) \$1.00 per share or (ii) an amount equal to 1,000 times the dividend declared per share of Common Stock. Each share of Preferred Stock will entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Company. In the event of any merger, consolidation or other transaction in which shares of Common Stock are converted or exchanged, each share of Preferred Stock will be entitled to receive 1,000 times the amount received per one share of Common Stock.

The Purchase Price payable, and the number of shares of Preferred Stock or other securities or property issuable, upon exercise of the Rights are each subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of the Preferred Stock, (ii) upon the grant to holders of the Preferred Stock of certain rights or warrants to subscribe for or purchase Preferred Stock or convertible securities at less than the then-current market price of the Preferred Stock or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Preferred Stock) or of subscription rights or warrants (other than those referred to above). The number of outstanding Rights and the number of one one-thousandths of a share of Preferred Stock issuable upon exercise of each Right are also subject to adjustment in the event of a stock split, reverse stock split, stock dividends and other similar transactions involving the Common Stock.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right, other than the Rights beneficially owned by the Acquiring Person, affiliates and associates of the Acquiring Person and certain transferees thereof (which will thereupon become null and void), will thereafter have the right to receive upon exercise of a Right that number of shares of Common Stock having a market value of two times the Purchase Price.

In the event that, after a person or a group of affiliated or associated persons has become an Acquiring Person, the Company is acquired in a merger or other business combination transaction, or 50% or more of the Company’s assets or earning power are sold, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then-current purchase price of the Right, that number of shares of common stock of the acquiring company having a market value at the time of that transaction equal to two times the Purchase Price.

With certain exceptions, no adjustment in the Purchase Price will be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Purchase Price. No fractional shares of Preferred Stock will be issued (other than fractions which are integral multiples of one one-thousandth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts) and, in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Stock on the trading day immediately prior to the date of exercise.

At any time after any person or group of affiliated or associated persons becomes an Acquiring Person and prior to the acquisition of beneficial ownership by such Acquiring Person of 50% or more of the outstanding shares of Common Stock, the Board, at its option, may exchange each Right (other than Rights owned by such person or group of affiliated or associated persons which will have become void), in whole or in part, at an exchange ratio of one share of Common Stock per outstanding Right (subject to adjustment).

In connection with any exercise or exchange of the Rights, no holder of a Right will be entitled to receive shares of Common Stock if receipt of such shares would result in such holder, together with such holder’s affiliates and associates, beneficially owning more than 4.95% of the then-outstanding Common Stock (such shares, the “Excess Shares”) and the Board determines that such holder’s receipt of Excess Shares would jeopardize or endanger the value or availability of the Tax Benefits or the Board otherwise determines that such holder’s receipt of Excess Shares is not in the best interests of the Company. In lieu of such Excess Shares, such holder will only be entitled to receive cash or a note or other evidence of indebtedness with a principal amount equal to the then-current market price of the Common Stock multiplied by the number of Excess Shares that would otherwise have been issuable.

At any time before the Distribution Date, the Board may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right (subject to certain adjustments) (the “Redemption Price”). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish.

Immediately upon the action of the Board electing to redeem or exchange the Rights, the Company shall make a public announcement thereof, and upon such election, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

The Board may amend or supplement the Amended and Restated Rights Agreement without the approval of any holders of Rights, including, without limitation, in order to (a) cure any ambiguity, (b) correct inconsistent provisions, (c) alter time period provisions, including the Expiration Date, or (d) make additional changes to the Amended and Restated Rights Agreement that the Board deems necessary or desirable. However, from and after the date any person or group of affiliated or associated persons becomes an Acquiring Person, the Amended and Restated Rights Agreement may not be supplemented or amended in any manner that would adversely affect the interests of the holders of Rights.

