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

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

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

Date of Report (Date of Earliest Event Reported): November 26, 2024

XOMA ROYALTY CORPORATION
(Exact Name of Registrant as Specified in Charter)

Delaware	001-39801	52-2154066
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

2200 Powell Street, Suite 310 Emeryville, California 94608	94608
(Address of Principal Executive Offices)	(Zip Code)

(510) 204-7200
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

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

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0075 par value	XOMA	The Nasdaq Global Market
8.625% Series A Cumulative Perpetual Preferred Stock, par value $0.05 per share	XOMAP	The Nasdaq Global Market
Depositary Shares (each representing 1/1000th interest in a share of 8.375% Series B Cumulative Perpetual Preferred Stock, par value $0.05 per share)	XOMAO	The Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

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

EXPLANATORY NOTE

On December 2, 2024, XOMA Royalty Corporation (the "Company" or "XOMA") filed a Current Report on Form 8-K with the Securities and Exchange Commission (the "Original Form 8-K") reporting the Company's completion of the acquisition of Pulmokine, Inc., a Delaware corporation ("Pulmokine"), pursuant to an Agreement and Plan of Merger, dated as of November 26, 2024 in exchange for a $20 million cash payment at closing.

The Company is filing this amendment to the Original Form 8-K ("Amendment") to amend and supplement the Original Form 8-K to include historical financial statements of Pulmokine and pro forma financial information as required by Items 9.01(a) and 9.01(b), respectively, of Form 8-K and that were excluded from the Original Form 8-K in reliance on the instructions to such items. Except as noted in this paragraph, no other information contained in the Original Form 8-K is amended or supplemented. This Amendment should be read together with the Original Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) *Financial Statements of Businesses Acquired*

The financial statements of Pulmokine as of and for the year ended December 31, 2023 (audited) and as of and for the nine months ended September 30, 2024 (unaudited) are filed as Exhibit 99.2 and Exhibit 99.3 to this Amendment.

(b) *Pro Forma Financial Information*

The unaudited pro forma condensed combined balance sheet as of September 30, 2024, the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2024, the unaudited pro forma combined statement of operations for the year ended December 31, 2023, and notes to the unaudited pro forma condensed combined financial information of the Company, all giving effect to the acquisition, are filed as Exhibit 99.4 to this Amendment and incorporated herein by reference.

(d) *Exhibits*

Exhibit No.	Description
23.1	Consent of Rosenberg Rich Baker Berman, P.A., Independent Certified Public Accountants.
99.1+	Press Release issued by XOMA Corporation on December 2, 2024 (incorporated herein by reference to Exhibit 99.1 to the Form 8-K filed by XOMA Royalty Corporation on December 2, 2024).
99.2	Audited Financial Statements of Pulmokine, Inc. as of and for the Year Ended December 31, 2023.
99.3	Unaudited Condensed Financial Statements of Pulmokine, Inc. as of and for the Nine Months Ended September 30, 2024.
99.4	Unaudited Pro Forma Condensed Combined Financial Information of XOMA Royalty Corporation
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

\+ Previously Filed

SIGNATURES

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

XOMA ROYALTY CORPORATION

Date: February 11, 2025

By: /s/ Owen Hughes

Name: Owen Hughes

Title: Chief Executive Officer

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the inclusion in this Form 8-K/A of Xoma Royalty Corporation of our report dated October 21, 2024 with respect to the financial statements of Pulmokine, Inc. for the year ended December 31, 2023.

/s/ Rosenberg Rich Baker Berman, P.A.

Somerset, New Jersey
February 11, 2025

Exhibit 99.2

Pulmokine, Inc.

Financial Statements

December 31, 2023

Pulmokine, Inc.
Index to the Financial Statements
December 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of Pulmokine, Inc.

Opinion

We have audited the accompanying financial statements of Pulmokine, Inc. (a Delaware corporation), which comprise the balance sheet as of December 31, 2023, and the related statement of operations, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pulmokine, Inc as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pulmokine, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Pulmokine, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pulmokine, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about Pulmokine, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

/s/ Rosenberg Rich Baker Berman, P.A.

Somerset, New Jersey
October 21, 2024

Pulmokine, Inc.
Balance Sheet
December 31, 2023

	December 31, 2023
Assets	
Current Assets	
Cash and cash equivalents	$ 708,376
Accounts receivable	10,000,000
Total Current Assets	10,708,376
Security deposits	732
Total Assets	$10,709,108
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts payable	$ 4,741
Total Current Liabilities	4,741
Deferred income taxes	2,006,032
Total Liabilities	2,010,773
Commitments and Contingencies	
Stockholders' Equity	
Seed preferred stock $.00001 par value, 1,000,000 shares authorized; 83,325 shares issued and outstanding	1
Common stock $.00001 par value, 10,000,000 shares authorized; 5,145,501 shares issued and outstanding	51
Additional paid-in capital	3,091,561
Retained earnings	5,606,722
Total Stockholders' Equity	8,698,335
Total Liabilities and Stockholders' Equity	$10,709,108

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

Pulmokine, Inc.
Statement of Operations
December 31, 2023

	December 31, 2023
Revenue	$10,000,000
Operating expenses:	
Salaries and payroll expenses	363
Professional fees	63,035
General and administrative expenses	15,308
Total operating expenses	78,706
Income (loss) from operations	9,921,294
Other income (expense)	
Other income	35,065
Total other income	35,065
Income (loss) before income taxes	9,956,359
Income taxes	(2,007,545)
Net income (loss)	$ 7,948,814

