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

FORM 8-K/A
Amendment No. 2

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 14, 2023**

Ocean Biomedical, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**001-40793**	**87-1309280**
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

55 Claverick St., Room 325
Providence, RI 02903
(Address of Principal Executive Offices)

(401) 444-7375
(Registrant's Telephone Number)

Aesther Healthcare Acquisition Corp.
515 Madison Avenue, Suite 8078
New York, New York 10022
(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 (see General Instruction A.2. below):

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	**OCEA**	**The Nasdaq Stock Market LLC**
Warrants, each warrant exercisable for one share of common stock at an exercise price of $11.50	**OCEAW**	**The Nasdaq Stock Market LLC**

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

Emerging growth company ☒

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

Explanatory Note

This Amendment No. 2 on Form 8-K/A (this "Amendment") amends the Current Report on Form 8-K of Ocean Biomedical, Inc. (f/k/a Aesther Healthcare Acquisition Corp.) (the "Company"), originally filed by the Company with the Securities and Exchange Commission ("SEC") on February 15, 2023 (the "Original Filing"), and amended by Amendment No. 1 filed with the SEC on February 15, 2023, in which the Company reported, among other events, the consummation of the Business Combination (as defined in the Original Report) on February 14, 2023.

This Amendment is being filed solely for the purpose of supplementing the Original Report to include (i) the consolidated financial statements of Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) ("Legacy Ocean") as of December 31, 2022 and 2021, (ii) the related Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Ocean as of December 31, 2022 and 2021, and (iii) the pro forma consolidated financial statements as of December 31, 2022.

This Amendment does not amend any other item of the Original Report or purport to provide an update or a discussion of any developments at the Company or its subsidiaries subsequent to the filing of the Original Report. The information previously reported in or filed with the Original Report is hereby incorporated by reference to this Amendment.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The consolidated financial statements of Legacy Ocean as of December 31, 2022 and 2021, and the related notes thereto, are attached to this Amendment as Exhibit 99.2 and are incorporated herein by reference.

Also included as Exhibit 99.3 and incorporated herein by reference is the Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Ocean as of December 31, 2022 and 2021.

(b) Pro Forma Financial Information.

The pro forma consolidated financial statements as of December 31, 2022 are attached to this Amendment as Exhibit 99.4 and are incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of August 31, 2022 by and between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.), AHAC Merger Sub Inc., Aesther Healthcare Sponsor, LLC, Dr. Chirinjeev Kathuria and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) (incorporated by reference from Exhibit 2.1 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on September 8, 2022).
2.2*	Amendment to Agreement and Plan of Merger, dated as of December 5, 2022, by and between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.), AHAC Merger Sub Inc., Aesther Healthcare Sponsor, LLC, Dr. Chirinjeev Kathuria and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.).
3.1*	Third Amended and Restated Certificate of Incorporation.
3.2*	Amended and Restated Bylaws.
4.1	Warrant Agreement, dated September 14, 2021, by and between Continental Stock Transfer & Trust Company and Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) and Form of Warrant Certificate (incorporated by reference from Exhibit 4.1 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on September 17, 2021).
10.1*	Lock-Up Agreement, dated as of February 14, 2023, by and between the Registrant and Dr. Chirinjeev Kathuria.
10.2*	Lock-Up Agreement, dated as of February 14, 2023, by and between the Registrant and Poseidon Bio, LLC.
10.3*	Non-Competition and Non-Solicitation Agreement, dated as of February 14, 2023, by and between the Registrant and Dr. Chirinjeev Kathuria.
10.4#*†	2022 Stock Option and Incentive Plan and Form of Non-Qualified Stock Option Agreement for Non-Employee Directors.
10.5#*	2022 Employee Stock Purchase Plan.
10.6#	Senior Executive Cash Incentive Bonus Plan (incorporated by reference from Exhibit 10.3 to the Form S-1/A filed by Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) (File No. 333-256950) on April 11, 2022).
10.7#*†	Offer Letter between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Elizabeth Ng, dated February 22, 2021.
10.8#*	Amendment to February 22, 2021 Offer of Employment between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Elizabeth Ng dated August 2, 2021.

10.9#*†	Offer Letter between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Chirinjeev Kathuria, dated February 22, 2021.
10.10#*	Amendment to February 22, 2021 Offer of Employment between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Chirinjeev Kathuria dated August 2, 2021.
10.11#*†	Offer Letter between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Daniel Behr, dated February 22, 2021.
10.12#*	Amendment to February 22, 2021 Offer of Employment between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Daniel Behr dated August 2, 2021.
10.13#*†	Offer Letter between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Gurinder Kalra, dated February 22, 2021.
10.14#*	Amendment to February 22, 2021 Offer Letter between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Gurinder Kalra dated August 2, 2021.
10.15#*	Second Amendment to February 22, 2021 Offer of Employment between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Gurinder Kalra dated April 22, 2022.
10.16#*†	Offer Letter between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Inderjote Kathuria, dated February 22, 2021.
10.17#*	Amendment to February 22, 2021 Offer of Employment between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Inderjote Kathuria dated August 2, 2021.
10.18#*†	Offer of Employment between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Robert Sweeney dated June 14, 2021.
10.19#*	Amendment to June 14, 2021 Offer of Employment between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Robert Sweeney dated August 2, 2021.
10.20#*	Second Amendment to June 14, 2021 Offer of Employment between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Robert Sweeney dated April 22, 2022.
10.21*	Consulting Agreement between Jonathan Kurtis and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.), dated February 22, 2021,
10.22*	Amendment to Consulting Agreement between Jonathan Kurtis and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 2, 2021.
10.23*	Amendment No. 2 to Consulting Agreement between Jonathan Kurtis and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) effective as of December 31, 2021.
10.24*	Form of Director and Officer Indemnification Agreement, by and between the Registrant and each of its directors, the Chief Executive Officer and the Chief Financial Officer.
10.25*†	Exclusive License Agreement BROWN ID 2465, 2576, 2587 (FRG) Antibody between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 31, 2020.
10.26*	First Amendment to Exclusive License Agreement (BROWN ID 2465, 2576, 2587) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 21, 2021.
10.27*	Second Amendment to Exclusive License Agreement (BROWN ID 2465, 2576, 2587) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 31, 2021.

10.28*	Third Amendment to Exclusive License Agreement (BROWN ID 2465, 2576, 2587) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 25, 2022.
10.29*†	Fourth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 1, 2022.
10.30*	Fifth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 2, 2022.
10.31*†	Sixth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 25, 2022.
10.32*†	Exclusive License Agreement BROWN ID 3039 – Bi Specific Antibody Anti-CTLA4 between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 31, 2020.
10.33*	First Amendment to Exclusive License Agreement (BROWN ID 3039) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 21, 2021.
10.34*	Second Amendment to Exclusive License Agreement (BROWN ID 3039) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 31, 2021.
10.35*	Third Amendment to Exclusive License Agreement (BROWN ID 3039) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 25, 2022.
10.36*†	Fourth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 1, 2022.
10.37*	Fifth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 2, 2022.
10.38*†	Sixth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 25, 2022.
10.39*†	Exclusive License Agreement BROWN ID 2613 Bispecific (FRG)xAnti-PD-1 (FRGxPD-1) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 31, 2020.
10.40*	First Amendment to Exclusive License Agreement (BROWN ID 2613) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 21, 2021.
10.41*	Second Amendment to Exclusive License Agreement (BROWN ID 2613) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 31, 2021.
10.42*	Third Amendment to Exclusive License Agreement (BROWN ID 2613) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 25, 2022.
10.43*†	Fourth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 1, 2022.

10.44*	Fifth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 2, 2022.
10.45*†	Sixth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 25, 2022.
10.46*†	Exclusive License Agreement BROWN ID 2502 – (Chit1) Small Molecule Antifibrotic between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 31, 2020.
10.47*	First Amendment to Exclusive License Agreement (BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 21, 2021.
10.48*	Second Amendment to Exclusive License Agreement (BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 31, 2021.
10.49*	Third Amendment to Exclusive License Agreement (BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 25, 2022.
10.50*†	Fourth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 1, 2022.
10.51*	Fifth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 2, 2022.
10.52*†	Sixth Amendment to Exclusive License Agreements (BROWN ID 2465, 2576, 2587, BROWN ID 3039, BROWN ID 2613, BROWN ID 2502) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 25, 2022.
10.53*†	Exclusive License Agreement Brown ID 3085J – Compositions and Treatments for Malaria, dated September 13, 2022, between Elkurt, Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.).
10.54*†	Exclusive License Agreement RIH #154 “PfsLSP-1 a Vaccine for Falciparum Malaria” RIH #305 “Antibodies to Pfgarp Kill Plasmodium Falciparum Malaria Parasites and Protect Against Infection and Severe Disease” between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated January 25, 2021.
10.55*	First Amendment to Exclusive License Agreement RIH #154 “PfsLSP-1 a Vaccine for Falciparum Malaria” RIH #305 “Antibodies to Pfgarp Kill Plasmodium Falciparum Malaria Parasites and Protect Against Infection and Severe Disease” between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated April 1, 2021.
10.56*	Second Amendment to Exclusive License Agreement RIH #154 “PfsLSP-1 a Vaccine for Falciparum Malaria” RIH #305 “Antibodies to Pfgarp Kill Plasmodium Falciparum Malaria Parasites and Protect Against Infection and Severe Disease” between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated September 10, 2021.

10.57*	Third Amendment to Exclusive License Agreement (RIH #154) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated March 25, 2022.
10.58*	Fourth Amendment to Exclusive License Agreement RIH #154 "PfsLSP-1 a Vaccine for Falciparum Malaria" RIH #305 "Antibodies to Pfgarp Kill Plasmodium Falciparum Malaria Parasites and Protect Against Infection and Severe Disease" between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated July 1, 2022.
10.59*	Fifth Amendment to Exclusive License Agreement (RIH #154) between Elkurt Inc. and Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) dated August 26, 2022.
10.60*	Loan Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Second Street Capital, LLC dated February 22, 2022.
10.61*	First Amendment to Loan Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Second Street Capital, LLC dated April 22, 2022.
10.62*	Second Amendment to Loan Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Second Street Capital, LLC dated September 30, 2022.
10.63*	Third Amendment to Loan Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Second Street Capital, LLC dated December 30, 2022.
10.64*	Loan Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Second Street Capital, LLC dated April 22, 2022.
10.65*	First Amendment to Loan Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Second Street Capital, LLC dated September 30, 2022.
10.66*	Second Amendment to Loan Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Second Street Capital, LLC dated December 30, 2022.
10.67*	Third Amendment to Loan Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Second Street Capital, LLC dated January 10, 2023.
10.68*†	Warrant Exchange Agreement between Second Street Capital, LLC, Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) dated November 17, 2022.
10.69*	Warrant No. 2022-1 to Subscribe to Common Shares issued by the Registrant to Second Street Capital, LLC
10.70*	Warrant No. 2022-2 to Subscribe to Common Shares issued by the Registrant to Second Street Capital, LLC.
10.71*	Warrant No. 3 to Subscribe to Common Shares issued by the Registrant to Second Street Capital, LLC.
10.72*+†	Development and Manufacturing Services Agreement between Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.), Lonza Sales AG and Lonza AG dated December 15, 2020.
10.73	Promissory Note, dated June 30, 2021, issued to Aesther Healthcare Sponsor, LLC by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (incorporated by reference from Exhibit 10.2 to the Form S-1/A filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 333-258012) on September 2, 2021).
10.74	Securities Subscription Agreement, dated June 30, 2021, between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) and Aesther Healthcare Sponsor, LLC (incorporated by reference from Exhibit 10.5 to the Form S-1/A filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 333-258012) on September 2, 2021).

10.75	Investment Management Trust Agreement, dated September 14, 2021, by and between Continental Stock Transfer & Trust Company and Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (incorporated by reference from Exhibit 10.1 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on September 17, 2021).
10.76	Registration Rights Agreement, dated September 14, 2021, by and among Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) and the Sponsor (incorporated by reference from Exhibit 10.2 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on September 17, 2021).
10.77	Private Placement Warrants Purchase Agreement, dated September 14, 2021, by and between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) and the Sponsor (incorporated by reference from Exhibit 10.4 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on September 17, 2021).
10.78	OTC Equity Prepaid Forward Transaction Letter Agreement, dated August 31, 2022, by and between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.), Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc) and Vellar Opportunity Fund SPV LLC – Series 3 (incorporated by reference from Exhibit 10.1 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on September 7, 2022).
10.79	Common Stock Purchase Agreement, dated as of September 7, 2022, by and between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) and White Lion Capital LLC (incorporated by reference from Exhibit 10.1 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on September 9, 2022).
10.80	Registration Rights Agreement, dated as of September 7, 2022, by and between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) and White Lion Capital LLC (incorporated by reference from Exhibit 10.2 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on September 9, 2022).
10.81	Amended and Restated OTC Equity Prepaid Forward Transaction Letter Agreement, dated February 10, 2023, by and between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.), Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Vellar Opportunity Fund SPV LLC – Series 3 (incorporated by reference from Exhibit 10.1 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on February 10, 2023).
10.82	Amended and Restated OTC Equity Prepaid Forward Transaction Letter Agreement, dated February 12, 2023, by and between Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.), Ocean Biomedical, Inc. (n/k/a Ocean Biomedical Holdings, Inc.) and Vellar Opportunity Fund SPV LLC – Series 3 (incorporated by reference from Exhibit 10.1 to the Form 8-K filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 001-40793) on February 13, 2023).
10.83**	Loan Agreement, dated March 29, 2023, by and among Ocean Biomedical, Inc. (f/k/a Aesther Healthcare Acquisition Corp.) and Second Street Capital, LLC.
14.1	Code of Ethical Business Conduct (incorporated by reference from Exhibit 14.1 to the Form S-1/A filed by Aesther Healthcare Acquisition Corp. (n/k/a Ocean Biomedical, Inc.) (File No. 333-258012) on September 2, 2021).
16.1*	Letter from MaloneBailey LLP regarding the change in the Registrant's certifying accountant, dated February 14, 2023.
21.1*	List of Subsidiaries.
99.1*	Unaudited Pro Forma Condensed Combined Financial Information.
99.2	Consolidated Financial Statements of Legacy Ocean as of December 31, 2022 and 2021.
99.3	Management's Discussion and Analysis of Financial Condition and Results of Operations of Legacy Ocean as of December 31, 2022 and 2021.
99.4	Pro Forma Consolidated Financial Statements as of December 31, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

** Filed herewith.

* Previously filed.

† Certain of the exhibits and schedules to this Exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K. The Registrant agrees to furnish a copy of all omitted exhibits and schedules to the SEC upon request; provided, however, that the Registrant may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act, as amended, for any schedule or exhibit so furnished.

Represents management compensation plan, contract or arrangement.

+ As permitted by Regulation S-K, Item 601(b)(10)(iv) of the Securities Exchange Act of 1934, as amended, certain confidential portions of this exhibit have been redacted from the publicly filed document. The Registrant agrees to furnish supplementally an unredacted copy of the exhibit to the Securities and Exchange Commission upon its request.

SIGNATURES

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

Date: March 31, 2023

OCEAN BIOMEDICAL, INC.

By: */s/ Elizabeth Ng*
Name: Elizabeth Ng
Title: Chief Executive Officer

LOAN AGREEMENT

This **LOAN AGREEMENT** dated as of March 29, 2023 (this "***Agreement***"), is entered by and between Ocean Biomedical, Inc., a Delaware corporation ("***Borrower***" or "***Company***") and Second Street Capital, LLC, a California limited liability company ("***Lender***"). All capitalized terms used herein and not otherwise defined shall have the meanings provided hereof.

The parties agree as follows:

1. THE ADVANCE.

1.1 Advance. Subject to the terms and conditions of this Agreement, Lender will make Advances to Borrower in the principal amount of $1,000,000.00. Of this amount, $700,000 will be provided on March 29, 2023 and $300,000 will be advanced by April 10, 2023. Lender will transfer the amount of the Advance to Borrower's bank account. The proceeds of the Advance shall be used to pay the Borrower's independent accountant fees.

1.2 Payments.

(a) Interest. Interest shall accrue on the principal amount of the Advance from the date of the Advance until the Advance is repaid in full, at the fixed rate of interest equal to 15% per annum, calculated upon a year of 360 days and actual days elapsed. Borrower will repay interest on the Advance on the day the repayment is made in full.

(b) Maturity. Borrower shall make the repayment the earlier of (i) three (3) business days from the Borrower's financing, including, but not limited to the convertible debt instrument or net proceeds from the Backstop Agreement, or (ii) within 45 days from the date of the Advance and the execution of this Agreement.

(c) Warrant. As an inducement to the Lender to provide the Advance, the Borrower will grant to Lender a Warrant to purchase 200,000 common stock shares of the Company at $10.34 per share. The shares underlying the Warrant will be registered with the Securities and Exchange Commission (the "SEC"). The Warrant will be issued on Borrower's form and will be exercisable for 5 years from the date of issuance. The Lender will have the option to exercise the Warrants without payment of the exercise price and receive only that number of shares which represents the value of the difference between the fair market value of the shares and the exercise price (i.e., "net issuance" or "cashless exercise"). The Warrant and the foregoing provision are earned upon delivery of the Advance.

1.3 Fees. Borrower will pay Lender a $150,000 loan fee that will be paid at Maturity.

1.4 Collateral. Within 7 days of the effectiveness of the Registration, Poseidon Bio, Inc. ("Poseidon") will pledge to Lender as collateral for the repayment of the Advance, by delivering into an escrow account, a number of registered, freely saleable shares of the Company equivalent to the loan amount at a price of $10.34 per share, which is 96,712 shares (the "**Pledged Shares**").

1.5 Registration. The Company will file within 15 days of closing, and using commercially best efforts to obtain SEC effectiveness 15 days thereafter, of registration statement covering the shares underlying the Warrant and the Pledged Shares (the "**Registration**").

2. CLOSINGS.

2.1 Conditions to the Advance. Lender's obligation to fund the Advance is conditioned upon the following: (a) no Event of Default shall have occurred and be continuing or would exist after the funding of such Advance, (b) no event or condition shall exist that has had or could be reasonably expected to have a Material Adverse Effect, and (c) the representations and warranties contained in this Agreement and the other Transaction Documents of Borrower shall be true and correct as if made on the date of funding of such Advance.

3. REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender as follows for so long as the Advance is outstanding: (a) Borrower is not in default under any agreement under which Borrower owes any money, or any agreement, the violation or termination of which could have a Material Adverse Effect; (b) Borrower has taken all action and obtained all consents necessary to authorize the execution, delivery and performance of the Transaction Documents; (c) the execution and performance of the transaction documents do not conflict with, or constitute a default under, any agreement to which Borrower is party or by which Borrower is bound or a legal requirement; (d) the information provided to Lender on or prior to the date of the Advances to the best of our knowledge is true and correct in all material respects; (e) all financial statements and other information provided to Lender fairly present Borrower's financial condition, and there has not been a material adverse change in the financial condition of Borrower since the date of the most recent of the financial statements submitted to Lender; (f) Borrower is not party to any litigation and is not the subject of any government investigation, and Borrower has no knowledge of any pending litigation or investigation or the existence of circumstances that reasonably could be expected to give rise to such litigation or investigation; (g) no representation or other statement made by Borrower to Lender in any Transaction Document or any certificate or instrument delivered by Borrower to Lender in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make any statements made to Lender not misleading.

Lender has provided the Company with an investment letter relating to the issuance by the Company of the Warrant and shares of the Company common stock underlying the Warrant.

4. AFFIRMATIVE COVENANTS.

4.1 Financial Information. Borrower will provide Lender as soon as available the annual audit and corresponding consolidated financial statements.

4.2 Good Standings; Existence; Compliance with Laws. Borrower and each Subsidiary will maintain its corporate existence and good standing and will maintain in force all licenses and agreements necessary or appropriate to the conduct of its business. Borrower and each Subsidiary will pay all taxes on or before the date such taxes are due and will comply with all Legal Requirements.

4.3 Financial Covenants. None.

4.4 Notices. Borrower shall provide to Lender, (i) prompt notice of the expected initial public offering or a subsequent financing if the initial public offering is not completed; and (ii) notice thereof, a report of any legal actions pending or threatened against Borrower or any Subsidiary that could result in damages or costs to Borrower or any Subsidiary of $50,000 or more.

5. EVENTS OF DEFAULT. Any one or more of the following shall constitute an "***Event of Default***" under this Agreement: (a) any failure (i) to pay all or any part of the principal or interest or other amounts payable hereunder on the date due and payable, or (ii) to comply with any agreement or covenant set forth in this Agreement or any other Transaction Document, or (iii) to comply with the terms of any material agreement to which Borrower is a party or by which it is bound, or any agreement pursuant to which Borrower has incurred Indebtedness; or (b) the occurrence of an Insolvency Event or if any portion of Borrower's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity, or becomes subject to levy or judicial proceeding; or (c) any representation made to Lender in this Agreement or any other Transaction Document, or any information given to Lender by or on behalf of Borrower, shall be incorrect in any material respect; or (d) if Borrower ceases operations or ceases to conduct business or Borrower is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs.

6. REMEDIES. Upon the occurrence of an Event of Default, all unpaid principal, accrued interest and other amounts owing hereunder shall, at the option of Lender, be immediately due and payable and collectible by or on

behalf of Lender (and all unpaid principal, accrued interest and other amounts owing hereunder shall automatically, without any action on the part of Lender, become due and payable in respect of any Event of Default under Section 5.

7. WAIVERS; INDEMNITY. Borrower waives notice of default, presentment and demand for payment, notice of dishonor, protest and notice of protest under this Agreement and any other Transaction Document. Borrower shall pay all costs of collection and enforcement of this Agreement when incurred, including reasonable attorneys' fees, costs and expenses incurred before, after or in connection with of an insolvency.

8. NOTICES. Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other Transaction Document shall be in writing, shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five (5) days after having been sent by certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery. All communications shall be sent to Borrower or to Lender, as the case may be, at the address as set forth below or at such other address as such party may designate by written notice to the other party hereto:

If to Borrower:

Ocean Biomedical, Inc.
99 Almaden Blvd. Suite 333
San Jose, CA 95113
Email: eng@oceanbiomedical.com
gkalra@oceanbiomedical.com
rsweeney@oceanbiomedical.com

If to Lender:

Second Street Capital, LLC
Eric Hardgrave
1960 The Alameda
San Jose, CA 95126
Email: eric@acuityventures.com

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

9. JURY WAIVER; JUDICIAL REFERENCE. LENDER AND BORROWER WAIVE ANY RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN OR THEREIN, INCLUDING WITHOUT LIMITATION CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IF THIS JURY WAIVER IS FOR ANY REASON UNENFORCEABLE, THE PARTIES AGREE TO RESOLVE ALL CLAIMS, CAUSES AND DISPUTES THROUGH JUDICIAL REFERENCE PURSUANT TO CODE OF CIVIL PROCEDURE SECTION 638 ET SEQ, BEFORE A MUTUALLY ACCEPTABLE REFEREE IN CALIFORNIA SITTING WITHOUT A JURY OR, IF THE PARTIES CANNOT AGREE ON A REFEREE, THEN ONE APPOINTED BY THE PRESIDING JUDGE OF THE CALIFORNIA SUPERIOR COURT FOR SANTA CLARA COUNTY, CALIFORNIA. NOTHING IN THIS SECTION SHALL RESTRICT A PARTY FROM EXERCISING PRE-JUDGMENT REMEDIES OR ITS RIGHTS UNDER THE UNIFORM COMMERCIAL CODE.

10. MISCELLANEOUS. Lender may assign all or any part of its interest in this Agreement and the Advances to any Person, or grant a participation of any interest in this Agreement, without notice to, or the consent of, Borrower. This Agreement can be amended only by an instrument signed by Lender and Borrower. All prior agreements, understandings and negotiations with respect to any of the matters contained in or related to this Agreement are superseded by this Agreement. Borrower may not assign any obligation hereunder without Lender's consent, which

may be granted or withheld in Lender's sole discretion. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one instrument. In the event that any signature is executed and delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file or electronic signature complying with the U.S. federal ESIGN Act of 2000, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" or electronic signature page were an original hereof. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision. All covenants, representations and warrants made in this Agreement shall continue in full force and effect so long as any obligations hereunder remain outstanding. This Agreement shall be governed by the internal laws of the State of California, without regard to conflicts of laws rules.

11. CONFIDENTIALITY. In handling any confidential information, Lender and all employees and agents of Lender, including but not limited to accountants, shall exercise the same degree of care that it exercises with respect to its own proprietary information of the same types to maintain the confidentiality of any non-public information thereby received or received pursuant to this Agreement except that disclosure of such information may be made (a) to the subsidiaries or affiliates of Lender in connection with their present or prospective business relations with Borrower, (b) to prospective transferees or purchasers of any interest in the Advances, (c) as required by law, regulations, rule or order, subpoena, judicial order, or similar order, (d) as may be required in connection with the examination, audit, or similar investigation of Lender, and (e) as Lender may determine in connection with the enforcement of any remedies hereunder. Confidential information hereunder shall not include information that either: (i) is in the public domain or in the knowledge or possession of Lender when disclosed to Lender, or becomes part of the public domain after disclosure to Lender through no fault of Lender; or (ii) is disclosed to Lender by a third party, provided Lender does not have actual knowledge that such third party is prohibited from disclosing such information.

12. DEFINITIONS.

"***Advance***" means the cash advance made under Section 1.1.

"***Closing Date***" means the date of this Agreement.

"***Legal Requirement***" means any statute, ordinance, code, law, rule, regulation, order or other requirement, standard, procedure enacted, adopted or applied by any Governmental Authority, including, decisions, orders, writs, awards, or injunctions of an arbitrator or a court or other Governmental Authority.

"***Material Adverse Effect***" means a material adverse effect on (i) the business operations, condition (financial or otherwise) or prospects of Borrower, (ii) the ability of Borrower to repay the Obligations or otherwise perform its obligations under the Transaction Documents, or (iii) Borrower's interest in, or the value, perfection or priority of Lender's security interest in the Collateral.

"***Maturity***" means Three (3) business days of the Borrower's financing, including, but not limited to next equity event, sale or merger, subsequent loans or within 45 days from the date of the single Advance and the execution of this Agreement.

"***Obligations***" means all present and future indebtedness, guarantees, liabilities, and other obligations of Borrower to Lender under this Agreement and the other Transaction Documents, or otherwise.

"***Person***" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

"***Transaction Documents***" means this Agreement, the Warrant to purchase common stock, and any other agreements, documents and instruments entered into in connection with this Agreement.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the first day above written.

BORROWER:

OCEAN BIOMEDICAL, INC

By:_____

Name: Chirinjeev Kathuria

Title: Executive Chairman

LENDER:

SECOND STREET CAPITAL, LLC

By:_____

Name: Eric Hardgrave

Title: Managing Member

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the first day above written.

BORROWER:

OCEAN BIOMEDICAL, INC

By:_____

Name: Elizabeth Ng

Title: Chief Executive Officer

LENDER:

SECOND STREET CAPITAL, LLC

By:_____

Name: Eric Hardgrave

Title: Managing Member

Exhibit 99.2

OCEAN BIOMEDICAL, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Ocean Biomedical, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ocean Biomedical, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, stockholders' deficit, and cash flows, for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's working capital deficiency and anticipated losses from operations and its need to obtain additional capital raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Deloitte & Touche LLP

Chicago, Illinois
March 31, 2023

We have served as the Company's auditor since 2020.

OCEAN BIOMEDICAL, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	December 31, 2021	December 31, 2022
Assets		
Current assets		
Cash	$ 60	$ 34
Deferred offering costs	19	1,808
Total current assets	79	1,842
Total assets	$ 79	$ 1,842
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable and accrued expenses	$ 6,562	$ 11,440
Accrued expenses-related party	179	445
Short term loans, net of issuance costs	—	776
Total current liabilities	6,741	12,661
Commitments and contingencies (Note 4)	—	—
Stockholders' deficit		
Common stock, $0.000001 par value; 180,564,262 shares authorized, 17,496,370 shares issued and outstanding as of December 31, 2021 and 2022		
Additional paid-in capital	57,567	70,770
Accumulated deficit	(64,229)	(81,589)
Total stockholders' deficit	(6,662)	(10,819)
Total liabilities and stockholders' deficit	$ 79	$ 1,842

See accompanying notes to the consolidated financial statements

OCEAN BIOMEDICAL, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(in thousands, except share and per share amounts)

	Year Ended December 31,	
	2021	**2022**
Revenue	$ —	$ —
Operating expenses		
Research and development	33,933	8,409
General and administrative	28,412	7,712
Total operating expenses	62,345	16,121
Operating loss	(62,345)	(16,121)
Other income/(loss)	1	(1,238)
Net loss	$ (62,344)	$ (17,359)
Weighted-average number of shares outstanding used in computing net loss per share – basic and diluted	17,487,290	17,496,370
Net loss per share – basic and diluted	$ (3.57)	$ (0.99)

See accompanying notes to the consolidated financial statements

OCEAN BIOMEDICAL, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Deficit

(in thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Amount	Accumulated Deficit	Total Shareholders' Deficit
Balance at December 31, 2020	17,454,542	$ —	$ —	$ (1,885)	$ (1,885)
Issuance of common stock	41,828	—	1,017		1,017
Stock-based compensation			56,550		56,550
Net loss				(62,344)	(62,344)
Balance at December 31, 2021	17,496,370	$ —	$ 57,567	$ (64,229)	$ (6,662)
Issuance of warrants			824		824
Stock-based compensation			12,378		12,378
Net loss		—	—	(17,359)	(17,359)
Balance at December 31, 2022	17,496,370	$ —	$ 70,770	$ (81,589)	$ (10,819)

See accompanying notes to the consolidated financial statements

OCEAN BIOMEDICAL, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(in thousands)

	For Year Ended December 31,	
	2021	**2022**
Operating activities		
Net loss	$ (62,344)	$ (17,359)
Adjustments to reconcile net loss to net cash used in operating activities		
Stock-based compensation	56,550	12,378
Non-cash put option		250
Non-cash interest	—	929
Changes in operating assets and liabilities	4,741	2,809
Net cash used in operating activities	(1,053)	(993)
Investing activities		
Net cash used in investing activities	—	—
Financing activities		
Expenses paid by related party shareholder	96	232
Proceeds from issuance of common stock, net of issuance costs	1,017	—
Short term loans, net of issuance costs	—	735
Net cash provided by financing activities	1,113	967
Net increase in cash	60	(26)
Cash – beginning of year	—	60
Cash – end of period	$ 60	$ 34
Non-cash financing activities		
Deferred offering costs not yet paid	$ 19	$ 1,808
Warrants issued related to short term loans	$ —	$ 1,074
Short term loans issuance costs not yet paid	$ —	$ 25

See accompanying notes to the consolidated financial statements

1. Organization, Description of Business, and Going Concern

Ocean Biomedical, Inc. (the "Company"), a Delaware corporation, was founded on January 2, 2019. The Company is a biopharmaceutical company that is focused on discovering and developing therapeutic products in oncology, fibrosis, infectious diseases and inflammation.

The Company is subject to risks common to companies in the biopharmaceutical industry, including, but not limited to, risks related to the successful development and commercialization of product candidates, fluctuations in operating results and financial risks, the ability to successfully raise additional funds when needed, protection of proprietary rights and patent risks, patent litigation, compliance with government regulations, dependence on key personnel and prospective collaborative partners, and competition from competing products in the marketplace.

Going Concern

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company had no cash inflows from operating activities for the year ended December 31, 2022. As of December 31, 2022, the Company had cash of $34 thousand and a working capital deficiency of $10.6 million. The Company's current operating plan indicates it will incur losses from operations and generate negative cash flows from operating activities, given anticipated expenditures related to research and development activities and its lack of revenue generating ability at this point in the Company's lifecycle. These events and conditions raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued.

The Company will need to raise additional funds in order to advance its research and development programs, operate its business, and meet its future obligations as they come due. Based on the Company's current operational plans and assumptions, the Company expects to use the net proceeds from the Backstop Agreement and future debt and equity financings, including possibly under the Common Stock Purchase Agreement, as well as further deferrals of certain of its accrued expenses and contingency payments due upon the closing of future financings to fund operations. Under the terms of the Backstop Agreement, the Company will receive proceeds from any sales by the backstop providers of shares of its common stock sold by them quarterly, after the end of each quarter. The Company expects to receive the first reports from the backstop providers in April, reporting the amount of shares they sold in the quarter ended March 31, 2023 and, if they sold any shares, corresponding payments of the proceeds of those repurchases. The Backstop Agreement prohibits the backstop providers from selling the Company's shares of common stock that are subject to the restrictions set forth in the Backstop Agreement unless the Company's common stock is trading above $10.34 per share, which means that no cash will be returned to the Company pursuant to any sales under the Backstop Agreement unless and until its common stock is trading above $10.34 and the backstop providers are otherwise able to sell their shares. The Company has based these estimates on assumptions that may prove to be wrong, and the Company could utilize its available capital resources sooner than expected, in which case, the Company would need to raise more capital and sooner than expected. The Company cannot guarantee that it will be able to raise additional capital on reasonable terms or at all, that its common stock will trade above $10.34, permitting the backstop providers to sell shares under the Backstop Agreement, or that the backstop providers will sell any shares of the Company's common stock held by them.

There is no assurance that the Company will be successful in obtaining such additional financing on terms acceptable to the Company, if at all, and the Company may not be able to enter into collaborations or other arrangements. If the Company is unable to obtain funding, the Company could be forced to delay, reduce, or eliminate its research and development programs, which could adversely affect its business prospects and its ability to continue operations.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Impacts of COVID-19 and Market Conditions on Our Business

We have been actively monitoring the COVID-19 situation and its impact globally. For the year ended December 31, 2022, the Company was not significantly impacted by COVID-19. Further, disruption of global financial markets and a recession or market correction, including as a result of the COVID-19 pandemic, the ongoing military conflict between Russia and Ukraine and the related sanctions imposed against Russia, and other global macroeconomic factors such as inflation, could reduce the Company's ability to access capital, which could in the future negatively affect the Company's liquidity and could materially affect the Company's business and the value of its common stock.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of all intercompany accounts and transactions. The subsidiaries were formed to organize the Company's therapeutic programs in order to optimize multiple commercialization options and to maximize each program's value.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting periods. Actual results could differ from those estimates. On an ongoing basis, the Company evaluates its estimates, as applicable, including those related to accrued expenses, the fair values of the Company's common stock, and the valuation of deferred tax assets. The Company bases its estimates using Company forecasts and future plans, current economic conditions, and information from third-party professionals that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities and recorded amounts of expenses that are not readily apparent from other sources and adjusts those estimates and assumptions when facts and circumstances dictate.

The Company's results can also be affected by economic, political, legislative, regulatory or legal actions. Economic conditions, such as recessionary trends, inflation, interest, changes in regulatory laws and monetary exchange rates, and government fiscal policies, can have a significant effect on operations. The Company could also be affected by civil, criminal, regulatory or administrative actions, claims, or proceedings.

Cash, Cash Equivalents

The Company considers all highly liquid investments with original maturities at the date of purchase of three months or less to be cash equivalents. Cash and cash equivalents are stated at fair value and may include money market funds, U.S. Treasury and U.S. government-sponsored agency securities, corporate debt, commercial paper, and certificates of deposit. The Company had minimal cash or cash equivalents as of December 31, 2021 and 2022.

Concentrations of Credit Risk and Off-balance Sheet Risk

The Company has held minimal cash and cash equivalents since its inception and certain of its expenses have been paid for by the proceeds from the issuance of common stock and debt, and by the Company's Founder and Executive Chairman.

The Company has no significant off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission. The Company's future results of operations involve several other risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations. Such factors include, but are not limited to, uncertainty of results of clinical trials and reaching milestones, uncertainty of regulatory approval of the Company's product candidates, uncertainty of market acceptance of the Company's product candidates, competition from other products, securing and protecting intellectual property, strategic relationships and dependence on key employees and research partners. The Company's product candidates require Food and Drug Administration ("FDA") and other non-U.S. regulatory agencies approval prior to commercial sales. There can be no assurance that any product candidates will receive the necessary approvals. If the Company was denied approval, if approval was delayed, if approval was unable to be maintained, it could have a materially adverse impact on the Company.