**7. Commitments and Contingencies**

*Commitments*

Aldoxorubicin

We have an agreement with Vergell Medical (formerly with KTB Tumorforschungs GmbH) (“Vergell”) for the exclusive license of patent rights held by Vergell for the worldwide development and commercialization of aldoxorubicin. Under the agreement, we must make payments to Vergell in the aggregate of \$7.5 million upon meeting clinical and regulatory milestones up to and including the product’s second final marketing approval. We also have agreed to pay:

- commercially reasonable royalties based on a percentage of net sales (as defined in the agreement);
- a percentage of non-royalty sub-licensing income (as defined in the agreement); and
- milestones of \$1 million for each additional final marketing approval that we obtain.

In the event that we must pay a third party in order to exercise our rights to the intellectual property under the agreement, we are entitled to deduct a percentage of those payments from the royalties due Vergell, up to an agreed upon cap.

Arimoclomol

The agreement relating to our worldwide rights to arimoclomol provides for our payment of up to an aggregate of \$3.65 million upon receipt of milestone payments from Orphazyme A/S. On May 31, 2022, Orphazyme announced that it had completed the sale of substantially all of its assets and business activities for cash consideration of \$12.8 million and assumption of liabilities estimated to equal approximately \$5.2 million to KemPharm (the “KemPharm Transaction”). KemPharm is a specialty biopharmaceutical company focused on the discovery and development of novel treatments for rare central nervous system (“CNS”) diseases. As part of the KemPharm Transaction, all of Orphazyme’s obligations to LadRx under the 2011 Arimoclomol Agreement, including with regard to milestone payments and royalties on sales, were assumed by KemPharm.

Innovive

Under the merger agreement by which we acquired Innovive, we agreed to pay the former Innovive stockholders a total of up to approximately \$18.3 million of future earnout merger consideration, subject to our achievement of specified net sales under the Innovive license agreements. The earnout merger consideration, if any, will be payable in shares of our common stock, subject to specified conditions, or, at our election, in cash or by a combination of shares of our common stock and cash. Our common stock will be valued for purposes of any future earnout merger consideration based upon the trading price of our common stock at the time the earnout merger consideration is paid.

As of September 30, 2022 and December 31, 2021, no amounts were due under the above agreements.

## *Contingencies*

We apply the disclosure provisions of ASC 460, *Guarantees* (“ASC 460”) to its agreements that contain guarantees or indemnities by the Company. We provide (i) indemnifications of varying scope and size to certain investors and other parties for certain losses suffered or incurred by the indemnified party in connection with various types of third-party claims; and (ii) indemnifications of varying scope and size to officers and directors against third party claims arising from the services they provide to the Company.

The Company evaluates developments in legal proceedings and other matters on a quarterly basis. The Company records accruals for loss contingencies to the extent that the Company concludes that it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated.

In December 2019, a novel strain of coronavirus, COVID-19, was first identified in China and has surfaced in several regions across the world. In March 2020, the disease was declared a pandemic by the World Health Organization. The COVID-19 pandemic has, from time to time, led to government-imposed quarantines, limitations on business activity and shelter-in-place mandates to mitigate or contain the virus, and has contributed to financial market volatility and uncertainty and significant disruptions in general commercial activity and the global economy.

As the COVID-19 pandemic continues to evolve, the companies which we are working to develop and commercialize our products, ImmunityBio and KemPharm, could be materially and adversely affected by the risks, or the public perception of the risks, related to the COVID-19 pandemic, which could cause delays in our potential timing of receipts of milestones and royalties within the disclosed time periods and expected costs.