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

Pulmokine, Inc.
Statement of Stockholders' Equity
December 31, 2023

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, January 1, 2023	83,325	1	5,145,501	51	3,091,561	(2,342,092)	749,521
Net income	—	—	—	—	—	7,948,814	7,948,814
Balance, December 31, 2023	83,325	$ 1	5,145,501	$ 51	$3,091,561	$ 5,606,722	$ 8,698,335

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

Pulmokine, Inc.
Statement of Cash Flows
December 31, 2023

	December 31, 2023
Cash Flows From Operating Activities	
Net income (loss)	$ 7,948,814
Adjustments to reconcile net loss to net cash used in operating activities	
Stock-based compensation	—
Change in operating assets and liabilities:	
Accounts receivable	(10,000,000)
Prepaid expenses	—
Income taxes payable	2,006,032
Accounts payable and accrued expenses	4,373
Net Cash Used In Operating Activities	(40,781)
Net Decrease in Cash	(40,781)
Cash and Cash Equivalents at Beginning of Year	749,157
Cash and Cash Equivalents at End of Year	$ 708,376
Supplemental information:	
Cash paid for income taxes	$ —
Cash paid for interest	$ —

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

NOTE 1 - NATURE OF OPERATIONS

Nature of Operations

Pulmokine, Inc. (the “Company”) was incorporated on November 13, 2007 under the laws of the State of Delaware. The Company is a privately held biopharmaceutical Company developing a novel class of kinase inhibitors for pulmonary related diseases. Currently in clinical development is the Company’s first program which is an inhaled small molecule inhibitor of platelet-derived growth factor receptor (PDGFR) for treatment of pulmonary arterial hypertension (PAH).

On October 2, 2017, the Company entered into a license agreement with FSG Pulmo, Inc. where the latter would obtain an exclusive license under the Licensed Patents of the Company and an exclusive license under the Licensed Know-How to further research, develop, commercialize, manufacture, sell, impot, export, and otherwise commercially exploit the Licensed Products. The Company, on the other hand, will be receiving payments for milestones achieved by the licensee in specific stages of the development and commercialization of the product.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. The significant estimate affecting the financial statements is the Company’s stock-based compensation. Actual results could differ from those estimates.

Revenue Recognition

Although the Company has begun to receive revenue from the licensing agreement, the Company has not generated significant revenue since inception.

The Company’s license agreements can include upfront license fees and milestone payments. The Company identifies all of the deliverables at the inception of the agreement. License fees, which are nonrefundable fees will be evaluated for standalone value to the licensor and may be recognized upon delivery pursuant to terms of the agreement. Milestone payments included in the transaction price is limited to amounts for which it is probable that a significant reversal of cumulative revenue recognized under the contract will not occur in future periods. At the end of each reporting period, the Company updates its assessment of whether the milestone payments are constrained by considering both the likelihood and magnitude of a potential revenue reversal. The Company recognizes revenues from royalties when they become due.

The Company had licensed its Licensed Patents and Licensed Know-Hows to FSG Pulmo, Inc. Under such agreement, in exchange for the exploitation of the Patents and Know-Hows, the Company will receive milestone payments in relation to the development, regulation, and sale of the product. Milestone payments vary based on the activity that was completed by the licensee. Milestone payments range from $2 million up to $75 million. Royalties are paid on the net sales of all licensed products at a rate of 6.5% to 8.5%. In December 2023, the Company recognized $10 million in revenue from completion of a milestone. There were no royalties received in 2023.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

The Company periodically monitors its positions with, and the credit quality of the financial institutions with which it invests. Periodically, throughout the year, and as of December 31, 2023, the Company has maintained balances in excess of federally insured limits.

Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes. Under the asset and liability method, deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in a tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company follows the guidance in ASC Topic 740-10 in assessing uncertain tax positions. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision. The standard applies to all tax positions and clarifies the recognition of tax benefits in the financial statements by providing for a two-step approach of recognition and measurement. The first step involves assessing whether the tax position is more-likely-than-not to be sustained upon examination based upon its technical merits. The second step involves measurement of the amount to be recognized. Tax positions that meet the more-likely-than-not threshold are measured at the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate finalization with the taxing authority. There were no uncertain tax positions nor income tax related interest and penalties recorded for the years ended December 31, 2023. The income tax returns of the Company for the year ended December 31, 2020 and subsequent years are subject to examination by the Internal Revenue Service and other taxing authorities, generally for three years after they were filed.

Stock-Based Compensation

The Company calculates stock-based compensation expense for option awards based on the grant/issue date fair value using theBlack-Scholes-Merton option pricing model ("Black-Sholes Model") and recognize the expense on a straight-line basis over the vesting period. The Company accounts for forfeitures as they occur. The Black-Scholes Model requires the use of a number of assumptions including volatility of the stock price, the weighted average risk-free interest rate, and the vesting period of the stock-based award in determining the fair value ofstock-based awards. Although the Company believes the assumptions used to calculate stock-based compensation expense are reasonable, these assumptions can involve complex judgments about future events, which are open to interpretation and inherent uncertainty. In addition, significant changes to the assumptions could significantly impact the amount of expense recorded in a given period.

The fair value of each stock option grant is estimated on the date of grant using theBlack-Scholes option pricing model. The Company is a private company and lacks company-specific historical and implied volatility information. Therefore, it estimates its expected stock volatility based on the historical data regarding the volatility of a publicly traded set of peer companies. The expected term of stock options granted utilizes the simplified method. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

The Company follows ASC 820, "Fair Value Measurements and Disclosures," to measure the fair value of its financial statements and disclosures about fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value in US GAAP, and expands disclosures about fair value measurements. Fair Value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of fair value hierarchy defined by ASC 820 are described below:

Level 1:	Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2:	Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
Level 3:	Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lower priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The Company uses this framework for measuring fair value and disclosures about fair value measurement. As of December 31, 2023, the Company has no financial assets or liabilities that are valued utilizing Level 2 and Level 3 inputs.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs"). ASUs not discussed below were assessed and determined to be either not applicable or are expected to have minimal impact on the financial statements.