Revenue

The Company has not generated any revenue from any sources since its inception, including from product sales. The Company does not expect to generate any revenue from the sale of products in the foreseeable future. If the Company's development efforts for its product candidates are successful and result in regulatory approval, or license agreements with third parties, the Company may generate revenue in the future from product sales. However, there can be no assurance as to when revenue will be generated, if at all.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred for research activities, including the development of product candidates. Research and development costs are expensed as incurred. For the years ended December 31, 2021 and 2022, research and development expenses consist of expenses recognized for stock-based compensation and incurred for services agreements. Payments associated with licensing agreements to acquire exclusive licenses to develop, use, manufacture and commercialize products that have not reached technological feasibility and do not have alternate commercial use are expensed as incurred.

Deferred Offering Costs

Deferred offering costs, consisting of direct accounting fees, legal fees, regulatory fees, transfer agent fees, and printing costs directly related to the Business Combination are capitalized. The deferred offering costs will be reclassified to additional paid in capital upon completion of Business Combination. The amount is recorded as current assets in the consolidated balance sheets.

In October 2021, the Company expensed $3.4 million in deferred offering costs due to delays in timing of the Company's proposed IPO. The amount was recorded as general and administrative expense for the year ended December 31, 2021. The Company deferred $19 thousand and $1.8 million as of December 31, 2021 and 2022, respectively, which is recorded as current assets in the Consolidated Balance Sheets. Additional deferred offering costs were incurred up to the Business Combination.

Income Taxes and Tax Credits

Income taxes are recorded in accordance with FASB ASC 740, *Income Taxes* ("ASC 740"), which provides for deferred taxes using an asset and liability approach. The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse, and net operating loss ("NOL") carryforwards and research and development tax credit ("R&D Credit") carryforwards. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company has recorded a full valuation allowance to reduce its net deferred income tax assets to zero. In the event the Company were to determine that it would be able to realize some or all its deferred income tax assets in the future, an adjustment to the deferred income tax asset valuation allowance would increase income in the period such determination was made. The Company accounts for uncertain tax positions in accordance with the provisions of ASC 740. When uncertain tax positions exist, the Company recognizes the tax benefit of tax positions to the extent that the benefit would more likely than not be realized assuming examination by the taxing authority. The determination as to whether the tax benefit will more likely than not be realized is based upon the technical merits of the tax position as well as consideration of the available facts and circumstances. As of December 31, 2021 and 2022, the Company had no liability for income tax associated with uncertain tax positions. The Company would recognize any corresponding interest and penalties associated with its income tax positions in income tax expense. There was no income tax interest or penalties incurred for the years ended December 31, 2021 and 2022.

Net Loss Per Share

Net loss per share is computed by dividing net loss attributed to common stockholders by the weighted-average number of shares of common stock outstanding during the period and, if dilutive, the weighted-average number of potential shares of common stock.

Comprehensive Loss

Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company has had no unrealized gains or losses for the years ended December 31, 2021 and 2022.

Emerging Growth Company Status

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act, until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company, or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

Recent Accounting Standards

The Company does not believe that any recently issued, but not effective, accounting standards, if currently adopted, would have a material effect on the Company's financial statements.

3. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	For the year ended	
(in thousands)	**2021**	**2022**
Accounting and legal fees	$ 5,931	$ 10,250
Research and development	394	544
Other	237	646
Total accounts payable and accrued expenses	$ 6,562	$ 11,440

4. Commitments and Contingencies

Short-term Loan Agreements

In February 2022, the Company entered into a Loan Agreement with Second Street Capital, LLC (the "Second Street Loan"), pursuant to which the Company borrowed $600,000. The Second Street Loan accrues interest at the rate of 15% per annum, with principal and interest due at maturity. The Company issued to Second Street Capital, LLC a warrant to purchase 312,500 shares of the Company's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. For a period of 180 days from the closing of the Company's next financing, Second Street Capital, LLC has the right to put the warrants to the Company in exchange for a payment of $250,000. The Company was originally required to repay the Second Street Loan on the earlier of (i) 5 business days after the Company's next financing or (ii) November 18, 2022. The Company recognized an expense of $250,000 for the put option.

In May 2022, the Company entered into a second Loan Agreement with Second Street Capital, LLC (the "Second Street Loan 2"), pursuant to which the Company borrowed $200,000. The Second Street Loan 2 accrues interest at the rate of 15% per annum, with principal and interest due at maturity. The Company issued to Second Street Capital, LLC a warrant to purchase 62,500 shares of the Company's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. There is no put option associated with this loan. The Company was originally required to repay the Second Street Loan 2 on the earlier of (i) 5 business days after the Company's next financing or (ii) November 18, 2022. The Company recognized an expense of $388,938 for the warrants issued based on the estimated fair value of the awards on the date of grant.

On September 30, 2022, the Second Street Loan and Second Street Loan 2 were amended whereas the maturity date was extended from November 18, 2022 to December 30, 2022. The Company was required to repay the principal and accrued interest of the Second Street Loan and Second Street Loan 2 the earlier of (i) 5 business days after its next financing or closing of the business combination or (ii) December 30, 2022. In consideration of the extension, the Company issued to Second Street Capital, LLC a warrant to purchase 75,000 shares of the Company's common stock with an exercise price of $10.20 per share exercisable until September 30, 2026. The Company recognized an expense of $435,075 for the warrants issued based on the estimated fair value of the awards on the date of grant. The Company recognized a total expense in the amount of $1,074,013 of which $250,000 was for the put option and $824,013 was for the warrants issued for the year ended December 31, 2022.

On December 30, 2022, the Second Street Loan and the Second Street Loan 2 were further amended to extend the maturity date to February 15, 2023. No additional warrants were issued to Second Street Capital, LLC in connection with the extension. The Second Street Loan and the Second Street Loan 2 were amended again and the Company is currently required to repay the loans on the earlier of (i) 5 business days after Ocean Biomedical's next financing or (ii) March 31, 2023. In addition, an additional warrant was issued to purchase 75,000 shares of the Company's common stock and a loan fee of $75,000 was charged.

Litigation

The Company is not a party to any material legal proceedings and is not aware of any pending or threatened claims. From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of its business activities.

Leases

As of December 31, 2022, the Company is not a party to any leasing agreements.

License Fees

The Company entered into license agreements with its academic research institution partners. Under these license agreements, the Company is required to make annual fixed license maintenance fee payments. The Company is also required to make payments upon successful completion and achievement of certain milestones as well as royalty payments upon sales of products covered by such licenses. The payment obligations under the license and collaboration agreements are contingent upon future events such as achievement of specified development, clinical, regulatory, and commercial milestones. As the timing of these future milestone payments are not known, the Company has not included these fees in the consolidated balance sheets as of December 31, 2021 and 2022. Starting January 1, 2022, annual license maintenance fees in the amount of $3,000 are due for each of the four Elkurt/Brown licenses. For the year ended December 31, 2022, $12,000 was recorded as an expense in the Company's financial statements. See Note 9, License Agreements.

Contingent Compensation

Under the amended management employment agreements, as of December 31, 2022, the Company has salaries and bonuses, collectively called contingent compensation, that are contingently payable based only upon the Company's first cumulative capital raise of at least $50 million in the amount of $11.3 million.

These amounts will not be paid if the contingencies do not occur. Since the payment of obligations under the employment agreements are contingent upon these future events, which are not considered probable as such future events are deemed outside of the Company's control, the Company has not included these amounts in its consolidated balance sheets.

Other Contingent Payments

The contingent payments of approximately $12.8 million are contingently payable based only upon the Company's first cumulative capital raise of at least $50 million and consists of $11.3 million of contingent compensation and bonuses to certain members of senior management previously mentioned, $1.4 million of contingent vendor payments, and $0.1 million of related party expense.

These amounts will not be paid if the contingencies do not occur. Since the payment of obligations under the employment agreements are contingent upon these future events, which are not considered probable as such future events are deemed outside of the Company's control, the Company has not included these amounts in its consolidated balance sheets.

5. Common Stock

The holders of common stock of the Company are entitled to dividends when and if declared by the board of directors. The holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. As of December 31, 2021 and 2022, the Company had 180.6 million authorized shares with a par value of $0.000001 per share. The Company's founder and sole stockholder was issued 17,454,542 shares of the Company's common stock ("Founders Shares") upon the formation of the Company on January 2, 2019.

In December 2020, the sole stockholder of the Company contributed 100% of his Founders Shares to Poseidon Bio, LLC ("Poseidon"), which became the sole stockholder of the Company. In February 2021, Poseidon transferred 342,244 shares of the Company's common stock back to the Company's founder.

In February 2021, Poseidon amended and restated its operating agreement to allow additional members into Poseidon by issuing Class A units and Class B units in which the Company's founder is the sole Class A unit holder who holds 100% of the voting power of Poseidon. In addition, certain executives and employees of the Company were granted Class B unit profit interests in Poseidon. These profit interests grants in the Company's controlling shareholder were deemed to be transactions incurred by the shareholder and within the scope of FASB ASC 718, *Stock Compensation*. As a result, the related transactions by the shareholder were pushed down into the Company's consolidated financial statements. As of December 31, 2022, the Company's founder held 100% of the voting power and 68% of the equity interests in Poseidon. See Stock-Based Compensation for Profit Interests in Poseidon section below.

In March 2021, the Company authorized the issuance of 42,176 shares of common stock in the Company to certain persons who were accredited investors (consisting of friends and family of the Company's employees) at an aggregate offering price of $1.0 million. As of December 31, 2022, the Company has issued 41,828 shares of common stock at an aggregate offering price of $1.0 million of the total amounts approved. As of December 31, 2022, a total of 17,496,370 shares of common stock of the Company have been issued and Poseidon held 98% of the voting power of the Company.

On July 13, 2021, the Company implemented a 1-for-4 stock split of the Company's common stock. All share and per share data shown in the accompanying financial statements and related notes have been retroactively revised to reflect the reverse stock split.

On January 19, 2022, the Company implemented an 8-for-11 reverse stock split of the Company's common stock. All share and per share data shown in the accompanying financial statements and related notes have been retroactively revised to reflect the reverse stock split.

On February 1, 2022, the Company implemented a 6-for-7 reverse stock split of the Company's common stock. All share and per share data shown in the accompanying financial statements and related notes have been retroactively revised to reflect the reverse stock split.

On February 2, 2022, the Company implemented a 28-for-29 reverse stock split of the Company's common stock. All share and per share data shown in the accompanying financial statements and related notes have been retroactively revised to reflect the reverse stock split.

Stock-Based Compensation for Profit Interests in Poseidon

The Company recognizes compensation costs related to profit interests granted to employees, nonemployees and directors based on the estimated fair value of the awards on the date of grant. The Company estimates the grant date fair value and the resulting stock-based compensation expense using the Black-Scholes option-pricing model. The grant date fair value of the profit interests in Poseidon are recognized on a straight-line basis over the requisite service periods but accelerated to the extent that grants vest sooner than on a straight-line basis. Forfeitures are accounted for as they occur.

On February 22, 2021, 3,080,000 Class B profit interests were granted. The estimated fair value of a Class B profit interest in Poseidon at February 22, 2021, the grant date of the profit interests, was $22.26 per interest and was determined using an option-pricing model under which interests are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class, adjusted for a discount for the lack of marketability to account for a lack of access to an active public market. As of December 31, 2022, the profit interests were fully vested.

On April 20, 2022, an additional 25,500 fully vested Class B profit interests were granted to an executive. The estimated fair value of a Class B profit interest in Poseidon on the grant date was $7.03 per interest and was determined using an option-pricing model under which interests are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class, adjusted for a discount for the lack of marketability to account for a lack of access to an active public market. Currently, the Class B profit interests granted are fully vested. The stock-based compensation amount was included in the total amount recorded in the financial statements as of December 31, 2022.

The following assumptions were used to estimate the fair value of the profits interests that were granted on February 22, 2021:

Risk-free interest rate		0.11%
Fair value of common stock of the Company	$	16.96
Expected dividend yield		—
Expected terms in years		2
Expected volatility		75%

The following assumptions were used to estimate the fair value of the profits interests that were granted on April 20, 2022:

Risk-free interest rate		2.10%
Fair value of common stock of the Company	$	11.00
Expected dividend yield		—
Expected terms in years		8
Expected volatility		75%

As of December 31, 2022, there was $68.9 million of recognized compensation costs that has been fully amortized and there was no unrecognized compensation costs.

The stock-based compensation allocation was based upon the grantees vested interests and the amount of time spent in their respective operating department. The following table summarizes the allocation of stock-based compensation for the Profit Interests in Poseidon for the year ended December 31, 2021 and 2022:

(in thousands)	2021	2022
Research and development expense	$ 33,580	$ 8,231
General and administrative expense	22,970	4,147
Total stock-based compensation expense	$ 56,550	$ 12,378

Stock Options

In February 2021, the Company's board of directors approved the Ocean Biomedical, Inc. 2021 Stock Option and Grant Plan ("2021 Stock Option and Grant Plan") that reserves approximately 10% of unissued but authorized common stock shares. The 2021 Stock Option and Grant Plan permits the granting of incentive stock options, non-qualified stock options, restricted stock awards, unrestricted stock awards, and restricted stock units to employees, directors, officers, and consultants. As of December 31, 2022, no such options, awards or units have been granted.

Warrants

In February 2022, the Company entered into a Loan Agreement with Second Street Capital, LLC (the "Second Street Loan"), pursuant to which the Company borrowed $600,000. The Company issued to Second Street Capital, LLC a warrant to purchase 312,500 shares of the Company's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. For a period of 180 days from the closing of the Company's next financing, Second Street Capital, LLC has the right to put the warrants to the Company in exchange for a payment of $250,000. The Company recognized an expense in the amount of $250,000 for the put option and recorded the liability for the period ended December 31, 2022.

In May 2022, the Company entered into a second Loan Agreement with Second Street Capital, LLC (the "Second Street Loan 2"), pursuant to which the Company borrowed $200,000. The Company issued to Second Street Capital, LLC a warrant to purchase 62,500 shares of the Company's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. There is no put option associated with this warrant. The Company recognized an expense of $388,938 for the warrants issued based on the estimated fair value of the awards on the date of grant.

On September 30, 2022, the Second Street Loan and Second Street Loan 2 were amended whereas the maturity date was extended from November 18, 2022 to December 30, 2022. In consideration of the extension, the Company issued to Second Street Capital, LLC a warrant to purchase 75,000 shares of the Company's common stock with an exercise price of $10.20 per share exercisable until September 30, 2026. The Company recognized an expense of $435,075 for the warrants issued based on the estimated fair value of the awards on the date of grant. The Company recognized a total expense in the amount of $1,074,013 of which $250,000 was for the put option and $824,013 was for the warrants issued for the year ended December 31, 2022.

6. Net Loss Per Share

For the year ended December 31, 2021, there were approximately $0.5 million of non-vested profit interests grants outstanding of potentially dilutive (anti-dilutive) securities that were excluded from the calculation of diluted net loss per share. For the year ended December 31, 2022, there were approximately $0.8 million of outstanding warrants that were excluded from the calculation of diluted net loss per share.

7. Income Taxes

Provision for income taxes

There is no provision for income taxes because the Company has incurred operating losses and capitalized certain items for income tax purposes since its inception and maintains a full valuation allowance against its net deferred tax assets. The reported amount of income tax expense for the period differs from the amount that would result from applying the federal statutory tax rate to net loss before taxes primarily because of the change in valuation allowance.

	For the Year Ended	
	December 31, 2021	**December 31, 2022**
Statutory federal income tax rate	21.0%	21.0%
Change in valuation allowance	(21.0)%	(21.0)%
Income tax provision (benefit)	0.0%	0.0%

Deferred tax assets and valuation allowance

Deferred tax assets reflect the tax effects of net operating losses, tax credit carryovers, and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At December 31, 2021 and 2022, the Company's deferred tax assets are the tax effects of amortization of organization and start-up costs, U.S. federal and state NOL carryforwards, and stock-based compensation.

The significant components of the net deferred tax assets are as follows (in thousands):

	December 31, 2021	**December 31, 2022**
Deferred tax assets:		
Organization and start-up costs	$ 324	$ 46
Net operating loss carryforwards	294	1,338
Stock-based compensation	11,876	14,475
Losses-put option and warrant issuance		226
Total deferred income tax assets	12,494	16,085
Valuation allowance	(12,494)	(16,085)
Deferred tax asset, net of allowance	$ —	$ —

The Company may be entitled to claim federal and state income tax credits for its 2020, 2021, and 2022 R&D activities, but these amounts have not yet been determined. Any R&D Credits generated by the Company in 2020, 2021, and 2022 would result in an additional deferred tax asset that would be subject to a full valuation allowance. Future changes in ownership may limit the utilization of R&D Credits due to Section 383 of the Internal Revenue Code of 1986, as amended, and similar provisions.

8. Other Income/(Expense)

Other income/(expense) consisted of the following (in thousands):

	For the Year Ended December 31, 2021	**For the Year Ended December 31, 2022**
Interest Expense, net	$ —	$ (1,243)
Gain/(loss) on Foreign Currency	(1)	5
Total other income/(expense)	$ (1)	$ (1,238)

Interest expense includes interest expense of $170,255 related to the Second Street Capital LLC debt, loss on the put option right of $250,000, an expense on the issuance of warrants of $824,013 net of interest income of approximately $1,000.