The extent to which the COVID-19 pandemic may impact our business and prospects will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the pandemic, new variants of the coronavirus, travel restrictions and social distancing in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

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

*Change in Company Name*

*Effective as of September 26, 2022, the Company changed its name from CytRx Corporation to LadRx Corporation pursuant to a Certificate of Amendment to our Certificate of Incorporation filed with the Secretary of State of Delaware. In accordance with the General Corporation Law of the State of Delaware (the “DGCL”), its board of directors approved the name change and the Certificate of Amendment. Pursuant to Section 242(b)(1) of the DGCL, stockholder approval was not required for the name change or the Certificate of Amendment.*

*Overview*

LadRx Corporation (“LadRx”) is a biopharmaceutical research and development company specializing in oncology. The Company’s focus is on the discovery, research and clinical development of novel anti-cancer drug candidates that employ novel technologies that target chemotherapeutic drugs to solid tumors and reduce off-target toxicities. However the Company’s research and development activities have been curtailed as they seek additional financing. During 2017, the Company’s discovery laboratory in Freiburg, Germany synthesized and tested over 75 rationally designed drug candidates with highly potent anti-cancer payloads, culminating in the creation of two distinct classes of compounds. Four lead candidates (LADR-7 through LADR-10) were selected based on *in vitro* and animal studies in several different cancer models, and based on stability and manufacturing feasibility. In addition, a novel companion diagnostic, ACDx™, was developed to identify patients with cancer who are most likely to benefit from treatment with these drug candidates

On June 1, 2018, LadRx launched Centurion BioPharma Corporation (“Centurion”), a wholly-owned subsidiary, and transferred into Centurion all of its assets, liabilities and personnel associated with the laboratory operations in Freiburg, Germany. In connection with said transfer, the Company and Centurion entered into a Management Services Agreement whereby the Company agreed to render advisory, consulting, financial and administrative services to Centurion, for which Centurion shall reimburse the Company for the cost of such services plus a 5% service charge. On December 21, 2018, LadRx announced that Centurion had concluded the pre-clinical phase of development for its four LADR™ drug candidates, and for its companion diagnostic (ACDx™). As a result of completing this work, operations taking place at the pre-clinical laboratory in Freiburg, Germany were no longer needed and, the lab was closed at the end of January 2019.

On March 9, 2022, Centurion merged with and into LadRx, with LadRx absorbing all of Centurion’s assets and continuing after the merger as the surviving entity (the “Merger”). The Merger was implemented through an agreement and plan of merger pursuant to Section 253 of the General Corporation Law of the State of Delaware and did not require approval from either our or Centurion’s stockholders. The Certificate of Ownership merging Centurion into LadRx was filed with the Secretary of State of Delaware on March 9, 2022.

The LADR Technology Offers the Opportunity for multiple pipeline drugs. The Company’s LADR™ (Linker Activated Drug Release) technology platform consists of an organic backbone that is attached to a chemotoxic agent. The purpose of the LADR™ backbone is to first target and deliver the chemotoxic agent to the tumor environment, and then to release the chemotoxic agent within the tumor. By delivering, concentrating, and releasing the chemotoxic agent within the tumor, one expects to reduce the off-target side-effects of the chemotherapeutic, which in turn allows for several-fold higher dosing of the chemotherapeutic to the patient. Being small organic molecules, the Company expects LADR-based drugs to offer the benefits of targeting the tumor without the complexity, side effects, and expense inherent in macromolecules such as antibodies and nanoparticles.

The Company’s LADR-based drugs use circulating albumin as the binding target and as the trojan horse to deliver the LADR™ drugs to the tumor. Albumin is the most abundant protein in plasma and accumulates inside tumors due to the aberrant vascular structure that exists within solid tumors. Tumors use albumin as a nutritional source and for transport of signaling and other molecules that are important to the maintenance and growth of the tumor, which makes albumin an excellent target for drugs that are intended for solid tumors.

The Company’s LADR™ development efforts are focused on two classes of ultra-high potency albumin-binding drugs. These LADR-based drugs, LADR7, 8, 9, and 10, combine the proprietary LADR™ backbone with novel derivatives of the auristatin and maytansinoid drug classes. Auristatin and maytansinoid are highly potent chemotoxins, and require targeting to the tumor for safe administration to humans, as is the case for the FDA-approved drugs Adcetris (auristatin antibody-drug-conjugate by Seagen) and Kadcyla (maytansine antibody-drug-conjugate by Genentech). We believe that LADR-based drugs offer the benefits of tumor targeting without the disadvantages of antibodies and other macromolecules, which include expense, complexity, and negative side effects. Additionally, albumin is a very well-characterized drug target, which we believe will reduce clinical and regulatory costs and risks.