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASUNo. 2016-02, as amended ("Topic 842"), which changes accounting for leases and requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance, on the balance sheet and requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The Company adopted this guidance beginning January 1, 2022. The adoption did not have a material impact on the financial statements.

In June 2016, the FASB issued ASUNo. 2016-13, Financial Instruments - Credit Losses ("Topic 326"). The ASU introduces a new accounting model, the Current Expected Credit Losses model ("CECL"), which requires earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. ASU 2016-13 is effective for annual periods beginning after December 15, 2022. The Company adopted this guidance beginning January 1, 2022. The adoption did not have a material impact on the financial statements.

Subsequent Events Evaluation Date

The Company evaluated the events and transactions subsequent to the December 31, 2023 balance sheet date in accordance with FASB ASC855-10-50, "Subsequent Events", through October 21, 2024.

NOTE 3 - STOCKHOLDERS' EQUITY

Seed Preferred Stock

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, the holders of shares of Seed Preferred Stock then outstanding shall be entitled to be paid out of the funds and assets of the Company, an amount per share equal to the greater of the original issue price for such share of Seed Preferred Stock, plus any dividends declared but unpaid thereon, or such amount per share as would have been payable had all shares of Seed Preferred Stock been converted into Common Stock immediately prior to such liquidation, dissolution or winding up. If the funds and assets are insufficient to pay the holders of shares of Seed Preferred Stock, the holders of shares of Seed Preferred Stock will share ratably in any distribution of the funds and assets of the Company in proportion to the respective amounts that would otherwise be payable.

At any time when fifty percent or more of the initially issued shares of Seed Preferred Stock remain issued and outstanding, the Company shall not alter the powers, preferences or rights of the Seed Preferred Stock set forth in this Restated Certificate or the Bylaws of the Corporation or declare or pay any dividend or otherwise make a distribution to holders of Common Stock that is not also furnished proportionately to the holders of Seed Preferred Stock, without the written consent or affirmative vote of the requisite holders.

Each share of Seed Preferred Stock is convertible, at the option of the holder thereof, at any time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the original issue price for the Seed Preferred Stock by the conversion price for the Seed Preferred Stock in effect at the time of conversion. The conversion price for the Seed Preferred Stock means the original issue price for the Seed Preferred Stock, subject to adjustment.

Upon either the closing of the sale of shares of Common Stock to the public in an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the occurrence of an event specified by vote or written consent of the Requisite Holders, all outstanding shares of Seed Preferred Stock will automatically convert into shares of Common Stock, at the conversion price disclosed above.

Upon either the closing of the sale of shares of Common Stock to the public in an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the occurrence of an event specified by vote or written consent of the Requisite Holders, all outstanding shares of Seed Preferred Stock will automatically convert into shares of Common Stock, at the conversion price disclosed above.

Stock Option

On December 18, 2015, the Company established a Stock Incentive Plan. Under the Plan, the Company shall issue option offer letters to certain individuals with the amount of stock options listed under the Plan. The Plan has a total of 760,000 shares available for grant. As of December 31, 2023, all of the options were granted under the plan.

For the year ended December 31, 2023, the Company did not grant any stock options. There was nostock-based compensation related to stock options recognized for the year ended December 31, 2023. As of December 31, 2023 there was no unrecognized compensation cost related to unamortized stock option compensation.

NOTE 3 - STOCKHOLDERS' EQUITY (continued)

Stock Option (continued)

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

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Balances, January 1, 2023	45,000	$ 3.53	4.49
Options granted	—	—	—
Options forfeited	—	—	—
Options exercised	—	—	—
Balances, December 31, 2023	45,000	$ 3.53	3.49
Vested and Exercisable	45,000	$ 3.53	3.49

NOTE 4 - DEFERRED TAXES

At December 31, 2023, the Company has available for federal and state income tax purposes a net operating loss ("NOL") carryforward of approximately $389,000 for federal and state, which may be used to offset future taxable income. NOL's are available to offset federal taxable income do not expire and have indefinite carryforwards. The amounts available to offset state taxable income have various carryforward provisions. No federal or state tax benefit has been reported in the accompanying financial statements since the Company believes that the realization of its net deferred tax asset was considered more likely than not based upon the Company's losses since inception.

The provision for federal and state income taxes for the years ended December 31, 2023, is as follows:

	2023
Federal	
Current	$ —
Deferred	2,008,000
State and Local	
Current	—
Deferred	—
Total provision for income taxes	$2,008,000

The change in the valuation allowance for the years ended December 31, 2023 was approximately $83,000.

NOTE 4 - DEFERRED TAXES (continued)

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes due to the difference between the statutory rate and the effective tax rate. The difference relates mostly to permanent differences and the change in valuation allowance.

The Company's deferred tax assets consisted of the effects of temporary differences attributable to the following:

	December 31, 2023
Deferred Tax Assets:	
Net operating loss carryovers	$ —
Total deferred tax assets	—
Valuation allowance	—
Deferred tax asset, net	—
Deferred Tax Liabilities:	
Difference in reporting basis	2,008,000
Total deferred tax liabilities	2,008,000
Net deferred tax liabilities	$ 2,008,000

NOTE 5 - RELATED PARTY TRANSACTIONS

On June 1, 2022, the Company entered into a consulting agreement with T2M Pathways, Inc. (T2M), a company owned by Pulmokine, Inc's Executive Chair. In the agreement, T2M is to perform tasks and duties specified by the Company's Chief Executive Officer or his delegate including provision of written reports summarizing work performed, compliance with Federal, State, and local laws and policies, and keeping proper books of accounts, receipts, payments, records of transactions, and dealings in the course of business of the Company.