9. License Agreements

Stanford University Agreement

On June 25, 2020, the Company entered into a Nonexclusive License Agreement for COVID-19 Related Technology, or the Stanford Agreement, with Stanford University, or Stanford. Under the Stanford Agreement, Stanford granted to the Company a nonexclusive license to Stanford's rights in a licensed patent related to therapeutic applications for COVID-19 to make, have made, use, import, offer to sell, and sell licensed product. Under the Stanford Agreement, the Company was responsible for reimbursement of patent costs. To date, the Company incurred reimbursed patent costs expense in the amount of $23,247 of which $18,527 has been paid. There were no license or royalty fees under the Stanford Agreement, unless the Company exceeds a gross margin of 40% on the sale of licensed product in one or more Organization for Economic Cooperation and Development, or OECD, countries. At such time as the gross margin on the sale of licensed product in any OECD country exceeds 40% in a single calendar quarter, the parties will meet and determine appropriate additional financial consideration for Stanford, as well as the terms associated with such consideration. The Company may not sublicense under the Stanford Agreement.

The contract term was one year from March 3, 2021, with a potential one-year extension with Stanford's consent, not to be unreasonably withheld, if the Company is meeting its milestone commitments. Milestone commitments include the Company diligently developing, manufacturing, and selling licensed product, diligently developing markets for licensed product, and initiating a Phase 2/3 or Phase 3 clinical trial for angiotensin 1-7 by March 3, 2022. Either party may terminate the Stanford Agreement in certain situations, including Stanford being able to terminate the Stanford Agreement if the Company is not diligently developing and commercializing licensed product or misses a milestone commitment. In addition, in the event of a change of control to that part of the Company's business that exercises all of the rights granted under the Stanford Agreement, or if the Stanford Agreement is assigned to a third party, the Company will pay Stanford $100,000. On March 3, 2021, the Stanford Agreement was amended and restated so that Company's subsidiary, Ocean Promise, Inc., became party to the license agreement, or the Restated Stanford Agreement. The Restated Stanford Agreement expired in accordance with its terms on March 3, 2022.

On April 14, 2022, The Company and Stanford entered into an Option whereas, Stanford grants Ocean a time-limited Option to acquire a nonexclusive license under the Licensed Patent in the Licensed Field of Use to make, have made, use, import, offer to sell and sell Licensed Product in the Licensed Territory. This Option does not give Ocean any right to sell or offer to sell Licensed Product prior to entering into a definitive License Agreement. The Option also specifically excludes use of any Licensed Product in humans. The Option expired on October 14, 2022. As of December 31, 2022, the Agreement is terminated.

Elkurt/Brown License Agreements

On July 31, 2020, the Company entered into four separate Exclusive License Agreements, or the Initial Brown License Agreements, with Elkurt, Inc., or Elkurt, a licensee of Brown University. On March 21, 2021, the Company and Elkurt amended each of the Initial Brown License Agreements. Elkurt is a company formed by our scientific co-founders and members of our Board of directors, Jack A. Elias, M.D., former Dean of Medicine and current Special Advisor for Health Affairs to Brown University, and Jonathan Kurtis, M.D., PhD, Chair of the Department of Pathology and Laboratory Medicine at Brown. Under the Initial Brown License Agreements, Elkurt grants us exclusive, royalty-bearing licenses to patent rights and nonexclusive, royalty-bearing licenses to know-how, solely to make, have made, market, offer for sale, use, and sell licensed products for use in certain fields. On August 31, 2021, the Initial Brown License Agreements were amended to extend the date after which Elkurt can terminate the license agreements if the Company has not raised at least $10 million in equity financing by April 1, 2022. On March 25, 2022, the Initial Brown License Agreements were amended to extend those termination dates to May 1, 2022. On July 1, 2022, the Company amended the Initial Brown License Agreements to extend the termination dates to November 1, 2022 and acknowledge the accounts payable due and terms of payment.

On July 2, 2022, the Company amended the Initial Brown License Agreements to extend the termination dates of the Commercialization Plan of the license agreements to an additional two years. On August 25, 2022, the Company amended the four Initial Brown License Agreements to extend the termination dates to November 1, 2023 and to extend the termination dates of the Commercialization Plan of the license agreements from an additional two years to three years. For each of the Initial Brown License Agreements and amendments, the Company is required to pay Elkurt a maintenance fee of $67,000 increased by interest at the rate of 1% per month from October 15, 2021 until paid. In addition, beginning on January 1, 2022 and each year thereafter until January 1, 2027, the Company is required to pay an annual License Maintenance Fee of $3,000. Beginning on January 1, 2028, and every year thereafter the annual License Maintenance Fee shall become $4,000 per year. Upon successful commercialization, the Company is required to pay Elkurt between 0.5% to 1.5% of net sales based on the terms under the Initial Brown License Agreements. In addition, the Company must pay Elkurt, under each of the Initial Brown License Agreements, 25% of all non-royalty sublicense income prior to the first commercial sale, and 10% of non-royalty sublicense income thereafter, in the event that the Company enters into sublicenses for the subject intellectual property. If net sales or non-royalty sublicense income are generated from know-how products, the amounts otherwise due (royalty or non-royalty sublicense income) shall be reduced by 50%. As of December 31, 2022, the Company recorded annual License Maintenance fees of $12,000.

The Company will also pay Elkurt developmental and commercialization milestone payments for each of the Initial Brown License Agreements ranging from $50,000 for the filing of an Investigational New Drug Application, or IND, or the equivalent outside of the United States, to $250,000 for enrollment of the first patient in a Phase 3 clinical trial in the United States or the equivalent outside of the United States. Ocean Biomedical is also responsible for reimbursement of patent costs. The Company recorded reimbursement of patent costs as general and administrative costs in the statements of operations as incurred. To date, the Company has incurred reimbursed patent costs expenses to Brown University in the amount of $340,190 of which $297,700 has been paid.

The contract term for each of the Initial Brown License Agreements and amendments continues until the later of the date on which the last valid claim expires or ten years. Either party may terminate each of the Initial Brown License Agreements in certain situations, including Elkurt being able to terminate the Initial Brown License Agreements at any time and for any reason after November 1, 2023 if the Company has not raised at least $10 million in equity financing by then. For the oncology programs, three of the license agreements have been sublicensed to our subsidiary, Ocean Chitorx, Inc., and for the Fibrosis program, one license agreement has been sublicensed to our subsidiary, Ocean Chitofibrorx, Inc.

On September 13, 2022, the Company entered into an additional Exclusive License Agreement, or the Brown Anti-PfGARP Small Molecules License Agreement, with Elkurt, Inc., or Elkurt, a licensee of Brown University. Under the Brown Anti-PfGARP Small Molecules License Agreement, Elkurt grants the Company an exclusive, royalty-bearing license to patent rights and a nonexclusive, royalty-bearing license to know-how, solely to make, have made, market, offer for sale, use, and sell licensed products for use in the field of malaria research.

For the Brown Anti-PfGARP Small Molecules License Agreement, the Company is required to pay Elkurt an initial license fee of $70,000, payable in two installments of $35,000 each on April 1, 2023 and June 30, 2023. Beginning September 13, 2023, the Company is obligated to pay Elkurt an annual license maintenance fee equal to (a) $3,000 until September 13, 2027, and (b) thereafter, an annual license maintenance fee of $4,000. Upon successful commercialization, the Company is required to pay Elkurt 1.25% of net sales based on the terms under the Brown Anti- PfGARP Small Molecules License Agreement. In addition, the Company must pay Elkurt 25% of all non-royalty sublicense income prior to the first commercial sale, and 10% of non-royalty sublicense income thereafter, in the event that the Company enters into sublicenses for the subject intellectual property. If net sales or non-royalty sublicense income are generated from know-how products, the amounts otherwise due (royalty or non-royalty sublicense income) shall be reduced by 50%. We also are required to pay Elkurt $100,000 in the event that we or one of sublicensees sublicenses this technology to a major pharmaceutical company or if the license agreement or any sublicense agreement for this technology is acquired by a major pharmaceutical company. A major pharmaceutical company is one that is publicly traded, with market capitalization of at least $5 billion and has been engaged in drug discovery, development, production and marketing for no less than 5 years. As of December 31, 2022, for this Small Molecules License Agreement, no license fees have been recorded in the Company’s consolidated financial statements.

The Company will also pay Elkurt developmental and commercialization milestone payments pursuant to the Brown Anti-PfGARP Small Molecules License Agreement ranging from $50,000 for the filing of an IND, or the equivalent outside of the United States, to $250,000 for enrollment of the first patient in a Phase 3 clinical trial in the United States or the equivalent outside of the United States. Ocean Biomedical is also responsible for reimbursement of patent costs.

The contract term for the Brown Anti-PfGARP Small Molecules License Agreement continues until the later of the date on which the last valid claim expires or ten years. Either party may terminate the Brown Anti-PfGARP Small Molecules License Agreement in certain situations, including Elkurt being able to terminate the Brown Anti-PfGARP Small Molecules License Agreement at any time and for any reason after November 1, 2023 if the Company has not raised at least $10 million in equity financing by then.

Elkurt/Rhode Island Agreement

On January 25, 2021, the Company entered into an Exclusive License Agreement, or the Rhode Island License Agreement, with Elkurt, Inc., or Elkurt, a licensee of Rhode Island Hospital. On April 1, 2021, September 10, 2021, March 25, 2022, July 1, 2022 and August 26, 2022, the Company and Elkurt amended the Rhode Island License Agreement. Under the Rhode Island License Agreement, as amended, Elkurt grants the Company an exclusive, royalty-bearing license to patent rights and a nonexclusive, royalty-bearing license to know-how, solely to make, have made, market, offer for sale, use, and sell licensed products for use in a certain field. The termination date is November 1, 2023.

For the Rhode Island License Agreement, the Company is required to pay Elkurt $110,000, due within 45 days of an equity financing of at least $10 million or November 1, 2023, whichever comes first, and beginning on January 1, 2022, an additional $3,000 annual maintenance fee thereafter, until January 1, 2028, at which point the annual maintenance fee will become $4,000 per year. The Company is also required to pay Elkurt 1.5% of net sales under the Rhode Island License Agreement. In addition, the Company must pay Elkurt 25% of all nonroyalty sublicense income prior to the first commercial sale, and 10% of non-royalty sublicense income thereafter, in the event that the Company enters into sublicenses for the subject intellectual property. If net sales or non-royalty sublicense income are generated from know-how products, the amounts otherwise due (royalty or non-royalty sublicense income) shall be reduced by 50%. The Company will also pay Elkurt developmental and commercialization milestone payments under the Rhode Island Agreement, ranging from $50,000 for the filing of an IND, or the equivalent outside of the United States, to $250,000 for enrollment of the first patient in a Phase 3 clinical trial in the United States or the equivalent outside of the United States. To date, the Company has incurred total reimbursed patent costs expenses to Rhode Island Hospital in the amount of $386,598 of which $131,986 has been paid.

The contract term for the Rhode Island License Agreement began February 1, 2020 and will continue until the later of the date on which the last valid claim expires or fifteen years. Either party may terminate the License Agreement in certain situations, including Elkurt being able to terminate the license agreement at any time and for any reason by November 1, 2023, if the Company has not raised at least $10 million in equity financing by then. Currently, the Rhode Island License Agreement is still in effect and the license agreement has been sublicensed to the Company's subsidiary, Ocean Sihoma, Inc.

Teton Therapeutics, Inc.

On April 15, 2020, the Company entered into an Exclusive License Agreement (the "Teton License Agreement") with Teton Therapeutics, Inc. ("Teton"). In February 25, 2021, the Company amended and restated this agreement in order to assign the program to a new subsidiary in the future. Pursuant to the Teton License Agreement, the Company obtained from Teton an exclusive license under certain patent rights, or the Teton Patents, and under certain data, expression and purification methods, information and other know-how, or the Teton Know-How, in each case relating to therapies for neurofibromatosis type 1 and 2 and schwannomatosis. Under such licenses that the Company obtained from Teton, or the Teton Licenses, the Company has the right to make, has made, market, offer for sale, use and sell in the field of therapeutics for each of neurofibromatosis type 1 and 2 and schwannomatosis on a worldwide basis any products or services that are either covered by the Teton Patents or incorporates or otherwise utilizes any Teton Know-How, or any materials that are sold in conjunction with any such products or services, in each such case, a Teton Product. The Company intends to form a subsidiary that will house this program, or the Ocean Teton Subsidiary.

Under the Teton License Agreement, after the date the Company forms the Ocean Teton Subsidiary, or the Ocean Teton Assignment Date, the Ocean Teton Subsidiary will develop and commercialize Teton Products in accordance with the development and commercialization plan, which will be mutually agreed upon with Teton.

In consideration for the rights conveyed by Teton under the Teton License Agreement, after the Ocean Teton Assignment Date, the Ocean Teton Subsidiary is obligated to reimburse Teton for all documented, out-of-pocket expenses incurred by Teton before the Teton Assignment Date, which expenses are $42,000. If the Company or the Ocean Teton Subsidiary, as applicable, grant any sublicenses under the Teton Licenses, the Company or the Ocean Teton Subsidiary, as applicable, are obligated to pay to Teton sublicense fees that are calculated on a tiered basis as a percentage of sublicense income including royalties and non-cash consideration, which percentage will differ based on whether the sublicense is executed prior to the fifth anniversary, between the fifth and eighth anniversary, or after the eighth anniversary of the effective date of the Teton License, with the percentage in each case in the low-double digits. The Ocean Teton Subsidiary is also required to issue to each of Teton and a certain group of its research personnel a number of shares of its stock representing ten percent (10%) of its outstanding capital stock on a fully diluted basis.

Under the Teton License Agreement, Teton retains control of the preparation, filing, prosecution and maintenance of the Teton Patents. The Ocean Teton Subsidiary is responsible for reimbursing Teton for all documented, out-of-pocket expenses incurred in performing such patent-related activities after the Teton Assignment Date but during the term of the Teton License Agreement.

Unless earlier terminated, the Teton License Agreement will terminate in its entirety upon the later of (a) the expiration of the last to expire valid claim of the Teton Patents covering any Teton Product, or (b) 20 years. The Company or the Ocean Teton Subsidiary, as applicable, may terminate the Teton License Agreement in its entirety at any time for convenience. Either party may terminate the Teton License Agreement in its entirety for the other party's uncured material breach after an opportunity for the other party to cure such material breach. Teton may terminate the Teton License Agreement in its entirety immediately upon notice if the Company or the Ocean Teton Subsidiary notifies Teton that it has not elected to pursue development of the licensed rights or upon 30 days' notice if the Ocean Teton Subsidiary fails to commence certain studies within a certain number of years after the assignment date to the Ocean Teton Subsidiary. Teton may also terminate the Teton License Agreement for the Company's or the Ocean Teton Entity's insolvency. If the Teton License Agreement is terminated by either party for any reason, the Teton Licenses will terminate and all rights thereunder will revert to Teton.

10. CMO Agreement

On December 31, 2020, the Company executed a Development and Manufacturing Services Agreement with Lonza AG and affiliate Lonza Sales AG ("Lonza"). The Company engaged Lonza pursuant to the development and manufacture of certain products and services along with the assistance in developing the product OCX-253. The agreement outlines the pricing for services and raw materials as incurred and payment terms. As of December 31, 2022, $543,691 has been incurred.

The Development and Manufacturing Services Agreement will terminate on December 31, 2025. Either party may terminate the agreement within 60 days after it becomes apparent to either party that it will not be possible to complete the services for a scientific or technical reason after a good faith effort is made to resolve such problems. The agreement may be terminated by either party, immediately for any uncured material breach, insolvency, or liquidation. In the event of termination, the Company will pay Lonza all costs incurred through the termination date.

11. Related Parties Transactions

License Agreements with Elkurt, Inc.

Elkurt/Brown License

In July, 2020, the Company entered into four separate Exclusive License Agreements, or the Brown License Agreements, with Elkurt, Inc., a licensee of Brown University. The Company amended each of the Brown License Agreements on March 21, 2021. Elkurt, Inc., is a company formed by the Company's scientific co-founders Jack A. Elias, M.D., former Dean of Medicine and current Special Advisor for Health Affairs to Brown University, and Jonathan Kurtis, M.D., PhD, Chair of the Department of Pathology and Laboratory Medicine at Brown. Under the Brown License Agreements, Elkurt, Inc. grants to the Company exclusive, royalty-bearing licenses to patent rights and nonexclusive, royalty-bearing licenses to know-how, solely to make, have made, market, offer for sale, use, and sell licensed products for use in certain fields. License fees are expensed as incurred as research and development expenses. Patent reimbursement fees are expensed as incurred as general and administrative expenses. On August 24, 2022 the Agreements were amended, thereby extending the termination date of each to November 24, 2023. As of December 31, 2022, the Company has incurred a total amount of $340,190 for patent reimbursement expenses to Brown that Elkurt, Inc., of which $297,700 has been paid on behalf of the Company. As of December 31, 2022, the amount due to Elkurt for the Brown License that is currently due to Brown is $54,490 consisting of (i) patent reimbursement expenses of $42,490 recorded as general and administrative costs and (ii) license maintenance fees in the amount of $12,000 recorded as research and development costs. In addition, $42,727 is currently due for patent reimbursement expenses that Elkurt has previously paid on behalf of the Company. The amounts were recorded as accounts payable-related party on the consolidated balance sheets.

Elkurt/Rhode Island Hospital License

In January 2021, the Company entered into an Exclusive License Agreement, or the Rhode Island License Agreement, with Elkurt, Inc., a licensee of Rhode Island Hospital. The Company amended the Rhode Island License Agreement on August 24, 2022 that extended the termination date to November 1, 2023. Under the Rhode Island License Agreement, Elkurt, Inc. grants to the Company an exclusive, royalty-bearing license to patent rights and a nonexclusive, royalty-bearing license to know-how, solely to make, have made, market, offer for sale, use, and sell licensed products for use in a certain field. As of December 31, 2022, the Company has incurred $386,598 for patent reimbursement expenses of which $131,986 has been paid. The amount due to Elkurt in the amount of $254,612 is included in accounts payable-related party on the consolidated balance sheets.

Transactions with Founder and Executive Chairman

As of December 31, 2021, the Company's Founder and Executive Chairman had paid for certain general and administrative expenses totaling $93,769 on behalf of the Company. The amounts were recorded as accounts payable-related parties on the consolidated balance sheets. As of December 31, 2022, the amount was $92,919. The reduction of $850 was actually paid by the Company for state taxes in 2022. The amounts were recorded as accounts payable-related party on the consolidated balance sheets.