The Company’s postulated mechanism of action for LADR-based drugs is as follows:

- after administration, the linker portion of the drug conjugate forms a rapid and specific covalent bond to the cysteine-34 position of circulating albumin;
- circulating albumin preferentially accumulates in tumors due to a mechanism called “Enhanced Permeability and Retention”, which results in lower exposure to the drug in noncancerous tissues of the heart, liver, and other organs;

- once localized at the tumor, the acid-sensitive linker of the LADR™ backbone is cleaved due to the specific conditions within the tumor and in the tumor microenvironment; and
- free active drug is then released within the tumor, causing tumor cell death.

The first-generation LADR-based drug is called Aldoxorubicin. Aldoxorubicin is the well-known drug doxorubicin attached to the first generation LADR™ backbone (LADRs 7-10 employ a next generation LADR™ backbone). Aldoxorubicin has been administered to over 600 human subjects in human clinical trials and has proven the concept of LADR™ in that several-fold more doxorubicin can be safely administered to patients when the doxorubicin is attached to LADR™ than when administered as native doxorubicin. Aldoxorubicin has been licensed to ImmunityBio, and is currently in a Phase II registrational intent trial for pancreatic cancer. Aldoxorubicin is expected to enter a Phase I/II trial for glioblastoma in 2022 or 2023.

The next generation LADR™ drugs are termed LADR7, 8, 9, and 10. A great deal of Investigational New Drug (“IND”) enabling work has already been accomplished on LADR7-10, including in-silico modeling, in-vitro efficacy testing in several different cancer models, in-vivo dosing, safety, and efficacy testing in several different cancer models in animals. We have also developed and proven manufacturability, an important step prior to beginning human clinical trials.

The IND-enabling work that remains prior to applying to the FDA for first-in-human studies for LADR7-10 is limited due to the extensive experimentation already completed. For example, in the case of LADR7, a manufacturing run under Good Manufacturing Practices (GMP) must be completed and some toxicology studies completed using the GMP material must be completed in animals. Toxicology studies with LADR7 have already been completed with non-GMP manufactured drug. Management estimates that these final IND-enabling activities for LADR7 would take approximately 12 months to complete, once funded and initiated, and that first-in-human dosing would be achieved within approximately 6-9 months after completion of the IND-enabling studies. Management further estimates that the cost to manufacture GMP material for one LADR™ drug, for example LADR7, complete all pre-IND studies, and to obtain an IND could be approximately \$2M in direct costs, based on current estimates, representing a capital-efficient path to clinical entry.

Because the LADR™ backbone in future products would be the same as the LADR™ backbone in current product candidates, (i.e. the chemotoxin can be changed without changing the LADR™ backbone), management anticipates that future product candidates beyond LADR7-10 may enjoy abbreviated pre-clinical pathways to first-in-human. Such abbreviated pathways would be subject to FDA review and agreement.

The Company’s novel companion diagnostic, ACDx™ (albumin companion diagnostic) was developed to identify patients with cancer who are most likely to benefit from treatment with the four LADR™ lead assets. We have not yet determined whether the use of a companion diagnostic will be necessary or helpful, and plan to continue to investigate this question in parallel to the pre-clinical and clinical development of LADRs 7-10.

The LADR™ backbone and drugs that employ LADR™ are protected by domestic and international patents, and additional patents are pending.