In relation to the Company's consultancy agreement with T2M, the Company incurred consulting expenses for the years 2023 amounting to $50,000. Consulting fees are recorded under the Professional fees line item of the Statement of Operations. Payables outstanding to T2M in relation to the agreement amounted to $4,482 for the year ended December 31, 2023.

NOTE 6 - SUBSEQUENT EVENTS

Prospective Merger with XOMA

On August 21, 2024, XOMA Royalty Corporation expressed its intention to enter a merger transaction with the Company. The Company and XOMA is still in the process of finalizing the terms of the agreement.

Milestone Payment with FSG Pulmo, Inc.

On January 9, 2024, the Company's licensee, FSG Pulmo, Inc. remitted a milestone payment amounting to $10 million as the licensee initiated its first Phase 3 Clinical Trial for the Licensed Product.

Exhibit 99.3

Pulmokine, Inc.

Financial Statements

September 30, 2024

Pulmokine, Inc.
Index to the Financial Statements
September 30, 2024

Independent Auditor's Review Report

To the Board of Directors and Stockholders of
Pulmokine

Results of Review of Interim Financial Information

We have reviewed the accompanying financial statements of Pulmokine, Inc. (a Delaware corporation), which comprise the balance sheet as of September 30, 2024, and the related statement of operations, stockholders' equity, and cash flows for the nine months then ended, and the related notes to the interim financial information.

Based on our review, we are not aware of any material modifications that should be made to the interim financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relative ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

/s/ Rosenberg Rich Baker Berman, P.A.
Somerset, New Jersey
February 10, 2025

Pulmokine, Inc.
Balance Sheet
September 30, 2024

Assets	
Current Assets	
Cash and cash equivalents	$ 1,006,954
Other assets	—
Total Current Assets	1,006,954
Security deposits	732
Total Assets	$ 1,007,686
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts payable	$ 17,032
Total Current Liabilities	17,032
Deferred income taxes	446,690
Total Liabilities	463,722
Commitments and Contingencies	
Stockholders' Equity	
Seed preferred stock $.00001 par value, 1,000,000 shares authorized; 83,325 shares issued and outstanding	1
Common stock $.00001 par value, 10,000,000 shares authorized; 5,145,501 shares issued and outstanding	51
Additional paid-in capital	3,091,562
Accumulated deficit	(2,547,650)
Total Stockholders' Equity	543,964
Total Liabilities and Stockholders' Equity	$ 1,007,686

See independent auditor's review report and notes to the financial statements.

Pulmokine, Inc.
Statement of Operations
Nine Months Ended September 30, 2024

Operating expenses:	
Professional fees	$ 163,614
General and administrative expenses	604,791
Total operating expenses	768,405
Loss from operations	(768,405)
Other income (expense)	
Other income	201,502
Total other income	201,502
Loss before income taxes	(566,903)
Income taxes	(850)
Net loss	$(567,753)

See independent auditor's review report and notes to the financial statements.

Pulmokine, Inc.
Statement of Stockholders' Equity
Nine Months Ended September 30, 2024

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, January 1, 2024	83,325	1	5,145,501	51	3,091,562	5,606,722	8,698,336
Dividends declared	—	—	—	—	—	(7,586,619)	(7,586,619)
Net loss	—	—	—	—	—	(567,753)	(567,753)
Balance, September 30, 2024	83,325	$ 1	5,145,501	$ 51	$3,091,562	$(2,547,650)	$ 543,964

See independent auditor's review report and notes to the financial statements.

Pulmokine, Inc.
Statement of Cash Flows
Nine Months Ended September 30, 2024

Cash Flows From Operating Activities	
Net loss	$ (567,753)
Adjustments to reconcile net loss to net cash used in operating activities	
Change in operating assets and liabilities:	
Accounts receivable	10,000,000
Prepaid expenses	—
Income taxes payable	(1,559,342)
Accounts payable and accrued expenses	12,292
Net Cash Provided by Operating Activities	7,885,197
Cash Flows from Investing Activities	
Dividends paid	(7,586,619)
Net Cash Used in Investing Activities	(7,586,619)
Net Increase in Cash and Cash Equivalents	298,578
Cash and Cash Equivalents at Beginning of Period	708,376
Cash and Cash Equivalents at End of Period	$ 1,006,954
Supplemental information:	
Cash paid for income taxes	$ 1,417,500
Cash paid for interest	$ —

See independent auditor's review report and notes to the financial statements.

NOTE 1 - NATURE OF OPERATIONS

Nature of Operations

Pulmokine, Inc. (the "Company") was incorporated on November 13, 2007 under the laws of the State of Delaware. The Company is a privately held biopharmaceutical Company developing a novel class of kinase inhibitors for pulmonary related diseases. Currently in clinical development is the Company's first program which is an inhaled small molecule inhibitor of platelet-derived growth factor receptor (PDGFR) for treatment of pulmonary arterial hypertension (PAH).

On October 2, 2017, the Company entered into a license agreement with FSG Pulmo, Inc. where the latter would obtain an exclusive license under the Licensed Patents of the Company and an exclusive license under the Licensed Know-How to further research, develop, commercialize, manufacture, sell, import, export, and otherwise commercially exploit the Licensed Products. The Company on the other hand, will be receiving payments for milestones achieved by the licensee in specific stages of the development and commercialization of the product.