Transactions with Chief Accounting Officer

The Company's Chief Accounting Officer previously provided consulting services to the Company with RJS Consulting, LLC, his wholly owned limited liability company through June 15, 2021, before becoming the Company's Chief Accounting Officer. As of December 31, 2021 and 2022, the Company owed RJS Consulting, LLC $142,500. The amounts were recorded as accounts payable on the consolidated balance sheets and were expensed as accounting fees in general and administrative expenses in 2021.

12. Business Combination Agreement with Aesther Health Care Acquisition Corp. ("AHAC")

On August 31, 2022, the Company and Aesther Healthcare Acquisition Corporation ("AHAC") entered into an Agreement and Plan of Merger (the "Business Combination Agreement"), by and among AHAC Merger Sub Inc., a Delaware corporation and wholly-owned subsidiary of AHAC ("Merger Sub"), Ocean Biomedical, Inc., a Delaware corporation ("Ocean Biomedical"), Aesther Healthcare Sponsor, LLC, ("Sponsor") in its capacity as Purchaser Representative, and Dr. Chirinjeev Kathuria, in his capacity as Seller Representative, that was amended on December 5, 2022, pursuant to which at the closing of the transactions contemplated by the Business Combination Agreement (the "Closing"), Merger Sub will merge with and into Ocean Biomedical (the "Merger"), with Ocean Biomedical continuing as the surviving corporation and wholly-owned subsidiary of AHAC. AHAC will change its name to Ocean Biomedical, Inc. at the Closing (collectively, the "Business Combination"). The Business Combination will be accounted for as a reverse recapitalization. See Note 14-Subsequent Events for terms and conditions of the Business Combination.

Merger Consideration

As consideration for the Merger, the holders of the Company's securities collectively shall be entitled to receive from AHAC, in the aggregate, a number of shares of AHAC's Class A common stock (with a per-share value of $10.00) with an aggregate value equal to (a) $240 Million U.S. Dollars ($240,000,000) minus (b) the amount, if any, by which the net working capital is less than negative $500,000, plus (c) the amount, if any, by which the net working capital exceeds $500,000 (but not less than zero), minus (d) the amount, if any, by which the closing net debt exceeds $1,500,000, minus (e) the amount, if any, by which The Company's transaction expenses exceed $6,000,000. "New Ocean Biomedical" refers to AHAC post-closing of the Business Combination of AHAC and Ocean Biomedical. In addition, post-closing holders of the Company's securities shall also be entitled to receive from New Ocean Biomedical, in the aggregate, an additional 19,000,000 shares of New Ocean Biomedical common stock (the "Earnout Shares") as follows: (a) in the event that the volume weighted average price ("VWAP") of New Ocean Biomedical exceeds $15.00 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the closing date of the Business Combination until the 36-month anniversary of the closing date, the holders of Ocean Biomedical securities pre-Closing shall be entitled to receive an additional 5,000,000 shares of New Ocean Biomedical common stock, (b) in the event that the VWAP of New Ocean Biomedical exceeds $17.50 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the closing date of the Business Combination until the 36-month anniversary of the closing date, the holders of Ocean Biomedical securities pre-Closing shall be entitled to receive an additional 7,000,000 shares of New Ocean Biomedical common stock and (c) in the event that the VWAP of New Ocean Biomedical exceeds $20.00 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the closing date of the Business Combination until the 36-month anniversary of the closing date, the holders of Ocean Biomedical securities pre-Closing shall be entitled to receive an additional 7,000,000 shares of New Ocean Biomedical common stock. In addition, for each issuance of Earnout Shares, New Ocean Biomedical will also issue to Sponsor an additional 1,000,000 shares of New Ocean Biomedical common stock.

Warrants

The Company's lender, Second Street Capital, LLC, has warrants for 450,000 shares of the Company's common stock ("Ocean Warrants"). As a condition to closing the Business Combination, AHAC shall issue Second Street Capital, LLC a warrant for a number of shares of New Ocean Biomedical common stock equal to the economic value of the Ocean Warrants in exchange for the termination of the Ocean Warrants.

13. Backstop and Common Stock Purchase Agreements

Vellar Backstop Agreement

On August 31, 2022, in connection with the execution of the Business Combination Agreement, AHAC and Ocean Biomedical entered into the Vellar Backstop Agreement. The Vellar Backstop Agreement is intended to provide AHAC with additional issued and outstanding shares and cash (in the short-term) following the closing of the Business Combination because it evidences Vellar's intent to purchase shares from AHAC stockholders that elected to redeem their shares, and thus eliminates the need for AHAC to redeem and pay redeeming AHAC stockholders for their shares. This is intended to help AHAC obtain sufficient cash at the Closing of the Business Combination Agreement to meet the minimum cash condition therein, reduce redemption related risks and generally facilitate the consummation of the Business Combination.

Pursuant to the Vellar Backstop Agreement, Vellar has agreed to support the Transactions by purchasing up to 4,000,000 shares of AHAC Class A common stock in the open market (which, approximately, would be valued at $40,000,000) during the period in which AHAC stockholders can elect to redeem their shares, including from other AHAC stockholders who in the future elect to redeem their shares of AHAC Class A common stock during the redemption period (i.e., the period commencing upon the filing of the definitive proxy statement and ending two (2) business days prior to the Special Meeting) pursuant to AHAC's redemption offer and subsequently revoke their elections to redeem their shares. None of the shares of AHAC Class A common stock purchased by Vellar may be voted in the Business Combination. AHAC has agreed to purchase those shares from Vellar on a forward basis at maturity (as further described below), but AHAC will not be required to purchase any shares of its Class A common stock from Vellar at a price higher than the redemption price offered to redeeming Public Stockholders before, during or after the redemption period. The purchase price payable by the Company will include a prepayment in the amount of the redemption price per share payable from the proceeds released from the Trust Account related to those shares. The prepayment date is the earlier of: (i) one business day after the Closing of the Business Combination or (ii) the date any assets from the Trust Account are disbursed following the Closing of the Business Combination. Vellar may but is not obligated to sell some or all of the shares subject to the forward transaction following the expiration of the redemption period (i.e., two (2) business days prior to the Special Meeting), after which those shares will no longer be subject to the forward transaction, and in such event Vellar will repay AHAC a portion of the prepayment amount relating to those shares from the sale proceeds equal to the number of shares sold by Vellar multiplied by the forward price (i.e., the lower of the redemption price, the then current forward price and the VWAP price for the last 10 trading days of the prior calendar month, but not lower than $5.00).

The Vellar Backstop Agreement matures on the earlier to occur of (a) 3 years after the closing of the Business Combination Agreement or (b) the date specified by Vellar in a written notice delivered at Vellar's discretion if the VWAP of the shares during 20 out of 30 consecutive trading days is less than $3 per share. On the maturity date, Vellar may require that New Ocean Biomedical repurchase all of the shares then being held by Vellar at a price equal to the redemption price (as determined in accordance with the AHAC Charter). Vellar will also be entitled to an additional $2.50 per share purchased with such amount being payable in shares of New Ocean Biomedical common stock. The maturity date is significant because following the maturity date AHAC is under no obligation to repurchase shares then being held by Vellar. Shares sold by Vellar to third parties prior to the maturity date shall cease to be subject to the forward transaction. Any such sale will trigger an obligation by Vellar to pay AHAC an amount equal to the product of (a) the number of shares sold by Vellar and (b) the forward price, which is defined in the Vellar Backstop Agreement as the lower of the redemption price (as determined in accordance with the AHAC Charter) and the VWAP price of the last ten trading days (but not lower than $5.00). If the Vellar Backstop Agreement is terminated after the Business Combination fails to close, except due to regulatory items or a material breach by Vellar, AHAC will be obligated to pay Vellar a break-up fee equal to $1 million and certain fees and expenses. AHAC will also be obligated to pay a structuring fee in the amount of $5,000 on the first trading day of each calendar quarter to Vellar after the Business Combination is complete until the maturity date. Vellar has agreed that it does not possess and/or has agreed to waive any redemption rights with respect to the shares of AHAC Class A common stock that it may acquire in accordance with the Vellar Backstop Agreement.

The Company expects to receive the first reports from the backstop providers in April 2023, reporting the amount of shares they sold for the period ended March 31, 2023 and, if they sold any shares, corresponding payments of the proceeds to those repurchased.

14. Subsequent Events

The Company has evaluated subsequent events through March 31, 2023, the date that these consolidated financial statements were issued. Except for the matters disclosed below, no additional subsequent events had occurred that would require recognition or disclosure in these consolidated financial statements.

On January 10, 2023, the Second Street Loan 2 was amended whereas increasing the loan amount from $200,000 to $400,000. A loan fee of $15,000 and a minimum return assessment fee of $35,000 were charged and paid from the $200,000 loan advance for net proceeds of $150,000. The Company was originally required to repay the principal and accrued interest of the Second Street Loan 2 the earlier of (i) 5 business days after its next financing or closing of the business combination or earlier of (i) 5 business days after Ocean Biomedical's next financing or (ii) February 15, 2023.

On March 1, 2023, but effective February 15, 2023, the Second Street Loan and Second Street Loan 2 were amended whereas the maturity date was extended from February 15, 2023 to March 31, 2023. The Company is required to repay the principal and accrued interest of the Second Street Loan and Second Street Loan 2 the earlier of (i) 5 business days after its next financing or closing of the business combination or (ii) March 31, 2023. In consideration of the extension, the Company issued to Second Street Capital, LLC a warrant to purchase 75,000 shares of the Company's common stock with an exercise price of $10.34 per share exercisable until March 31, 2028. An extension fee of $75,000 was recorded in the Company's financial statements for the period ended March 31, 2023. Currently, the Company and Second Street Capital, LLC are working on another amendment to extend the date.

Dated as of March 28, 2023, the Company entered into a Loan Agreement with McKra Investments III pursuant to which the Company borrowed $1,000,000. The Company issued a warrant to purchase 200,000 shares of the Company's common stock, with an exercise price of $10.34 per share, exercisable until March 27, 2028. The Company will pay a $150,000 loan and convenience fee due upon repayment of the loan. Repayment of the loan is due the earlier (i) from the proceeds of the Convertible Debt instrument to be offered in April 2023 or (ii) 45 days from the date of the advance.

Dated as of March 29, 2023, the Company entered into a Loan Agreement with Second Street Capital, LLC pursuant to which the Company borrowed $1 million to pay certain accrued expenses. The loan bears interest at 15% per annum and is due within three business days of our next financing or receipt of proceeds from the Backstop Agreement or, if earlier, 45 days from the date of the advance. We issued warrants to the lender for 200,000 shares of the Company's common stock, exercisable for five years at an exercise price of $10.34 and will pay $150,000 in loan fees at maturity.

On February 10, 2023 AHAC and Legacy Ocean entered into an amended and restated Vellar Backstop Agreement with Vellar. Pursuant to the Backstop Agreement, Vellar agreed to support the Business Combination by purchasing up to 6,000,000 shares of the Class A common stock in the open market for up to $60,000,000, including from other stockholders that elected to redeem and subsequently revoked their prior elections to redeem their shares, following the expiration of the Company's redemption offer. The Company has agreed to purchase those shares from Vellar on a forward basis. The purchase price payable by the Company included a prepayment in the amount of the redemption price per share. The Vellar Backstop Agreement matures on the earlier to occur of (a) three years after the closing of the Merger Agreement (February 14, 2026) or (b) the date specified by Vellar in a written notice delivered at Vellar's discretion if the VWAP of the shares during 30 out of 45 consecutive trading days is less than $4 per share. In addition, Vellar received $12,408,000 from the trust account holding the net proceeds from the sale of the units in the Aesther IPO (the "Trust Account') and used it to purchase shares of the Class A common stock (the "Share Consideration Shares") that otherwise would have been redeemed using funds from the Trust Account. These shares are not subject to the Vellar Backstop Agreement repurchase obligations. New Ocean Biomedical has the option to repurchase the Share Consideration Shares from Vellar at an aggregate price of $3,000,000 at any time during the first nine months after the earlier of (a) one business day after the closing of the Business Combination and (b) the date any assets from the Trust Account are disbursed in connection with the Business Combination.

If an event occurs causing the VWAP per shares to be at or above $20.00 per share for any 30 trading days during a 45 consecutive trading day-period and the aggregate trading volume in respect of such shares during the same 30-day period is at least the product of (a) three and (b) the difference of (x) the Number of Shares and (y) the Terminated Shares (each as defined in the Vellar Backstop Agreement), then New Ocean Biomedical can notify Vellar of such event and cause the Vellar Backstop Agreement to mature.

The Vellar Backstop Agreement calls for the adjustment of the Reset Price (as defined in the Vellar Backstop Agreement) on the first scheduled trading day of each month commencing on the first calendar month following the closing of the Business Combination to be the lowest of (a) the then-current Reset Price, (b) the initial price per shares paid by Vellar for the shares and (c) the VWAP price per share of the last ten trading days of the prior calendar month, but not lower than $10.34. The Reset Price may be reduced further in connection with a dilutive offering undertaken by the New Ocean Biomedical. The Reset Price is relevant to the provision entitling New Ocean Biomedical to terminate the Vellar Backstop Agreement early (in whole or in part) and require Vellar to pay New Ocean Biomedical an amount equal to the product of (x) the number of shares the New Ocean Biomedical elects to terminate from the forward transaction and (y) the Reset Price as of the termination date.

At maturity, any remaining shares subject to the Backstop Agreement will be finally purchased by New Ocean Biomedical at maturity for an additional $2.50 per share. During the term of the Vellar Backstop Agreement, Vellar may elect to sell some or all of the shares subject to the Backstop Agreement after which those shares will no longer be subject to the Vellar Backstop Agreement, and in such event Vellar will repay the Company with a portion of the sale proceeds.

On February 12, 2023, AHAC, Legacy Ocean, and Vellar again amended and restated the original Vellar Backstop Agreement (the "Definitive A&R Backstop Agreement"). The Company clarifies that the change between the Definitive A&R Backstop Agreement and the original Vellar Backstop Agreement is that the maximum number of shares Vellar may purchase was increased from 6,000,000 to 8,000,000 in the Definitive A&R Backstop Agreement. Pursuant to the Backstop Agreement, Vellar agreed to purchase up to 8,000,000 shares of AHAC's common stock in the open market for up to $80,000,000, including from other stockholders that elected to redeem and subsequently revoked their prior elections to redeem their shares, following the expiration of AHAC's s redemption offer.

On February 13, 2023, AHAC, Vellar and Legacy Ocean entered into an assignment and novation agreement with Meteora Special Opportunity Fund I, LP, Meteora Select Trading Opportunities Master, LP and Meteora Capital Partners, LP (collectively "Meteora") (the "Meteora Agreement"), pursuant to which Vellar assigned its obligation as to 2,666,667 shares of common stock of the Company to be purchased under the Vellar Backstop Agreement to Meteora. In addition, on February 13, 2023, AHAC, Vellar and Legacy Ocean entered into an assignment and novation agreement with Polar Multi-Strategy Master Fund ("Polar") (the "Polar Agreement") pursuant to which Vellar assigned its obligations as to 2,000,000 shares of common stock of the Company to be purchased under the Vellar Backstop Agreement to Polar.

On February 14, 2023, AHAC, Legacy Ocean and Polar entered into a subscription agreement in which Polar agreed to purchase 1,350,000 newly-issued shares of the Company's common stock at a per share purchase price of $10.56 and an aggregate purchase price of $14,260,404 (the "Polar Subscription"). The Polar Subscription was the method by which Polar exercised its right to purchase "Additional Shares" pursuant to the Backstop Agreement to which Polar acquired a portion of the rights from Vellar pursuant to the Polar Agreement. The shares acquired by Polar as part of the Polar Subscription are subject to the restrictions for "Additional Shares" set forth in the Backstop Agreement.

On February 14, 2023 (the "Closing Date"), AHAC consummated the previously announced Business Combination pursuant to the Business Combination Agreement as amended. Pursuant to the Business Combination Agreement, as amended on the Closing Date, Merger Sub merged with and into Ocean Biomedical, Inc., with Ocean Biomedical, Inc., continuing as the surviving entity and a wholly-owned subsidiary of AHAC (the "Merger," and, together with the other transactions and ancillary agreements contemplated by the Business Combination Agreement, the "Business Combination"). In connection with the closing of the Business Combination (the "Closing"), AHAC changed its name from "Aesther Healthcare Acquisition Corp." to "Ocean Biomedical, Inc, and Ocean Biomedical, Inc., changed its name to "Ocean Biomedical Holdings, Inc.

On the Closing Date, in connection with the Closing:

● AHAC issued to the holders of Ocean Biomedical's securities as of immediately prior to the Closing approximately 23,355,432 shares of the Company's Class A common stock (with a per-share value of $10.00) with an aggregate value equal to $233,554,320, as adjusted as required by the Business Combination Agreement to take into account net working capital, closing net debt and Ocean Biomedical, Inc.,, transaction expenses, in exchange for all of the issued and outstanding capital stock of Ocean Biomedical, Inc.;

● the Sponsor's 2,625,000 shares of AHAC's Class B common stock converted on a one-for-one basis into 2,625,000 shares of AHAC's Class A common stock pursuant to the Third Amended and Restated Certificate of Incorporation (the "Amended Certificate");

● AHAC issued to the Sponsor 1,365,000 additional shares of AHAC's Class A common stock in connection with the Sponsor obtaining two (2) three-month extensions beyond the September 16, 2022 deadline to complete an initial business combination;

● all shares of AHAC's Class A common stock were reclassified as common stock pursuant to the Company's Amended Certificate; and

● New Ocean Biomedical issued to Second Street Capital, LLC ("Second Street"), Ocean Biomedical's lender, three (3) warrants (the "Converted Ocean Warrants") for the number of shares of New Ocean Biomedical's common stock equal to the economic value of the Legacy Ocean warrants previously issued to Second Street in exchange for the termination of the Ocean Biomedical, Inc., warrants. The Converted Ocean Warrants are exercisable for a total of 511,712 shares of the Company's common stock at an exercise price of $8.06 per share and 102,342 shares of New Ocean Biomedical's common stock at an exercise price of $7.47 per share.