***Business Strategy for LADR™ Platform***

Throughout 2022, with the assistance of oncology drug development experts, the Company has inventoried the IND-enabling data for LADRs 7-10, developed a strategy to complete the IND-enabling studies necessary for at least one LADR™ drug, and worked with vendors on establishing approximate time lines and costs to reach first-in-human dosing, inclusive of manufacturing, and completion of pre-IND studies and FDA filings. With this important groundwork completed, management is well situated to rapidly advance our next-gen LADR™ assets as soon as funding or partnering is achieved, and is working diligently to obtain funding and/or partnering of the LADR™ assets. Management will continue to explore in parallel both partnered and non-partnered funding and development strategies for LADR™ with a goal of obtaining the least costly capital possible to enable value inflection milestones.

***Partnering of Aldoxorubicin***

On July 27, 2017, the Company entered into an exclusive worldwide license with ImmunityBio, Inc. (formerly known as NantCell, Inc. (“ImmunityBio”)), granting to ImmunityBio the exclusive rights to develop, manufacture and commercialize aldoxorubicin in all indications, and the Company is no longer directly working on the development of aldoxorubicin. As part of the license agreement, ImmunityBio made a strategic investment of \$13 million in LadRx common stock at \$6.60 per share (adjusted to reflect our 2017 reverse stock split), a premium of 92% to the market price on that date. In connection therewith, the Company also issued ImmunityBio a warrant to purchase up to 500,000 shares of common stock at \$6.60, which expired on January 26, 2019. The Company is entitled to receive up to an aggregate of \$343 million in potential milestone payments, contingent upon achievement of certain regulatory approvals and commercial milestones. The Company is also entitled to receive ascending double-digit royalties for net sales for soft tissue sarcomas and mid to high single digit royalties for other indications. There can be no assurance that ImmunityBio will achieve such milestones, approvals or sales with respect to aldoxorubicin.

ImmunityBio is conducting an open-label, randomized, Phase 2 study of a combination of immunotherapy, aldoxorubicin and standard-of-care chemotherapy versus standard-of-care chemotherapy alone for the treatment of locally advanced or metastatic pancreatic cancer in patients who have had 1 or 2 lines of treatment (Cohorts A and B) or 3 or greater lines of treatment (Cohort C). In June 2022, Immunity Bio presented data at the American Society of Clinical Oncology meeting showing that patients receiving combination immunotherapy with aldoxorubicin plus standard-of-care chemotherapy experienced overall survival of 5.8 months, compared to 3 months for historical control patients that had received only the standard-of-care chemotherapy (n=78, 95% confidence interval 4 to 6.9 months). An additional 25 patients in the experimental group remain in the study. Thus far, there have been no treatment-related deaths, and serious adverse events have been uncommon (6%). Immunity Bio plans to meet with the FDA in 2022 to discuss the path for approval of this combination therapy for pancreatic cancer.

Aldoxorubicin has received Orphan Drug Designation (ODD) by the U.S. Food and Drug Administration (“FDA”) for the treatment of soft tissue sarcoma (“STS”). ODD provides several benefits including seven years of market exclusivity after approval, certain R&D related tax credits, and protocol assistance by the FDA. European regulators granted aldoxorubicin Orphan designation for STS which confers ten years of market exclusivity among other benefits.

ImmunityBio also lists ongoing clinical studies in glioblastoma; it is currently reviewing its options in STS.



***Transfer of Rights to Molecular Chaperone Assets***

In 2011, LadRx sold the rights to arimoclomol and irovanadine, based on molecular chaperone regulation technology, to Orphazyme A/S (“Orphazyme”, formerly Orphazyme ApS) in exchange for a one-time, upfront payment and the right to receive up to a total of \$120 million in milestone payments upon the achievement of certain pre-specified regulatory and business milestones, as well as royalty payments based on a specified percentage of any net sales of products derived from arimoclomol(the “2011 Arimoclomol Agreement”). Orphazyme transferred its rights and obligations under the 2011 Arimoclomol Agreement to KemPharm Denmark A/S (“KemPharm”), a wholly owned subsidiary of KemPharm Inc., in May 2022.