Merger with XOMA

On August 21, 2024, XOMA Royalty Corporation expressed its intention to enter a merger transaction with the Company. On December 2, 2024, XOMA Royalty acquired all outstanding shares of Pulmokine for a $20 million cash payment at closing.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Revenue Recognition

Although the Company has begun to receive revenue from the licensing agreement, the Company has not generated significant revenue since inception.

The Company's license agreements can include upfront license fees and milestone payments. The Company identifies all of the deliverables at the inception of the agreement. License fees, which are nonrefundable fees will be evaluated for standalone value to the licensor and may be recognized upon delivery pursuant to terms of the agreement. Milestone payments included in the transaction price is limited to amounts for which it is probable that a significant reversal of cumulative revenue recognized under the contract will not occur in future periods. At the end of each reporting period, the Company updates its assessment of whether the milestone payments are constrained by considering both the likelihood and magnitude of a potential revenue reversal. The Company recognizes revenues from royalties when they become due.

The Company had licensed its Licensed Patents and Licensed Know-Hows to FSG Pulmo, Inc. Under such agreement, in exchange for the exploitation of the Patents and Know-Hows, the Company will receive milestone payments in relation to the development, regulation, and sale of the product. Milestone payments vary based on the activity that was completed by the licensee. Milestone payments range from $2 million up to $75 million. Royalties are paid on the net sales of all licensed products at a rate of 6.5% to 8.5%. On January 9, 2024, the Company received cash amounting to $10 million for a completion of a milestone. There were no revenues from completion of milestones nor royalties earned for the nine-month period ended September 30, 2024.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Company periodically monitors its positions with, and the credit quality of the financial institutions with which it invests. As of September 30, 2024, the Company has maintained the balance of $728,198 in excess of federally insured limits.

Income Taxes

The Company accounts for income taxes using the asset and liability method in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes. Under the asset and liability method, deferred income taxes are recognized for differences between the financial reporting and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in a tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company follows the guidance in ASC Topic 740-10 in assessing uncertain tax positions. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision. The standard applies to all tax positions and clarifies the recognition of tax benefits in the financial statements by providing for a two-step approach of recognition and measurement. The first step involves assessing whether the tax position is more-likely-than-not to be sustained upon examination based upon its technical merits. The second step involves measurement of the amount to be recognized. Tax positions that meet the more-likely-than-not threshold are measured at the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate finalization with the taxing authority. There were no uncertain tax positions nor income tax related interest and penalties recorded for the nine-months period ended September 30, 2024. The income tax returns of the Company for the year ended December 31, 2021 and subsequent years are subject to examination by the Internal Revenue Service and other taxing authorities, generally for three years after they were filed.

Stock-Based Compensation

The Company calculates stock-based compensation expense for option awards based on the grant/issue date fair value using theBlack-Scholes-Merton option pricing model ("Black-Sholes Model") and recognize the expense on a straight-line basis over the vesting period. The Company accounts for forfeitures as they occur. The Black-Scholes Model requires the use of a number of assumptions including volatility of the stock price, the weighted average risk-free interest rate, and the vesting period of the stock-based award in determining the fair value of stock-based awards. Although the Company believes the assumptions used to calculate stock-based compensation expense are reasonable, these assumptions can involve complex judgments about future events, which are open to interpretation and inherent uncertainty. In addition, significant changes to the assumptions could significantly impact the amount of expense recorded in a given period.

The fair value of each stock option grant is estimated on the date of grant using theBlack-Scholes option pricing model. The Company is a private company and lacks company-specific historical and implied volatility information. Therefore, it estimates its expected stock volatility based on the historical data regarding the volatility of a publicly traded set of peer companies. The expected term of stock options granted utilizes the simplified method. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

The Company follows ASC 820, "Fair Value Measurements and Disclosures," to measure the fair value of its financial statements and disclosures about fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value in US GAAP, and expands disclosures about fair value measurements. Fair Value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of fair value hierarchy defined by ASC 820 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally unobservable inputs and not corroborated by market data.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lower priority to unobservable inputs. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The Company uses this framework for measuring fair value and disclosures about fair value measurement. As of September 30, 2024, the Company has no financial assets or liabilities that are valued utilizing Level 2 and Level 3 inputs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. The significant estimate affecting the financial statements is the Company's stock-based compensation. Actual results could differ from those estimates.

Subsequent Events Evaluation Date

The Company evaluated the events and transactions subsequent to the September 30, 2024 balance sheet date in accordance with FASB ASC855-10-50, "Subsequent Events", through February 10, 2025.

NOTE 3 - STOCKHOLDERS' EQUITY

Seed Preferred Stock

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the Company, before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, the holders of shares of Seed Preferred Stock then outstanding shall be entitled to be paid out of the funds and assets of the Company, an amount per share equal to the greater of the original issue price for such share of Seed Preferred Stock, plus any dividends declared but unpaid thereon, or such amount per share as would have been payable had all shares of Seed Preferred Stock been converted into Common Stock immediately prior to such liquidation, dissolution or winding up. If the funds and assets are insufficient to pay the holders of shares of Seed Preferred Stock, the holders of shares of Seed Preferred Stock will share ratably in any distribution of the funds and assets of the Company in proportion to the respective amounts that would otherwise be payable.

NOTE 3 - STOCKHOLDERS' EQUITY (continued)

Seed Preferred Stock (continued)

At any time when fifty percent or more of the initially issued shares of Seed Preferred Stock remain issued and outstanding, the Company shall not alter the powers, preferences or rights of the Seed Preferred Stock set forth in this Restated Certificate or the Bylaws of the Corporation or declare or pay any dividend or otherwise make a distribution to holders of Common Stock that is not also furnished proportionately to the holders of Seed Preferred Stock, without the written consent or affirmative vote of the requisite holders.