In addition, pursuant to Business Combination Agreement, the holders of Ocean Biomedical's common stock shall be entitled to receive from the New Ocean Biomedical, Inc., in the aggregate, up to an additional 19,000,000 shares of the Company's common stock (the "Earnout Shares") as follows: (a) in the event that the volume-weighted average price (the "VWAP") of New Ocean Biomedical exceeds $15.00 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Ocean Biomedical securities pre-Closing shall be entitled to receive an additional 5,000,000 shares of New Ocean Biomedical's common stock, (b) in the event that the VWAP of New Ocean Biomedical exceeds $17.50 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Ocean Biomedical's securities pre-Closing shall be entitled to receive an additional 7,000,000 shares of New Ocean Biomedical's common stock and (c) in the event that the VWAP of New Ocean Biomedical exceeds $20.00 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Ocean Biomedical's securities pre-Closing shall be entitled to receive an additional 7,000,000 shares of New Ocean Biomedical's common stock. In addition, for each issuance of Earnout Shares, New Ocean Biomedical will also issue to Sponsor an additional 1,000,000 shares of New Ocean Biomedical's common stock.

Following the Business Combination Agreement, New Ocean Biomedical is subject to the terms and conditions of a Common Stock Purchase Agreement AHAC entered into with White Lion. Pursuant to the Common Stock Purchase Agreement, AHAC has the right, but not the obligation to require White Lion to purchase, from time to time, up to $75,000,000 in aggregate gross purchase price of newly issued shares of New Ocean Biomedical common stock, subject to certain limitations and conditions set forth in the Common Stock Purchase Agreement.

New Ocean Biomedical is obligated under the Common Stock Purchase Agreement and the White Lion Registration Rights Agreement to file a registration statement with the SEC to register for the resale by White Lion, shares of common stock that New Ocean Biomedical may issue to White Lion under the Common Stock Purchase Agreement.

Subject to the satisfaction of certain customary conditions, New Ocean Biomedical's right to sell shares to White Lion will commence on the effective date of the registration statement and extend for a period of two years. During such term, subject to the terms and conditions of the Common Stock Purchase Agreement, New Ocean Biomedical may notify White Lion when New Ocean Biomedical exercises its right to sell shares (the effective date of such notice, a "Notice Date"). The number of shares sold pursuant to any such notice may not exceed (i) $2,000,000, divided by the closing price of the New Ocean Biomedical common stock on Nasdaq preceding the Notice Date and (ii) a number of shares of Common Stock equal to the average daily trading volume multiplied by 67%.

New Ocean Biomedical may not sell, and White Lion may not purchase, shares of New Ocean Biomedical common stock that would result in White Lion Owning more than 9.99% of the outstanding common stock of New Ocean Biomedical.

OCEAN BIOMEDICAL'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated or the context requires, references in this section to "Legacy Ocean Biomedical," "we," "us," "our" and other similar terms refer to Ocean Biomedical Holdings, Inc. prior to the Business Combination, references in this section to "Ocean Biomedical" or the "Company" refer to Ocean Biomedical, Inc. after the closing of the Business Combination and references in this section to "AHAC" or "Aesther" refer to Aesther Healthcare Acquisition Corp. prior to the closing of the Business Combination.. You should read the following discussion and analysis of our financial condition and results of operations together with the Legacy Ocean financial statements and the related notes appearing under Exhibit 99.2 of this Form 8-K. The information contained in this discussion and other parts of this Form 8-K include forward-looking statements that involve risks, uncertainties, and assumptions in our business plans, strategy, and related financing. Our actual results could differ materially from the results discussed in or implied by these forward-looking statements. Factors that could contribute or cause such differences include, but are not limited to, the information below and the information discussed in the sections "Risk Factors" and "Cautionary Note Regarding Forward-looking Statements."

Overview

We are a biopharmaceutical company that seeks to bridge the "bench-to-bedside" gap between medical research discoveries and patient solutions. We do this by leveraging our strong relationships with research universities and medical centers to license their inventions and technologies with the goal of developing them into products that address diseases with significant unmet medical needs. We believe that our differentiated business model positions us to capture inventions created at these institutions that might otherwise fail to be commercialized to benefit patients. Our team of accomplished scientists, business professionals and entrepreneurs bring together the interdisciplinary expertise and resources required to develop and commercialize a diverse portfolio of assets. We are organized around a licensing and subsidiary structure that we believe will enable us to create mutual value both for us and potential licensing partners. We believe this structure, combined with the professional networks of our leadership team members, allows us to opportunistically build a continuous pipeline of promising product innovations through our existing and potential future relationships with research institutions. Our goal is to optimize value creation for each of our product candidates, and we intend to continuously assess the best pathway for each as it progresses through the preclinical and clinical development process—including through internal advancement, partnerships with established companies and spin-outs or initial public offerings, or ("IPOs")—in order to benefit patients through the commercialization of these products. Our current active assets are licensed from Brown University and Rhode Island Hospital. Our scientific co-founders and members of our board of directors, Dr. Jack A. Elias and Dr. Jonathan Kurtis, are both affiliated with Brown University and with Rhode Island Hospital. Our strategy is to accelerate the flow of the academic discoveries and the required clinical development required for these product candidates and advance them commercially. The number of potential opportunities at research universities and medical centers is large, but only a small fraction of these opportunities is currently tapped in the market. The gap remains wide and we believe this presents an attractive opportunity for us to become an industry leader by addressing a need to accelerate the advancement of therapeutics that can address significant unmet medical needs. The core elements that we believe differentiate our business model include:

- **Harnessing inventions and technologies from research universities and medical centers.** We are experienced at identifying and sourcing breakthrough discoveries at academic and research institutions, including our current partnerships with Brown University and Rhode Island Hospital.

- **Developing new drug therapies through an operationally efficient, evidence-based and milestone- driven approach.** Once we select an asset for development, we pursue what we believe are appropriate development strategies that we aim to execute efficiently by leveraging contract research and contract manufacturing organizations, or contract research organizations ("CROs") and contract manufacturing organizations ("CMOs"), and other drug development experts and consultants.

- **Building a diverse portfolio of product candidates.** We are evidence-based and program agnostic, meaning that our resources are driven strictly by program progress and milestone achievements. Our approach is to develop multiple diverse programs in parallel which mitigates business risk.

- **Providing attractive economic upside to our partners at research universities and medical centers.** We have a structure wherein our parent company houses each program in a subsidiary. We believe this structure is optimal to provide attractive economic incentives to the discovering institution and its researchers.

- **Employing a multi-disciplinary approach to drug discovery and development across our programs**. Our business model is based on bringing together the appropriate disciplines and expertise needed for each of our programs and leveraging learnings across programs and disease areas.

- **Exploiting multiple commercialization options to maximize each program's value.** Throughout the development of our product candidates, we plan to continually assess that program's potential paths to market, and we will endeavor to identify and maximize commercial value through various options, including internal advancement, partnerships with established companies, and spin-outs or IPOs.

- **Leadership team comprised of academic, scientific and business innovators**. We have assembled an industry-leading, multi-disciplinary team consisting of physicians, scientists and business leaders with significant experience in progressing product candidates from early-stage research through clinical trials, regulatory approval and ultimately to commercialization. Although our company has not yet developed or commercialized any biopharmaceutical products, key members of our management team have experience doing so in previous endeavors.

We believe our differentiated business model will enable us to commercialize our products, if approved, and will allow us to replicate our licensing partnerships through aligned incentive structures with research universities and medical centers.

Our pipeline consists of both preclinical and clinical-stage programs. We anticipate moving certain preclinical product candidates in our oncology, fibrosis and/or infectious disease programs into the clinic in the next 12 to 24 months.

On December 31, 2020, we executed a Development and Manufacturing Services Agreement with Lonza AG and affiliate Lonza Sales AG. We engaged Lonza AG (and Lonza affiliates) for the development and manufacture of certain products and services along with assistance in developing the product OCX-253. Under this agreement, Lonza will perform the following key activities in two stages in support of our IND-enabling program plan: first, to perform a manufacturability assessment of the OCX- 253 monoclonal antibody drug candidates, generate or arrange to be generated synthetic genes and single gene vectors and vector constructions, and conduct gene vector construct testing; and second, to generate and assess growth and productivity for cell lines to be used for synthesizing OCX-253 drug candidate. The agreement provides that we will pay for all raw materials and related fees. Further, the agreement stipulates immediate 100% payment of invoices for any stage of work worth less than GBP 50,000, and deferral of 50% of payment for any stage of work worth more than GBP 50,000 to the release of applicable batches or completion of applicable services.

In December 2020, the sole stockholder of Legacy Ocean contributed 100% of his founders shares in the amount of 17,112,298 shares to Poseidon Bio, LLC ("Poseidon") which became the sole stockholder of Legacy Ocean. In February 2021, Poseidon transferred 342,244 shares of Legacy Ocean's common stock back to Legacy Ocean's founder. In February 2021, Poseidon amended and restated its operating agreement to allow additional members into Poseidon by issuing Class A units and Class B units in which Legacy Ocean's founder is the sole Class A unit holder who holds 100% of the voting power of Poseidon. In addition, certain executives and employees were granted Class B unit profit interests in Poseidon. These profit interests grants in Legacy Ocean's controlling shareholder were deemed to be transactions incurred by the shareholder and within the scope of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, *Stock Compensation*. As a result, the related transactions by the stockholder were pushed down into our consolidated financial statements. As of December 31, 2022, Legacy Ocean's founder held 100% of the voting power and 69% of the equity interests in Poseidon. The Business Combination will have no impact on the Poseidon Class B units and Ocean Biomedical does not anticipate that Poseidon will make any additional grants after the Closing.

In March 2021, we authorized the issuance of 42,176 shares of common stock in Legacy Ocean to certain persons who were accredited investors (consisting of friends and family of our company's employees) at an aggregate offering price of $1.0 million. As of December 31, 2022, Legacy Ocean had issued 41,828 shares of common stock at an aggregate offering price of $1.0 million. As of December 31, 2021, a total of 17,496,370 shares of common stock of Legacy Ocean had been issued and Poseidon held 98% of the voting power of Legacy Ocean.

On February 22, 2022, we entered into a Loan Agreement with Second Street Capital, LLC (the "Second Street Capital"), where we borrowed $600,000 (the "Second Street Loan"), which was used to pay a $15,000 loan fee and certain accrued expenses of our company. The Second Street Loan accrues interest at the rate of 15% per annum, with principal and interest due at maturity. We were required to repay the Second Street Loan on the earlier of (i) 5 business days after the Company's next financing or (ii) May 23, 2022. We issued to Second Street Capital, a warrant to purchase 312,500 shares of Legacy Ocean's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. For a period of 180 days from the closing of our next financing, Second Street Capital, has the right to put the warrants to our company in exchange for a payment of $250,000. On April 22, 2022, the Second Street Loan Agreement was amended whereas the maturity date was extended from May 23, 2022 to November 18, 2022. We recognized a loss and recorded the liability of $250,000 for the put option in the consolidated financial statements for the year ended December 31, 2022.

In May 2022, we entered into a second Loan Agreement with Second Street Capital, (the "Second Street Loan 2"), where we borrowed $200,000, which was used to pay a $15,000 loan fee, $15,000 fee for amending the Second Street Loan Agreement to extend the maturity date, and $20,000 next day loan fee. The Second Street Loan 2 accrues interest at the rate of 15% per annum, with principal and interest due at maturity. We issued to Second Street Capital, a warrant to purchase 62,500 shares of Legacy Ocean's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. There is no put option associated with this loan. We were required to repay the Second Street Loan 2 on the earlier of (i) 5 business days after our next financing or (ii) November 18, 2022. We recognized a loss of $388,938 for the warrants issued based on the estimated fair value of the awards on the date of grant in our consolidated financial statements for the year ended December 31, 2022.

On September 30, 2022, the Second Street Loan and Second Street Loan 2 were amended whereas the maturity date was extended from November 18, 2022 to December 30, 2022. In consideration of the extension, the Company issued to Second Street Capital, a warrant to purchase 75,000 shares of the Company's common stock with an exercise price of $10.20 per share, exercisable until September 30, 2026. We recognized a loss of $435,075 for the warrants issued based on the estimated fair value of the awards on the date of the grant in our consolidated financial statements for the year ended December 31, 2022.

The Company recognized a total expense in the amount of $1,074,013 of which $250,000 was for the put option and $824,013 was for the warrants issued for the year ended December 31, 2022.

On December 30, 2022, the Second Street Loan and the Second Street Loan 2 were further amended to extend the maturity date to February 15, 2023. No additional warrants were issued to Second Street Capital, in connection with the extension. We are required to repay the Second Street Loan and the Second Street Loan 2 on the earlier of (i) 5 business days after Ocean Biomedical's next financing or (ii) February 15, 2023.

In connection with the Closing pursuant to a Warrant Exchange Agreement, on February 14, 2023, Ocean Biomedical issued the Second Street Warrants to Second Street Capital, LLC in exchange for the warrants previously issued by Legacy Ocean to Second Street Capital. The Second Street Warrants consists of three warrants for the number of shares of our common stock equal to the economic value of the warrants previously issued to Second Street in exchange for the termination of such previously issued warrants. The Second Street Warrants are exercisable for a total of 511,712 shares of our common stock at an exercise price of $8.06 per share and 102,342 shares of our common stock at an exercise price of $7.47 per share. The Second Street Warrants expire four years from their date of issuance

Effective as of February 15, 2023, the Second Street Loan and the Second Street Loan 2 were further amended to extend the maturity date to March 31, 2023 and warrants to acquire 75,000 share of the Company's common stock at an exercise price of $10.34, that expire in five years, were issued.

Since our inception in 2019, we have devoted substantially all of our efforts to organizing Ocean Biomedical, research and development activities, business planning, building our intellectual property positions and providing general and administrative support for these operations. We have not generated any revenue from product sales.

We have incurred significant operating losses since inception. Our ability to generate product revenues sufficient to achieve profitability will depend heavily upon the successful development and eventual commercialization of one or more of our current products or any future products. Our net operating losses were $62.3 million and $17.4 million for the years ended December 31, 2021 and 2022, respectively. As of December 31, 2021 and 2022, we had an accumulated deficit of $64.2 million and $81.6 million, respectively. Our current liabilities are $6.7 million and $12.7 million as of December 31, 2021 and 2022, respectively. The current liabilities consisted of accrued expenses including IPO and transaction costs, accounting and legal fees, accrued research and development costs, and short-term loans. We expect that our expense and capital requirements will increase substantially in connection with ongoing activities to commercialize our products in the future.

We expect to continue to generate operating losses for the foreseeable future. Our future viability is dependent on the success of our research and development and our ability to access additional capital to fund our operations. There can be no assurance that our current operating plan will be achieved or that additional funding will be available on terms acceptable to us, or at all.

We are subject to risks and uncertainties common to early-stage companies in the biotechnology industry including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations, and the ability to obtain additional capital to fund operations. Our therapeutic products will require significant additional research and development efforts, including preclinical and clinical testing and regulatory approval prior to commercialization. These efforts require additional capital, adequate personnel and extensive compliance reporting capabilities. There can be no assurance that our research and development will be successfully completed, that adequate protection for our intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval, or that any approved products will be commercially viable.

In January 2019, we formed three wholly-owned subsidiaries of Ocean Biomedical. In February 2021, we formed a fourth wholly-owned subsidiary. The subsidiaries were formed to organize our therapeutic programs in order to optimize multiple commercialization options and to maximize each program's value. We anticipate that additional subsidiaries will also be formed in connection with future programs to provide attractive economic upside to our partners at research universities and medical centers. Our license agreements with Brown University and Rhode Island Hospital are licensed or sublicensed directly or indirectly, to the following subsidiaries:

- Ocean Chitofibrorx, Inc. (January 15, 2019)—Fibrosis program (one license with Elkurt/ Brown University);
- Ocean Chitorx, Inc. (January 15, 2019)—Oncology programs (three licenses with Elkurt/Brown University);
- Ocean Sihoma, Inc. (January 15, 2019)—Malaria disease program (one license with Elkurt/ Rhode Island Hospital);
- Ocean Promise, Inc. (February 12, 2021)—Reserved for future programs.

Impacts of COVID-19 and Market Conditions on Our Business

We have been actively monitoring the COVID-19 situation and its impact globally. For the year ended December 31, 2022, the Company was not significantly impacted by COVID-19. Further, disruption of global financial markets and a recession or market correction, including as a result of the COVID-19 pandemic, the ongoing military conflict between Russia and Ukraine and the related sanctions imposed against Russia, and other global macroeconomic factors such as inflation, could reduce the Company's ability to access capital, which could in the future negatively affect the Company's liquidity and could materially affect the Company's business and the value of its common stock.

Business Combination Agreement with Aesther Health Care Acquisition Corp.

Closing of Business Combination

On February 14, 2023 (the "Closing Date"), the Company, formerly known as Aesther Healthcare Acquisition Corp. ("Aesther"), consummated the Business Combination pursuant to the Merger Agreement. Pursuant to the Merger Agreement, on the Closing Date, Merger Sub merged with and into Legacy Ocean, with Legacy Ocean continuing as the surviving entity and a wholly-owned subsidiary of the Company. In connection with the Closing, the Company changed its name from "Aesther Healthcare Acquisition Corp." to "Ocean Biomedical, Inc." and Legacy Ocean changed its name from "Ocean Biomedical, Inc" to "Ocean Biomedical Holdings, Inc."