In May 2021, Orphazyme announced that the pivotal phase 3 clinical trial for arimoclomol in Amyotrophic Lateral Sclerosis did not meet its primary and secondary endpoints, reducing the maximum amount that LadRx currently has the right to receive under the 2011 Arimoclomol Agreement to approximately \$100 million. Orphazyme also tested arimoclomol in Niemann-Pick disease Type C (“NPC”) and Gaucher disease, and following a Phase II/III trial submitted to the FDA a New Drug Application for the treatment of NPC with arimoclomol. On June 18, 2021, Orphazyme announced it had received a complete response letter (the “Complete Response Letter”) from the FDA indicating the need for additional data. In late October 2021, Orphazyme announced it held a Type A meeting with the FDA, at which the FDA recommended that Orphazyme submit additional data, information and analyses to address certain topics in the Complete Response Letter and engage in further interactions with the FDA to identify a pathway to resubmission. The FDA concurred with Orphazyme’s proposal to remove the cognition domain from the NPC Clinical Severity Scale (“NPCCSS”) endpoint, with the result that the primary endpoint is permitted to be recalculated using the 4- domain NPCCSS, subject to the submission of additional requested information which Orphazyme had publicly indicated that it intended to provide. To bolster the confirmatory evidence already submitted, the FDA affirmed that it would require additional in vivo or pharmacodynamic (PD)/pharmacokinetic (PK) data. Orphazyme planned to request a Type C Meeting with the FDA in the second quarter of 2022. Subject to discussions with the regulatory body, Orphazyme had publicly indicated that it planned to resubmit the NDA for arimoclomol in the second half of 2022.

Orphazyme had also submitted a Marketing Authorization Application (“MAA”) with the European Medicines Agency (the “EMA”). In February 2022, Orphazyme announced that although they had received positive feedback from the Committee for Medicinal Products for Human Use (“CHMP”) of the EMA, they were notified by the CHMP of a negative trend vote on the MAA for arimoclomol for NPC following an oral explanation. In March 2022 Orphazyme removed its application with the EMA. Orphazyme has publicly indicated that it will assess its strategic options and provide an update to the market at the applicable time.

On May 31, 2022, Orphazyme announced that it had completed the sale of substantially all of its assets and business activities for cash consideration of \$12.8 million and assumption of liabilities estimated to equal approximately \$5.2 million to KemPharm (the “KemPharm Transaction”). KemPharm is a specialty biopharmaceutical company focused on the discovery and development of novel treatments for rare central nervous system (“CNS”) diseases. As part of the KemPharm Transaction, all of Orphazyme’s obligations to LadRx under the 2011 Arimoclomol Agreement, including with regard to milestone payments and royalties on sales, were assumed by KemPharm. KemPharm is expected to continue the early access programs with arimoclomol, and to continue to pursue the potential approval of arimoclomol as a treatment option for NPC. KemPharm indicated it plans on resubmitting the NDA for arimoclomol in the first quarter of 2023.

***Critical Accounting Policies and Estimates***

Management’s discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition, impairment of long-lived assets, including finite-lived intangible assets, research and development expenses and clinical trial expenses and stock-based compensation expense.



We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Our significant accounting policies are summarized in Note 2 to our financial statements contained in our 2021 Annual Report.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

*Stock-Based Compensation*

The Company accounts for share-based awards to employees and nonemployees directors and consultants in accordance with the provisions of ASC 718, *Compensation—Stock Compensation*, and under the recently issued guidance following FASB’s pronouncement, ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. Under ASC 718, and applicable updates adopted, share-based awards are valued at fair value on the date of grant and that fair value is recognized over the requisite service, or vesting, period. The Company values its equity awards using the Black-Scholes option pricing model, and accounts for forfeitures when they occur.

***Inflation Risk***

The Company does not believe that inflation has had a material effect on its operations to date, other than the impact of inflation on the general economy. However, there is a risk that the Company’s operating costs could become subject to inflationary pressures in the future, which would have the effect of increasing the Company’s operating costs, and which would put additional stress on the Company’s working capital resources.