Each share of Seed Preferred Stock is convertible, at the option of the holder thereof, at any time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the original issue price for the Seed Preferred Stock by the conversion price for the Seed Preferred Stock in effect at the time of conversion. The conversion price for the Seed Preferred Stock means the original issue price for the Seed Preferred Stock, subject to adjustment.

Upon either the closing of the sale of shares of Common Stock to the public in an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the occurrence of an event specified by vote or written consent of the Requisite Holders, all outstanding shares of Seed Preferred Stock will automatically convert into shares of Common Stock, at the conversion price disclosed above.

Upon either the closing of the sale of shares of Common Stock to the public in an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the occurrence of an event specified by vote or written consent of the Requisite Holders, all outstanding shares of Seed Preferred Stock will automatically convert into shares of Common Stock, at the conversion price disclosed above.

Stock Option

On December 18, 2015, the Company established a Stock Incentive Plan. Under the Plan, the Company shall issue option offer letters to certain individuals with the amount of stock options as listed under the Plan. The Plan has a total of 760,000 shares available for grant. As of September 30, 2024, all of the options were granted under the plan.

For the nine-month period ended September 30, 2024, the Company did not grant any stock options. There were nostock-based compensation related to stock options recognized for the nine-month period ended September 30, 2024. As of September 30, 2024, there was no unrecognized compensation cost related to unamortized stock option compensation.

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

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)
Balances, January 1, 2024	45,000	3.53	3.49
Options granted	—	—	—
Options forfeited	—	—	—
Options exercised	—	—	—
Balances, September 30, 2024	45,000	$ 3.53	2.74
Vested and Exercisable	45,000	$ 3.53	2.74

See independent auditor's review report.

NOTE 4 - DEFERRED TAXES

As of September 30, 2024, the Company had no net operating loss (“NOL”) carryforwards available for federal and state income tax purposes. The provision for federal and state income taxes for the nine-month period ended September 30, 2024, is as follows:

Federal	
Current	$ —
Deferred	446,700
State and Local	
Current	—
Deferred	—
Total provision for income taxes	$446,700

The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes due to the difference between the statutory rate and the effective tax rate. The Company’s deferred tax liabilities of $446,700 as of September 30, 2024, consisted of the effects of differences in reporting basis.

NOTE 5 - RELATED PARTY TRANSACTIONS

On June 1, 2022, the Company entered into a consulting agreement with T2M Pathways, Inc. (T2M), a company owned by Pulmokine, Inc’s Executive Chair. In the agreement, T2M is to perform tasks and duties specified by the Company’s Chief Executive Officer or his delegate including provision of written reports summarizing work performed, compliance with Federal, State, and local laws and policies, and keeping proper books of accounts, receipts, payments, records of transactions, and dealings in the course of business of the Company.

In relation to the Company’s consultancy agreement with T2M, the Company incurred consulting expenses for thenine-month period ended September 30, 2024 amounting to $74,000.. Consulting fees are recorded under the Professional fees line item of the Statement of Operations. Payables outstanding to T2M in relation to the agreement amounted to $5,352 as of September 30, 2024.

NOTE 6 - SUBSEQUENT EVENTS

Merger with XOMA

On December 2, 2024, XOMA Royalty acquired all outstanding shares of Pulmokine for a $20 million cash payment at closing. In addition, XOMA Royalty will pay success-based consideration contingent on future development and commercial events to Pulmokine stockholders. XOMA Royalty’s net royalties will range from the low to mid-single digits on commercial sales; additionally, the Company will retain up to $25 million of the milestone payments

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 26, 2024, XOMA Royalty Corporation (the “Company” or “XOMA”) completed the acquisition (“Transaction”) of Pulmokine, Inc. (“Pulmokine”), pursuant to an Agreement and Plan of Merger, dated as of November 26, 2024 (the “Merger Agreement”), by and among Pulmokine, the Company and XRA 2 Corp (“XRA”), a wholly owned subsidiary of XOMA.

Under the terms of the Merger Agreement, the Company acquired Pulmokine for upfront cash consideration of $20.0 million net of certain adjustments. The Company financed the acquisition with cash on hand. Following the merger, XRA merged with and into Pulmokine, and Pulmokine continued as the surviving corporation in the merger and a wholly owned subsidiary of the Company.

The presentation of the unaudited pro forma condensed combined balance sheet as of September 30, 2024 gives effect to the Transaction as if it had occurred on September 30, 2024. The presentation of the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2024 and year ended December 31, 2023 reflects the combined results of operations as if the Transaction had occurred on January 1, 2023, the beginning of the Company’s 2023 fiscal year. The unaudited pro forma condensed combined financials statements include adjustments that reflect the accounting for the Transaction in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

The unaudited pro forma condensed combined financial information, including the notes thereto, was derived from and should be read in conjunction with the following historical financial statements and the accompanying notes:

- The historical audited consolidated financial statements of the Company as of and for the year ended December 31, 2023 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 8, 2024;
- The historical unaudited condensed consolidated financial statements of the Company as of and for the nine months ended September 30, 2024 included in its Quarterly Report on Form 10-Q filed with the SEC on November 7, 2024; and
- The historical audited financial statements of Pulmokine as of and for the year ended December 31, 2023 and the historical unaudited condensed financial statements of Pulmokine as of and for the nine months ended September 30, 2024 included as Exhibit 99.2 and Exhibit 99.3 in the Company’s Current Report on Form 8-K/A to which this Exhibit 99.4 is attached.

The unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X, as amended. The unaudited pro forma condensed combined financial information should be read in conjunction with the accompanying notes to the unaudited pro forma combined financial information.