On the Closing Date, in connection with the Closing:

- the Company issued to the holders of Legacy Ocean's securities as of immediately prior to the Closing approximately 23,355,432 shares of the Company's Class A common stock (with a per-share value of $10.00) with an aggregate value equal to $233,554,320, as adjusted as required by the Business Combination Agreement to take into account net working capital, closing net debt and Legacy Ocean's transaction expenses, in exchange for all of the issued and outstanding capital stock of Legacy Ocean;

- Aesther Healthcare Sponsor, Inc.'s (the "Sponsor") 2,625,000 shares of the Company's Class B common stock converted on a one-for-one basis into 2,625,000 shares of the Company's Class A common stock pursuant to the Company's Third Amended and Restated Certificate of Incorporation (the "Ocean Charter");

- the Company issued to the Sponsor 1,365,000 additional shares of the Company's Class A common stock in connection with the Sponsor obtaining two (2) three-month extensions beyond the September 16, 2022 deadline to complete an initial business combination;

- all shares of the Company's Class A common stock were reclassified as common stock pursuant to the Ocean Charter; and

- the Company issued to Second Street Capital, Legacy Ocean's lender, three (3) warrants (the "Second Street Warrants") for the number of shares of the Company's common stock equal to the economic value of the Legacy Ocean warrants previously issued to Second Street in exchange for the termination of the Legacy Ocean warrants. The Second Street Warrants are exercisable for a total of 511,712 shares of the Company's common stock at an exercise price of $8.06 per share and 102,342 shares of the Company's common stock at an exercise price of $7.47 per share.

In addition, pursuant to Merger Agreement, the holders of Legacy Ocean's common stock shall be entitled to receive from the Company, in the aggregate, up to an additional 19,000,000 shares of the Company's common stock (the "Earnout Shares") as follows: (a) in the event that the volume-weighted average price (the "VWAP") of the Company exceeds $15.00 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Legacy Ocean securities pre-Closing shall be entitled to receive an additional 5,000,000 shares of the Company's common stock, (b) in the event that the VWAP of the Company exceeds $17.50 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Legacy Ocean's securities pre-Closing shall be entitled to receive an additional 7,000,000 shares of the Company's common stock and (c) in the event that the VWAP of the Company exceeds $20.00 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Legacy Ocean's securities pre-Closing shall be entitled to receive an additional 7,000,000 shares of the Company's common stock. In addition, for each issuance of Earnout Shares, the Company will also issue to Sponsor an additional 1,000,000 shares of the Company's common stock.

Upon consummation of the Business Combination, there was outstanding an aggregate of 5,250,000 Public Warrants and 5,411,000 Private Placement Warrants. Each of our outstanding whole warrants is exercisable commencing 30 days following the Closing for one share of Common Stock.

Second Street, Ocean Biomedical's lender, holds the Second Street Warrants. The Second Street Warrant's are exercisable for a total of 511,712 shares of the Company's common stock at an exercise price of $8.06 per share and 102,342 shares of the Company's common stock at an exercise price of $7.47 per share.

Sponsor Promissory Notes

On September 15, 2022, Aesther entered into a Loan and Transfer Agreement between Aesther, the Sponsor, and other parties (the "Lender"), pursuant to which the Lender loaned $1,050,000 to the Sponsor and the Sponsor loaned $1,050,000 to Aesther (the "Sponsor Extension Loan"). Amounts loaned from the Lender to the Sponsor accrue interest at 8% per annum and amounts loaned from the Sponsor to Aesther do not accrue interest. The total amounts advanced by Lender to the Sponsor in connection with the $1,050,000 loan (the "Funded Amounts") were required to be repaid, together with all accrued and unpaid interest thereon, within five days of the closing of the Business Combination, at the option of the Lender, in either (a) cash; or (b) shares of Class A common stock held by the Sponsor which are deemed to have a value of $10 per share for such repayment right. As additional consideration for the Lender making the Loan available to Sponsor, Sponsor agreed to transfer between 1 and 2.5 Shares of Class B common stock to Lender for each $10 multiple of the Funded Amounts, which included the registration rights previously provided by Aesther to the Sponsor.

The Sponsor Extension Loan was paid down at Closing of the Business Combination to $500,000. The maturity date of the Sponsor Extension Loan has been extended to the funding of the Backstop Agreement, Common Stock Purchase Agreement or a convertible note financing but not more than 90 days from the closing of the Business Combination.

On December 13, 2022, Aesther entered into a Loan and Transfer Agreement between Aesther, the Sponsor, and NPIC Limited (the "NPIC Lender"), pursuant to which the Lender loaned $1,050,000 to the Sponsor and the Sponsor loaned $1,050,000 to Aesther (the "NPIC Sponsor Extension Loan"). Amounts loaned from the NPIC Lender to the Sponsor accrue interest at 8% per annum and amounts loaned from the Sponsor to Aesther do not accrue interest. The total amounts advanced by NPIC Lender to the Sponsor in connection with the $1,050,000 loan (the "NPIC Funded Amounts") were required to be repaid, together with all accrued and unpaid interest thereon, within five days of the closing of the initial Business Combination, at the option of the NPIC Lender, in either (a) cash; or (b) shares of Class A common stock held by the Sponsor which are deemed to have a value of $10 per share for such repayment right. As additional consideration for the NPIC Lender making the loan available to Sponsor, Sponsor agreed to transfer 10 Shares of Class B common stock to NPIC Lender for each $10 multiple of the NPIC Funded Amounts, which included the registration rights previously provided by Aesther to the Sponsor.

On March 22, 2023 the Company entered into a Loan Modification Agreement, dated March 22, 2023 (the "Modification Agreement"), by and among the Company, the Sponsor, and NPIC Lender, and a Side Letter Agreement between the Company and the Sponsor (the "Side Letter"), which modifies the Sponsor Extension Loan.

The Modification Agreement modified the NPIC Sponsor Extension Loan to provide that, among other things, (i) the maturity date of the loan from NPIC to Sponsor (the "NPIC Sponsor Loan") is extended to May 22, 2023 (the "Maturity Date"); (ii) the extension will take effect concurrently with, and not until, the Sponsor transfers 1,050,000 shares of the Company's common stock (the "Initial SPAC Shares") to the NPIC Lender; (iii) effective as of the date of the Modification Agreement, the NPIC Sponsor Loan shall accrue fifteen percent (15%) interest per annum, compounded monthly; (iv) the maturity date of the $1,050,000 loan by Sponsor to the Company (the "SPAC Loan") is extended to May 19, 2023; (v) the proceeds of any capital raise of at least $15,000,000 by the Company shall be first used by the Company to promptly repay the SPAC Loan and then Sponsor shall promptly repay the NPIC Sponsor Loan and all accrued interest; (vi) in exchange for the extension of the Maturity Date, the Company shall issue 50,000 shares of common stock to Lender on the date of the Modification Agreement and shall issue an additional 50,000 shares of common stock thereafter on each 30-day anniversary of the Maturity Date to the Lender until the Sponsor Loan is repaid in full; (vii) in the event Sponsor defaults on its obligations to repay the NPIC Sponsor Loan by the Maturity Date, the Sponsor shall transfer to the NPIC Lender 250,000 shares of Company common stock owned by the Sponsor and shall transfer an additional 250,000 such shares each month thereafter until the default is cured; (viii) the Company is obligated to file a registration statement with the SEC registering the shares to be issued to Lender within 30 days of the transfer, including the Initial SPAC shares; and (ix) in the event that the Company defaults on its obligations to the Lender set forth in (v), (vi) and (viii), the Company shall issue to NPIC Lender 250,000 shares of common stock and shall transfer an additional 250,000 shares of common stock each month thereafter until the default is cured. The Side Letter provides that, in the event the Company fails to repay the SPAC Loan by May 19, 2023, the Company shall issue to Sponsor 250,000 shares of common stock and shall issue an additional 250,000 such shares to Sponsor each month thereafter until the default is cured.

Deferred Underwriting Commissions

At Closing of the Business Combination, the underwriters for Aesther's IPO agreed to defer payment of $3.15 million of deferred underwriting discounts otherwise due to them until November 14, 2023, pursuant to the terms of a promissory note. The deferred amounts bear interest at 9% per annum and 24% per annum following an event of default under the promissory note.

Vellar Backstop Agreement

On February 10, 2023, Aesther and Legacy Ocean entered into an amended and restated OTC Equity Prepaid Forward Transaction (the "Backstop Agreement") with Vellar. Pursuant to the Backstop Agreement, Vellar agreed to support the Business Combination by purchasing up to 6,000,000 shares of the Class A common stock in the open market for up to $60,000,000, including from other stockholders that elected to redeem and subsequently revoked their prior elections to redeem their shares, following the expiration of Aesther's redemption offer. The Company has agreed to purchase those shares from Vellar on a forward basis. The purchase price payable by the Company included a prepayment in the amount of the redemption price per share of $10.34. The Backstop Agreement matures on the earlier to occur of (a) three years after the closing of the Merger Agreement (February 14, 2026) or (b) the date specified by Vellar in a written notice delivered at Vellar's discretion if the volume weighted average price ("VWAP") of the shares during 30 out of 45 consecutive trading days is less than $4 per share. In addition, Vellar received $12,408,000 from the trust account holding the net proceeds from the sale of the units in the Aesther IPO (the "Trust Account") and used it to purchase shares of the Class A common stock (the "Share Consideration Shares") that otherwise would have been redeemed using funds from the Trust Account. These shares are not subject to the Backstop Agreement. The Company has the option to repurchase the Share Consideration Shares from Vellar at an aggregate price of $3,000,000 at any time during the first nine months after the earlier of (a) one business day after the closing of the Business Combination and (b) the date any assets from the Trust Account are disbursed in connection with the Business Combination.

If an event occurs causing the VWAP per shares to be at or above $20.00 per share for any 30 trading days during a 45 consecutive trading day-period and the aggregate trading volume in respect of such shares during the same 20-day period is at least the product of (a) three and (b) the difference of (x) the Number of Shares and (y) the Terminated Shares (each as defined in the Backstop Agreement), then the Company can notify Vellar of such event and cause the Backstop Agreement to mature.

The Backstop Agreement calls for the adjustment of the Reset Price (as defined in the Backstop Agreement) on the first scheduled trading day of each month commencing on the first calendar month following the closing of the Business Combination to be the lowest of (a) the then-current Reset Price, (b) the initial price per shares paid by Vellar for the shares and (c) the VWAP price per share of the last ten trading days of the prior calendar month, but not lower than $10.34. The Reset Price may be reduced further in connection with a dilutive offering undertaken by the Company. The Reset Price is relevant to the provision entitling Vellar to terminate the Backstop Agreement early (in whole or in part) and require Vellar to pay the Company an amount equal to the product of (x) the number of shares the Company elects to terminate from the forward transaction and (y) the Reset Price as of the termination date.

At maturity, any remaining shares subject to the Backstop Agreement will be finally purchased by the Company at maturity for an additional $2.50 per share. During the term of the Backstop Agreement, Vellar may elect to sell some or all of the shares subject to the Backstop Agreement after which those shares will no longer be subject to the Backstop Agreement, and in such event Vellar will repay the Company with a portion of the sale proceeds.

On February 12, 2023, Aesther, Legacy Ocean, and Vellar again amended and restated the Original Backstop Agreement. The principal change in the Backstop Agreement is that the maximum number of shares Vellar may purchase was increased from 6,000,000 to 8,000,000. Pursuant to the Backstop Agreement, Vellar agreed to purchase up to 8,000,000 shares of the Company's common stock in the open market for up to $80,000,000, including from other Aesther stockholders that elected to redeem and subsequently revoked their prior elections to redeem their shares, following the expiration of Aesther's redemption offer.

Meteora Backstop Agreement

On October 4, 2022, Aesther and Legacy Ocean Biomedical also entered into the Meteora Backstop Agreement. The Meteora Backstop Agreement was amended as of November 17, 2022. The Meteora Backstop Agreement was terminated by Aesther and Legacy Ocean Biomedical effective as of December 12, 2022 prior to any share purchases being made by Meteora.

Meteora and Polar Assignment and Novation Agreements

On February 13, 2023, Aesther, Vellar and Legacy Ocean entered into an assignment and novation agreement with Meteora Special Opportunity Fund I, LP, Meteora Select Trading Opportunities Master, LP and Meteora Capital Partners, LP (collectively "Meteora") (the "Meteora Agreement"), pursuant to which Vellar assigned its obligation as to 2,666,667 shares of Class A common stock to be purchased under the Backstop Agreement to Meteora. In addition, on February 13, 2023, Aesther, Vellar and Legacy Ocean entered into an assignment and novation agreement with Polar Multi-Strategy Master Fund ("Polar") (the "Polar Agreement") pursuant to which Vellar assigned its obligations as to 2,000,000 shares of Class A common stock to be purchased under the Backstop Agreement to Polar.

On February 14, 2023, the Company, Legacy Ocean and Polar entered into a subscription agreement in which Polar agreed to purchase 1,350,000 newly-issued shares of the Company's common stock at a per share purchase price of $10.56 and an aggregate purchase price of $14,260,404 (the "Polar Subscription"). The Polar Subscription was the method by which Polar exercised its right to purchase "Additional Shares" pursuant to the Backstop Agreement to which Polar acquired a portion of the rights from Vellar pursuant to the Polar Agreement. The shares acquired by Polar as part of the Polar Subscription are subject to the restrictions for "Additional Shares" set forth in the Backstop Agreement.

Common Stock Purchase Agreement

On September 7, 2022, Aesther entered into the Common Stock Purchase Agreement (the "Common Stock Purchase Agreement") and the White Lion Registration Rights Agreement ("RRA") with White Lion. Pursuant to the Common Stock Purchase Agreement, the Company has the right, but not the obligation to require White Lion to purchase, from time to time, up to $75,000,000 in aggregate gross purchase price of newly issued shares of the Company's common stock, subject to certain limitations and conditions set forth in the Common Stock Purchase Agreement.

The Company is obligated under the Common Stock Purchase Agreement and the White Lion RRA to file a registration statement with the SEC to register under the Securities Act the common stock subject to the Common Stock Purchase Agreement, for the resale by White Lion of shares of the Company's common stock that the Company may issue to White Lion under the Common Stock Purchase Agreement.

Subject to the satisfaction of certain customary conditions, the Company's right to sell shares to White Lion will commence on the effective date of the registration statement and extend for a period of two years. During such term, subject to the terms and conditions of the Common Stock Purchase Agreement, the Company may notify White Lion when it exercises its right to sell shares (the effective date of such notice, a "Notice Date"). The number of shares sold pursuant to any such notice may not exceed (i) $2,000,000, divided by the closing price of the Company's common stock on Nasdaq preceding the Notice Date and (ii) a number of shares of common stock equal to the average daily trading volume multiplied by 67%.

The Company may not sell, and White Lion may not purchase, shares of the Company's common stock that would result in White Lion owning more than 9.99% of the outstanding common stock of the Company.

The purchase price to be paid by White Lion for any such shares will equal 93% of the lowest daily volume-weighted average price of the Company's common stock during a period of two consecutive trading days following the applicable Notice Date. However, if during such two-trading day period the trading price of the Company's common stock falls below a price (the "Threshold Price") equal to 90% of the opening trading price of the common stock on Nasdaq on the Notice Date, then the number of shares to be purchased by White Lion pursuant to such notice will be reduced proportionately based on the portion of the two-trading day period that has elapsed, and the purchase price will equal 93% of the Threshold Price.

License Agreements

Elkurt/Brown License Agreements

On July 31, 2020, we entered into four separate Exclusive License Agreements, or the Initial Brown License Agreements, with Elkurt, Inc., or Elkurt, a licensee of Brown University. On March 21, 2021, we and Elkurt amended each of the Initial Brown License Agreements. Elkurt is a company formed by our scientific co-founders and members of our Board of directors, Jack A. Elias, M.D., former Dean of Medicine and current Special Advisor for Health Affairs to Brown University, and Jonathan Kurtis, M.D., PhD, Chair of the Department of Pathology and Laboratory Medicine at Brown. Under the Initial Brown License Agreements, Elkurt grants us exclusive, royalty-bearing licenses to patent rights and nonexclusive, royalty-bearing licenses to know-how, solely to make, have made, market, offer for sale, use, and sell licensed products for use in certain fields. On August 31, 2021, the Initial Brown License Agreements were amended to extend the date after which Elkurt can terminate the license agreements if we have not raised at least $10 million in equity financing by April 1, 2022. On March 25, 2022, the Initial Brown License Agreements were amended to extend those termination dates to May 1, 2022. On July 1, 2022, we amended the Initial Brown License Agreements to extend the termination dates to November 1, 2022 and acknowledge the accounts payable due and terms of payment.

On July 2, 2022, we amended the Initial Brown License Agreements to extend the termination dates of the Commercialization Plan of the license agreements to an additional two years. On August 25, 2022, we amended the four Initial Brown License Agreements to extend the termination dates to November 1, 2023 and to extend the termination dates of the Commercialization Plan of the license agreements from an additional two years to three years. For each of the Initial Brown License Agreements and amendments, we are required to pay Elkurt a maintenance fee of $67,000 increased by interest at the rate of 1% per month from October 15, 2021 until paid. In addition, beginning on January 1, 2022 and each year thereafter until January 1, 2027, we are required to pay an annual License Maintenance Fee of $3,000. Beginning on January 1, 2028, and every year thereafter the annual License Maintenance Fee shall become $4,000 per year. Upon successful commercialization, we are required to pay Elkurt between 0.5% to 1.5% of net sales based on the terms under the Initial Brown License Agreements. In addition, we must pay Elkurt, under each of the Initial Brown License Agreements, 25% of all non-royalty sublicense income prior to the first commercial sale, and 10% of non-royalty sublicense income thereafter, in the event that we enter into sublicenses for the subject intellectual property. If net sales or non-royalty sublicense income are generated from know-how products, the amounts otherwise due (royalty or non-royalty sublicense income) shall be reduced by 50%. As of December 31, 2022, we recorded annual License Maintenance fees of $12,000.

We will also pay Elkurt developmental and commercialization milestone payments for each of the Initial Brown License Agreements ranging from $50,000 for the filing of an IND, or the equivalent outside of the United States, to $250,000 for enrollment of the first patient in a Phase 3 clinical trial in the United States or the equivalent outside of the United States. Ocean Biomedical is also responsible for reimbursement of patent costs. We recorded reimbursement of patent costs as general and administrative costs in the statements of operations as incurred. As of December 31, 2022, the Company has incurred reimbursed patent costs expenses to Brown University in the amount of $340,190 of which $297,700 has been paid.