***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements.

***Liquidity and Capital Resources***

***Going Concern***

The Company’s condensed consolidated financial statements have been presented on the basis that it will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the nine months ended September 30, 2022, the Company incurred a net loss of \$3,256,365, utilized cash in operations of \$3,260,554, and had a stockholders’ deficit of \$307,260 as of September 30, 2022. In addition, the Company has no recurring revenue. As a result, management has concluded that there is substantial doubt about the Company’s ability to continue as a going concern. The Company’s consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company’s independent registered public accounting firm, in its report on the Company’s consolidated financial statements for the year ended December 31, 2021, has also expressed substantial doubt about the Company’s ability to continue as a going concern.

At September 30, 2022, we had cash and cash equivalents of approximately \$3.0 million. The continuation of the Company as a going concern is dependent upon its ability to obtain necessary debt or equity financing to continue operations until it begins generating positive cash flow. No assurance can be given that any future financing will be available or, if available, that it will be on terms that are satisfactory to the Company. Even if the Company is able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing or cause substantial dilution for our stockholders, in case of equity financing.

Net cash used in operating activities for the nine months ended September 30, 2022 was \$3.3 million, which was primarily the result of a net loss from operations of \$3.3 million, and a net neutral in net cash outflows associated with changes in assets and liabilities. The net cash outflows associated with changes in assets and liabilities were primarily due to decreases of \$1.2 million of prepaid expenses and other current assets, \$0.2 million of insurance claim receivable and \$0.1 million of amortization of right-of-use asset, offset by reductions of \$0.5 million of accounts payable, \$0.9 million in accrued liabilities and \$0.1 million of decrease in lease liabilities.

Net cash used in operating activities for the nine months ended September 30, 2021 was \$2.8 million, which was primarily the result of a net loss from operations of \$4.2 million, offset by \$1.4 million in net cash inflows associated with changes in assets and liabilities. The net cash inflows associated with changes in assets and liabilities were primarily due to increases of \$1.0 million of prepaid expenses and other current assets, \$0.3 million of insurance claim receivable, \$0.2 million of accrued expenses and other current liabilities and \$0.1 million of amortization of right-of-use asset, offset by reductions of \$0.2 million of accounts payable and \$0.1 million of decrease in lease liabilities.

We purchased minimal fixed assets in the nine-month period ended September 30, 2022 and a minimal amount of fixed assets in the nine-month period ended September 30, 2021, and do not expect any significant capital spending during the next 12 months.

We paid dividends on the preferred shares of \$0.5 million in the nine-month period ended September 30, 2022. Net cash provided by financing activities for the nine months ended September 30, 2021 was \$9.3 million, \$9.2 million of which is related to the sale of our common stock, Series C 10% Convertible Preferred Stock and preferred investment options and \$0.1 million from the exercise of stock options.

We continue to evaluate potential future sources of capital, as we do not currently have commitments from any third parties to provide us with additional capital and we may not be able to obtain future financing on favorable terms, or at all. The results of our technology licensing efforts and the actual proceeds of any fund-raising activities will determine our ongoing ability to operate as a going concern. Our ability to obtain future financings through joint ventures, product licensing arrangements, royalty sales, equity financings, grants or otherwise is subject to market conditions and our ability to identify parties that are willing and able to enter into such arrangements on terms that are satisfactory to us. Depending upon the outcome of our fundraising efforts, the accompanying financial information may not necessarily be indicative of our future financial condition. Failure to obtain adequate financing would adversely affect our ability to operate as a going concern.

We do not have any off-balance sheet arrangements.

There can be assurance that we will be able to generate revenues from our product candidates and become profitable. Even if we become profitable, we may not be able to sustain that profitability.

### ***Results of Operations***

We recorded a net loss of approximately \$1.2 million and \$3.3 million for the three-month and nine-month periods ended September 30, 2022, respectively, as compared to a net loss of approximately \$1.7 million and \$4.1 million for the three-month and nine-month periods ended September 30, 2021, respectively.