The unaudited pro forma condensed combined financial information has been prepared by XOMA using the acquisition method of accounting in accordance with U.S. GAAP. XOMA has been treated as the acquirer in the Transaction for accounting purposes. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. The unaudited pro forma condensed combined financial information is provided for informational purposes only and is not necessarily indicative of results that would have occurred had the acquisition been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to be indicative of the future financial position or operating results of the combined operations and does not reflect the costs of any integration activities or benefits that may result from realization of future cost savings from operating efficiencies or revenue synergies expected to result from the Transaction.

Unaudited Pro Forma Condensed Combined Balance Sheet
September 30, 2024
(In thousands)

	XOMA Historical	Pulmokine Historical	Transaction Accounting Adjustments	Note 4	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$142,050	$ 1,007	$ (19,998)	**A**	$ 122,959
			(100)	**C**	
Short-term restricted cash	80	—	100	**C**	180
Short-term equity securities	785	—			785
Trade and other receivables, net	1,045	—			1,045
Short-term royalty and commercial payment receivables	12,682	—			12,682
Prepaid expenses and other current assets	2,379	1			2.380
Total current assets	159,021	1,008	(19,998)		140,031
Long-term restricted cash	4,686	—			4,686
Property and equipment, net	34	—			34
Operating lease right-of-use assets	335	—			335
Long-term royalty and commercial payment receivables	54,207	—			54,207
Exarafenib milestone asset (Note 4)	3,125	—			3,125
Intangible Asset	—	—	25,302	**B**	25,302
Other assets - long term	1,932	—			1,932
Total assets	$223,340	$ 1,008	$ 5,304		$ 229,652
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	$ 1,131	$ 17			$ 1,148
Accrued and other liabilities	2,451	—	100	**C**	2,621
			70	**D**	
Contingent consideration under RPAs, AAAs, and CPPAs	4,000	—			4,000
Operating lease liabilities	434	—			434

Unearned revenue recognized under units-of-revenue method	1,924	—			1,924
Preferred stock dividend accrual	1,368	—			1,368
Current portion of long-term debt	9,826	—			9,826
Total current liabilities	21,134	17	170		21,321
Unearned revenue recognized under units-of-revenue method - long-term	5,589	—			5,589
Long-term operating lease liabilities	594	—			594
Exarafenib milestone contingent consideration (Note 4)	3,125	—			3,125
Deferred tax liability	—	447	5,313	**B**	5,760
Long-term debt	108,089	—			108,089
Total liabilities	138,531	464	5,483		144,478
Stockholders' equity:					
Series A perpetual preferred stock	49	—			49
Series B perpetual preferred stock	—	—			—
Convertible preferred stock	—	—			—
Common stock	88	—	—		88
Additional paid-in capital	1,317,657	3,092	(1,274)	**E**	1,319,475
Accumulated other comprehensive income	104	—			104
Accumulated deficit	(1,233,089)	(2,548)	(19,998)	**A**	(1,234,542)
			19,989	**B**	
			(100)	**C**	
			(70)	**D**	
			1,274	**E**	
Total stockholders' equity	84,809	544	(179)		85,174
Total liabilities and stockholders' equity	$ 223,340	$ 1,008	$ 5,304		$ 229,652

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2024
(In thousands, except per share data)

	XOMA Historical	Pulmokine Historical	Transaction Accounting Adjustments	Note 4	Pro Forma Combined
Revenues					
Revenue from purchased receivables	$ 11,895	$ —			$ 11,895
Revenue from contracts with customers	6,050	—			6,050
Revenue recognized under units-of-revenue method	1,828	—			1,828
Total revenues	19,773	—	—		19,773
Operating expenses:					
Research and development	2,011	—			2,011
General and administrative	27,485	768			28,253
Royalty purchase agreement asset impairment	23,000	—			23,000
Amortization of intangible assets	—	—	1,582	**AA**	1,582
Total operating expenses	52,496	768	1,582		54,846
Loss from operations	(32,723)	(768)	(1,582)		(35,073)
Gain on the acquisition of Kinnate	19,316	—			19,316
Change in fair value of embedded derivative related to RPA	8,100	—			8,100
Interest expense	(10,446)	—			(10,446)
Other income, net	5,900	201			6,101
Loss before income taxes	(9,853)	(567)	(1,582)		(12,002)
Income tax expense	—	—			—
Net loss	$ (9,853)	$ (567)	$ (1,582)		$ (12,002)
Less: accumulated dividends on Series A and Series B preferred stock	(4,104)				(4,104)
Net loss attributable to common stockholders, basic and diluted	$(13,957)				$ (16,106)
Basic and diluted net loss per share attributable to common stockholders	$ (1.20)				$ (1.38)
Weighted average shares used in computing basic and diluted net loss per share attributable to common stockholders	11,645				11,645

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2023
(In thousands, except per share data)

	XOMA Historical	Pulmokine Historical	Transaction Accounting Adjustments	Note 4	Pro Forma Combined
Revenues					
Revenue from services	$ —	$ 10,000			$ 10,000
Revenue from contracts with customers	2,650	—			2,650
Revenue recognized under units-of-revenue method	2,108	—			2,108
Total revenues	4,758	10,000	—		14,758
Operating expenses:					
Research and development	143	—			143
General and administrative	25,606	79			25,685
Impairment charges	15,828	—			15,828
Arbitration settlement costs	4,132	—			4,132
Amortization of intangible assets	897	—	2,109	**AA**	3,006
Total operating expenses	46,606	79	2,109		48,794
Income (loss) from operations	(41,848)	9,921	(2,109)		(34,036)
Interest expense	(569)	—			(569)
Other income (expense), net	1,586	35			1,621
Income (loss) before income taxes	(40,831)	9,956	(2,109)		(32,984)
Income tax expense	—	(2,007)			(2,007)
Net income (loss)	$(40,831)	$ 7,949	$ (2,109)		$ (34,991)
Less: accumulated dividends on Series A and Series B preferred stock	(5,472)				(5,472)
Net loss attributable to common stockholders, basic and diluted	$(46,303)				$ (40,463)
Basic and diluted net loss per share attributable to common stockholders	$ (4.04)				$ (3.53)
Weighted average shares used in computing basic and diluted net loss per share attributable to common stockholders	11,471				11,471