We recognized no licensing revenue in the nine-month periods ended September 30, 2022 and 2021. All future licensing fees under our current licensing agreements are dependent upon successful development milestones being achieved by the licensor.

### ***General and Administrative Expenses***

	<b>Three-Month Period Ended September 30,</b>		<b>Nine-Month Period Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>(In thousands)</b>		<b>(In thousands)</b>	
General and administrative expenses	\$ 1,161	\$ 1,530	\$ 3,590	\$ 3,984
Amortization of stock awards	3	—	9	—
Depreciation and amortization	4	3	11	10
	<u>\$ 1,168</u>	<u>\$ 1,533</u>	<u>\$ 3,610</u>	<u>\$ 3,994</u>

General and administrative expenses include all administrative salaries and general corporate expenses, including legal expenses. Our general and administrative expenses, excluding stock expense, non-cash expenses and depreciation and amortization, were \$1.2 million and \$3.6 million for the three and nine-month periods ended September 30, 2022, respectively, and \$1.5 million and \$4.0 million, respectively, for the same periods in 2021. Our general and administrative expenses in the comparative periods excluding amortization of stock awards, non-cash expenses and depreciation and amortization, decreased primarily due to a decrease in payroll costs.

***Depreciation and Amortization***

Depreciation expense reflects the depreciation of our equipment and furnishings.

***Forgiveness of Accounts Payable***

During the nine-month period ended September 30, 2022, one of the Company’s vendors issued a credit note of \$353,565 related to past general and administrative services.

***Liquidated Damages Expense***

We incurred no liquidated damages in the three and nine-month periods ended September 30, 2022 as compared to \$164,800 for the three and nine-month periods ended September 30, 2021, which related to the Securities Purchase Agreement signed in July 2021.

***Interest Income***

Interest income was approximately \$1,000 and \$3,000 for the three-month and nine-month period ended September 30, 2022, respectively, as compared to \$4,400 and \$13,400, respectively, for the same periods in 2021.

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

Our exposure to market risk is limited primarily to interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because a significant portion of our investments are in short-term debt securities issued by the U.S. government and institutional money market funds. The primary objective of our investment activities is to preserve principal. Due to the nature of our short-term investments, we believe that we are not subject to any material market risk exposure. We do not have any speculative or hedging derivative financial instruments or foreign currency instruments. If interest rates had varied by 10% in the three-month period ended September 30, 2022, it would not have had a material effect on our results of operations or cash flows for that period.

**Item 4. — Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of the end of the quarterly period covered by this Quarterly Report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as specified above. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all errors and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

***Changes in Controls over Financial Reporting***

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continually seek to assure that all of our controls and procedures are adequate and effective. Any failure to implement and maintain improvements in the controls over our financial reporting could cause us to fail to meet our reporting obligations under the SEC’s rules and regulations. Any failure to improve our internal controls to address the weaknesses we have identified could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our common stock.

**PART II — OTHER INFORMATION**

**Item 1. — Legal Proceedings**

None.

**Item 1A. — Risk Factors**

You should carefully consider and evaluate the information in this Quarterly Report and the risk factors set forth under the caption “Item 1A. Risk Factors” in our 2021 Annual Report, which was filed with the SEC on March 23, 2022. The risk factors associated with our business have not materially changed compared to the risk factors disclosed in the 2021 Annual Report.

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

None.

**Item 6. — Exhibits**

The exhibits listed in the accompanying Index to Exhibits are filed as part of this Quarterly Report and incorporated herein by reference.

## SIGNATURES

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

### **LadRx Corporation**

Date: November 10, 2022

By: */s/ JOHN Y. CALOZ*

---

John Y. Caloz  
Chief Financial Officer

## INDEX TO EXHIBITS

<b>Exhibit Number</b>	<b>Description</b>
3.1	<a href="#"><u>Certificate of Amendment of Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on September 23, 2022).</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13A-14(a) or 15D-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
32.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document