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Description of the Transaction

On November 26, 2024, XOMA Royalty Corporation ("XOMA" or the "Company") entered into an Agreement and Plan of Merger (the "Merger Agreement") with XRA 2 Corp., a wholly owned subsidiary of XOMA ("Merger Sub"), Pulmokine, Inc. ("Pulmokine"), and Shareholder Representative Services LLC, as the stockholder representative, pursuant to which Merger Sub merged with and into Pulmokine, with Pulmokine surviving as a wholly owned subsidiary of XOMA. Under the terms of the Merger Agreement, XOMA acquired Pulmokine for an upfront payment of $20 million, plus potential additional contingent payments. The merger consideration includes customary adjustments for cash, working capital, transaction expenses and indebtedness at closing. The agreement also provides for potential future payments including development milestone payments and regulatory milestone payments for first commercial sales following FDA and EMA approvals, sales milestone payments upon achievement of certain annual net sales thresholds, additional sales-based milestones based on early commercial performance, and sublicense income received under the existing License Agreement. The transaction primarily provides XOMA with rights to future milestone and royalty payments under Pulmokine's License Agreement with Gossamer Bio related to the development and commercialization of Seralutinib, a clinical-stage product candidate. The accompanying unaudited pro forma condensed combined financial statements have been prepared to illustrate the effects of the Merger, which will be accounted for as an asset acquisition since substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset - the License Agreement rights.

2. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined financial information was prepared in accordance with U.S. GAAP and pursuant to Article 11 of Regulation S-X, as amended. The unaudited pro forma condensed combined balance sheet as of September 30, 2024 gives effect to the Transaction as if it had been consummated on September 30, 2024. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2024 and the year ended December 31, 2023 give effect to the Transaction as if it had been consummated on January 1, 2023.

The financial statements included in the unaudited pro forma condensed combined financial information have been prepared in accordance with U.S. GAAP. The historical financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that reflect the accounting for the Transaction in accordance with U.S. GAAP.

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by the Company. The accounting policies of Pulmokine have been determined to be similar in all material respects to the Company's accounting policies. As a result, no adjustments for accounting policy differences have been reflected in the unaudited condensed combined financial information.

The unaudited pro forma condensed combined financial information has been prepared with the expectation that the Transaction will be treated as an asset acquisition, with the Company treated as the accounting acquirer. To determine the accounting for this transaction under U.S. GAAP, a company must assess whether an integrated set of assets and activities should be accounted for as an acquisition of a business or an asset acquisition. The guidance requires an initial screen test to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. The screen test was not expected to be met. As no substantive processes are being acquired, Pulmokine is not expected to meet the definition of a business. As such, the Transaction is expected to be treated as an asset acquisition.

The unaudited pro forma condensed combined financial information is subject to change and is not necessarily indicative of the results that would have been achieved had the acquisition completed as of the dates indicated or that may be achieved in future periods. The Company believes its calculation of fair value recognized for the assets acquired is based on reasonable estimates and assumptions. Preliminary fair value estimates may change as additional information becomes available. There can be no assurance that the final determination will not result in material changes from these preliminary amounts.

3. Preliminary Purchase Consideration

The accompanying unaudited pro forma condensed combined financial statements reflect an estimated purchase consideration of approximately $20.5 million, which consists of the following (in thousands):

Closing cash payment	$19,998
Holdback amount	100
Transaction costs	435
Total purchase consideration	**$20,533**

A preliminary allocation of the total purchase consideration, as shown above, to the acquired assets and assumed liabilities of Pulmokine is as follows (in thousands):

Cash and cash equivalents	$ 1,007
Intangible assets	25,302
Prepaids and other assets	1
Accounts payable	(17)
Deferred tax liability	(5,760)
Net assets acquired	**$20,533**

The allocation of the estimated purchase consideration is based on a preliminary estimate of the fair value of assets acquired and liabilities assumed as of the closing date of the Transaction.

4. Pro Forma Adjustments

The pro forma adjustments included in the unaudited pro forma condensed combined balance sheets as of September 30, 2024 are as follows:

(A) Reflects upfront cash payment of $20.0 million.

(B) Represents the estimated fair value of the acquired intangible asset and the related deferred tax liability estimated based on the federal statutory tax rate of 21%. The income tax benefit resulting from the release of the deferred tax liability has not been reflected in the pro forma combined statement of operations as management is still assessing the pattern of recognition.

(C) Represents the adjustment holdback amount of $0.1 million, which has been established to secure potential post-closing purchase price adjustments.

(D) Reflects estimated transaction costs of $70 thousand incurred subsequent to September 30, 2024.

(E) To eliminate Pulmokine’s historical stockholders’ equity balances, including the accumulated deficit.

The pro forma adjustments included in the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2024 and the year ended December 31, 2023 are as follows:

(AA) Reflects amortization expense related to the $25.3 million intangible asset acquired from Pulmokine, calculated using the straight-line method over the estimated useful life of 12 years from the acquisition date. The estimated useful life was determined based on the expected patent expiration dates for Seralutunib and related intellectual property acquired through the merger.