The contract term for each of the Initial Brown License Agreements and amendments continues until the later of the date on which the last valid claim expires or ten years. Either party may terminate each of the Initial Brown License Agreements in certain situations, including Elkurt being able to terminate the Initial Brown License Agreements at any time and for any reason after November 1, 2023 if we have not raised at least $10 million in equity financing by then. For the oncology programs, three of the license agreements have been sublicensed to our subsidiary, Ocean Chitorx, Inc., and for the Fibrosis program, one license agreement has been sublicensed to our subsidiary, Ocean Chitofibrorx, Inc.

On September 13, 2022, we entered into an additional Exclusive License Agreement, or the Brown Anti-PfGARP Small Molecules License Agreement, with Elkurt, Inc., or Elkurt, a licensee of Brown University. Under the Brown Anti-PfGARP Small Molecules License Agreement, Elkurt grants the Company an exclusive, royalty-bearing license to patent rights and a nonexclusive, royalty-bearing license to know-how, solely to make, have made, market, offer for sale, use, and sell licensed products for use in the field of malaria research.

For the Brown Anti-PfGARP Small Molecules License Agreement, we are required to pay Elkurt an initial license fee of $70,000, payable in two installments of $35,000 each on April 1, 2023 and June 30, 2023. Beginning September 13, 2023, we are obligated to pay Elkurt an annual license maintenance fee equal to (a) $3,000 until September 13, 2027, and (b) thereafter, an annual license maintenance fee of $4,000. Upon successful commercialization, we are required to pay Elkurt 1.25% of net sales based on the terms under the Brown Anti- PfGARP Small Molecules License Agreement. In addition, we must pay Elkurt 25% of all non-royalty sublicense income prior to the first commercial sale, and 10% of non-royalty sublicense income thereafter, in the event that we enter into sublicenses for the subject intellectual property. If net sales or non-royalty sublicense income are generated from know-how products, the amounts otherwise due (royalty or non-royalty sublicense income) shall be reduced by 50%. We also are required to pay Elkurt $100,000 in the event that we or one of sublicensees sublicenses this technology to a major pharmaceutical company or if the license agreement or any sublicense agreement for this technology is acquired by a major pharmaceutical company. A major pharmaceutical company is one that is publicly traded, with market capitalization of at least $5 billion and has been engaged in drug discovery, development, production and marketing for no less than 5 years.

We will also pay Elkurt developmental and commercialization milestone payments pursuant to the Brown Anti-PfGARP Small Molecules License Agreement ranging from $50,000 for the filing of an IND, or the equivalent outside of the United States, to $250,000 for enrollment of the first patient in a Phase 3 clinical trial in the United States or the equivalent outside of the United States. Ocean Biomedical is also responsible for reimbursement of patent costs.

The contract term for the Brown Anti-PfGARP Small Molecules License Agreement continues until the later of the date on which the last valid claim expires or ten years. Either party may terminate the Brown Anti-PfGARP Small Molecules License Agreement in certain situations, including Elkurt being able to terminate the Brown Anti-PfGARP Small Molecules License Agreement at any time and for any reason after November 1, 2023 if we have not raised at least $10 million in equity financing by then.

Elkurt/Rhode Island Agreement

On January 25, 2021, we entered into an Exclusive License Agreement, or the Rhode Island License Agreement, with Elkurt, Inc., or Elkurt, a licensee of Rhode Island Hospital. On April 1, 2021, September 10, 2021, March 25, 2022, July 1, 2022 and August 26, 2022, we and Elkurt amended the Rhode Island License Agreement. Under the Rhode Island License Agreement, as amended, Elkurt grants the Company an exclusive, royalty-bearing license to patent rights and a nonexclusive, royalty-bearing license to know-how, solely to make, have made, market, offer for sale, use, and sell licensed products for use in a certain field.

For the Rhode Island License Agreement, we are required to pay Elkurt $110,000, due within 45 days of an equity financing of at least $10 million or May 1, 2022, whichever comes first, and beginning on January 1, 2022, an additional $3,000 annual maintenance fee thereafter, until January 1, 2028, at which point the annual maintenance fee will become $4,000 per year. We are also required to pay Elkurt 1.5% of net sales under the Rhode Island License Agreement. In addition, we must pay Elkurt 25% of all non-royalty sublicense income prior to the first commercial sale, and 10% of non-royalty sublicense income thereafter, in the event that we enter into sublicenses for the subject intellectual property. If net sales or non-royalty sublicense income are generated from know-how products, the amounts otherwise due (royalty or non-royalty sublicense income) shall be reduced by 50%. We will also pay Elkurt developmental and commercialization milestone payments under the Rhode Island Agreement, ranging from $50,000 for the filing of an IND, or the equivalent outside of the United States, to $250,000 for enrollment of the first patient in a Phase 3 clinical trial in the United States or the equivalent outside of the United States. As of December 31, 2022, the Company has incurred reimbursed patent costs expenses to Elkurt/Rhode Island Hospital in the amount of $386,598 of which $131,986 has been paid.

The contract term for the Rhode Island License Agreement began February 1, 2020 and will continue until the later of the date on which the last valid claim expires or fifteen years. Either party may terminate the License Agreement in certain situations, including Elkurt being able to terminate the license agreement at any time and for any reason by May 1, 2022, if we have not raised at least $10 million in equity financing by then. Currently, the Rhode Island License Agreement is still in effect and the license agreement has been sublicensed to our subsidiary, Ocean Sihoma, Inc. On July 1, 2022, we amended the Elkurt/Rhode Island License Agreement to extend the termination date to November 1, 2022, to extend the termination dates of the Commercialization Plan of the License Agreement to an additional one year, and acknowledge the accounts payable due and terms of payment. On August 26, 2022, we amended the Elkurt/Rhode Island License Agreement to extend the termination date to November 1, 2023 and to extend the termination dates of the Commercialization Plan of the License Agreement from an additional one year to three years.

Teton Therapeutics, Inc.

On April 15, 2020, we entered into an Exclusive License Agreement (the "Teton License Agreement") with Teton Therapeutics, Inc. ("Teton"). In February 25, 2021, we amended and restated this agreement in order to assign the program to a new subsidiary in the future. Pursuant to the Teton License Agreement, we obtained from Teton an exclusive license under certain patent rights, or the Teton Patents, and under certain data, expression and purification methods, information and other know-how, or the Teton Know-How, in each case relating to therapies for neurofibromatosis type 1 and 2 and schwannomatosis. Under such licenses that we obtained from Teton, or the Teton Licenses, we have the right to make, has made, market, offer for sale, use and sell in the field of therapeutics for each of neurofibromatosis type 1 and 2 and schwannomatosis on a worldwide basis any products or services that are either covered by the Teton Patents or incorporates or otherwise utilizes any Teton Know-How, or any materials that are sold in conjunction with any such products or services, in each such case, a Teton Product. We intend to form a subsidiary that will house this program, or the Ocean Teton Subsidiary.

Under the Teton License Agreement, after the date we form the Ocean Teton Subsidiary, or the Ocean Teton Assignment Date, the Ocean Teton Subsidiary will develop and commercialize Teton Products in accordance with the development and commercialization plan, which will be mutually agreed upon with Teton.

In consideration for the rights conveyed by Teton under the Teton License Agreement, after the Ocean Teton Assignment Date, the Ocean Teton Subsidiary is obligated to reimburse Teton for all documented, out-of-pocket expenses incurred by Teton before the Teton Assignment Date, which expenses are $42,000. If we or the Ocean Teton Subsidiary, as applicable, grant any sublicenses under the Teton Licenses, we or the Ocean Teton Subsidiary, as applicable, are obligated to pay to Teton sublicense fees that are calculated on a tiered basis as a percentage of sublicense income including royalties and non-cash consideration, which percentage will differ based on whether the sublicense is executed prior to the fifth anniversary, between the fifth and eighth anniversary, or after the eighth anniversary of the effective date of the Teton License, with the percentage in each case in the low-double digits. The Ocean Teton Subsidiary is also required to issue to each of Teton and a certain group of its research personnel a number of shares of its stock representing ten percent (10%) of its outstanding capital stock on a fully diluted basis.

Under the Teton License Agreement, Teton retains control of the preparation, filing, prosecution and maintenance of the Teton Patents. The Ocean Teton Subsidiary is responsible for reimbursing Teton for all documented, out-of-pocket expenses incurred in performing such patent-related activities after the Teton Assignment Date but during the term of the Teton License Agreement.

Unless earlier terminated, the Teton License Agreement will terminate in its entirety upon the later of (a) the expiration of the last to expire valid claim of the Teton Patents covering any Teton Product, or (b) 20 years. We or the Ocean Teton Subsidiary, as applicable, may terminate the Teton License Agreement in its entirety at any time for convenience. Either party may terminate the Teton License Agreement in its entirety for the other party's uncured material breach after an opportunity for the other party to cure such material breach. Teton may terminate the Teton License Agreement in its entirety immediately upon notice if we or the Ocean Teton Subsidiary notifies Teton that it has not elected to pursue development of the licensed rights or upon 30 days' notice if the Ocean Teton Subsidiary fails to commence certain studies within a certain number of years after the assignment date to the Ocean Teton Subsidiary. Teton may also terminate the Teton License Agreement for our or the Ocean Teton Entity's insolvency. If the Teton License Agreement is terminated by either party for any reason, the Teton Licenses will terminate and all rights thereunder will revert to Teton.

Components of Our Results of Operations

Revenue

To date, we have not generated any revenue from any sources, including from product sales, and we do not expect to generate any revenue from the sale of products in the foreseeable future. If our development efforts for our product candidates are successful and result in regulatory approval, or license agreements with third parties, we may generate revenue in the future from product sales. However, there can be no assurance as to when we will generate such revenue, if at all.

Operating Expenses

Research and Development Expenses

To date, research and development expenses consist, or will consist, primarily of costs incurred for our research activities, including the development of our product candidates. We expense research and development costs as incurred, which we expect will include:

- expenses incurred under our licenses and services agreements; and
- employee related expenses, including salaries and benefits for personnel engaged in research and development functions.

Research and development expenses for the years ended December 31, 2021 and 2022, included:

- stock-based compensation expense related to the grant by Poseidon, our controlling shareholder, of profit interests in Poseidon to our executives and employees in 2021 and 2022; and
- expenses incurred for outside services with our CMO relating to the development of certain of our preclinical assets.

We recognize external development costs based on an evaluation of the progress to completion of specific milestones using information provided to us by our service providers. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of actual costs. Such amounts are expensed as the related goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered or the services rendered.

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

Research and development activities are key to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later stage clinical trials. As a result, we expect that our research and development expenses will increase substantially over the next several years, which will include:

- expenses incurred under our licenses and services agreements to conduct the necessary preclinical studies and clinical trials required to obtain regulatory approval;
- expenses incurred under agreements with CROs, that are primarily engaged in the oversight and conduct of our drug discovery efforts and preclinical studies, clinical trials and or CMOs, that are primarily engaged to provide preclinical and clinical product for our research and development candidates;
- other costs related to acquiring and manufacturing materials in connection with our drug discovery efforts and preclinical studies and clinical trial materials, including manufacturing validation batches, as well as investigative sites and consultants that conduct our clinical trials, preclinical studies and other scientific development services;
- employee-related expenses, including salaries and benefits, and stock-based compensation expense for employees engaged in research and development functions; and
- costs related to compliance with regulatory requirements.

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

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

Any changes in the outcome of any of these variables with respect to the development of our product candidates in preclinical and clinical development could mean a significant change in the costs and timing associated with the development of these product candidates, such as the FDA or another regulatory authority were to delay our planned start of clinical trials or require us to conduct other clinical trials or testing beyond those that we currently expect or if significant delays in enrollment in any of our planned clinical trials occurred. Such delays or changes may require us to expend significant additional financial resources and time on the completion of clinical development of that product candidate.

General and Administrative Expenses

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

General and administrative expenses for the years ended December 31, 2021 and 2022 included stock-based compensation expense related to the grant by Poseidon, our controlling shareholder, of profits interests in Poseidon to our executives and employees in 2021, accounting and legal fees, and deferred offering costs expensed from the abandonment of the IPO.

We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support our continued research activities and development of our product candidates and prepare for potential commercialization activities. We also anticipate that we will incur significantly increased accounting, audit, legal, regulatory, tax, compliance with Nasdaq and SEC requirements, and director and officer insurance costs as well as investor and public relations expenses associated with operating as a public company. If and when we believe a regulatory approval of a product candidate appears likely, we anticipate an increase in payroll and other employee-related expenses as a result of our preparation for commercial operations as it relates to the sales and marketing of that product candidate.

Income Taxes

Income taxes are recorded in accordance with FASB ASC 740, *Income Taxes*, or FASB ASC 740, which provides for deferred taxes using an asset and liability approach. We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse, and net operating loss, or NOL, carryforwards and research and development tax credit carryforwards. Valuation allowances are provided, if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We have recorded a full valuation allowance to reduce our net deferred income tax assets to zero. In the event we were to determine that we would be able to realize some or all of our deferred income tax assets in the future, an adjustment to the deferred income tax asset valuation allowance would increase income in the period such determination was made. As a consequence, Ocean Biomedical has recorded no income tax expense nor benefit for all years presented.

Comparison of the Years Ended December 31, 2022 and 2021

	For the Years Ended December 31,		
(in thousands)	**2021**	**2022**	**$ Change**
Revenue	$ —	$ —	$ —
Operating Expenses:			
Research and development	33,933	8,409	(25,524)
General and administrative	28,412	7,712	(20,700)
Total operating expenses	62,345	16,121	(46,224)
Operating loss	(62,345)	(16,121)	46,224
Other income/(loss)	1	(1,238)	(1,239)
Net loss	$ (62,344)	$ (17,359)	$ 44,985

Operating Expenses

Research and development

Research and development expenses for the year ended December 31, 2022, compared to the year ended December 31, 2021 decreased by approximately $25.5 million driven by (i) a decrease of stock-based compensation expense of approximately $25.3 million related to the grant by Poseidon, our controlling shareholder, of profits interests in Poseidon to our executives and employees in 2021, 60% of the profits interests granted were immediately vested and the remaining 40% of the profits interests were amortized over 18 months that were 100% amortized as of August 31, 2022 and (ii) a decrease in costs of approximately $200,000 for outside services relating to the development of certain of our preclinical assets. Stock-based compensation expense related to the profit interest grants by Poseidon in the years ended December 31, 2022 and 2021 included in research and development expenses totaled $8.2 million and $33.5 million, respectively.

General and administrative

General and administrative expenses for the year ended December 31, 2022, compared to the year ended December 31, 2021 decreased by approximately $20.7 million driven by (i) a decrease of stock-based compensation expense of approximately $18.8 million related to the grant by Poseidon, our controlling shareholder, of profits interests in Poseidon to our executives and employees in 2021, 60% of the profits interests granted were immediately vested and the remaining 40% of the profits interests were amortized over 18 months that were 100% amortized as of August 31, 2022, (ii) a decrease in accounting fees of approximately $1.4 million, (iii) a decrease in legal fees of approximately $500,000, (iv) a decrease in printing, public relations ,and consulting costs of approximately $0.3 million, and (v) an increase in patent legal fees of approximately $300,000. Stock based compensation expense related to the profit interest grants by Poseidon in the years ended December 31, 2022 and 2021 included in general and administrative expenses totaled $4.1 million and $22.9 million, respectively. In June 2022, approximately $1.3 million of legal and accounting fees were expensed related to deferred offering expenses from the abandonment of the IPO. The decrease in accounting, legal, printing, public relations and consulting costs was primarily due to the abandonment of the IPO.

Other Income/(Expense)

Other expense for the year ended December 31, 2022, compared to the year ended December 31, 2021 increased by approximately $1.2 million driven by (i) an increase in recognized expense on a put option right held by Second Street of approximately $300,000 (ii) an increase in a recognized expense on the issuance of warrants to Second Street of approximately $800,000 and (iii) an increase in interest expense of $100,000.

Liquidity and Capital Resources

Since our inception, we have incurred significant operating losses. We have not yet commercialized any products and we do not expect to generate revenue from sales of products for several years, if at all. To date, we have funded our operations from the proceeds from the issuance of common stock and debt and through self-funding by our founder. Based on our current operational plans and assumptions, we expect that the net proceeds from the Backstop Agreement and future debt and equity financings, including possibly under the Common Stock Purchase Agreement, which total net proceeds we estimate need to be at least $45 million, as well as further deferrals of certain of our accrued expenses and contingency payments due upon the closing of future financings, are required to fund operations into the third quarter of 2024. The Company borrowed an additional $2 million in March 2023, the proceeds of which were used to pay certain accrued expenses. The Company plans to seek an additional $20-$40 million in convertible debt financing, for which it has received and is negotiating preliminary term sheets for up to $20 million of convertible debt. Under the terms of the Backstop Agreement, we will receive proceeds from any sales by the backstop providers of shares of our common stock sold by them quarterly, after the end of each quarter. We expect to receive the first reports from the backstop providers in April, reporting the amount of shares they sold in the quarter ended March 31, 2023 and, if they sold any shares, corresponding payments of the proceeds of those repurchases. The Backstop Agreement prohibits the backstop providers from selling our shares of common stock that are subject to the restrictions set forth in the Backstop Agreement unless our common stock is trading above $10.34 per share, which means that no cash will be returned to us pursuant to any sales under the Backstop Agreement unless and until our common stock is trading above $10.34 and our backstop providers are otherwise able to sell their shares. Based upon the level of funding that we receive from the foregoing sources, we will determine the amount of accrued expenses and contingency payments that we will seek to have our vendors further defer and how much we are able to spend on our operations. We have based these estimates on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect, in which case, we would need to raise more capital and sooner than expected. We cannot guarantee that we will be able to raise additional capital on reasonable terms or at all, that our common stock will trade above $10.34, permitting the backstop providers to sell shares under the Backstop Agreement, that the backstop providers will sell any shares of our common stock held by them or that our vendors will agree to further deferrals of payments due to them.

Our accrued expenses, contingency payments due upon a financing event and contingency payments due upon the closing of future capital raises, principally upon the first cumulative capital raise equal to at least $50 million, currently total $25.7 million. Accrued expenses and contingency payments due upon a financing event total approximately $12.9 million. This includes (i) $10.2 million of accounting and legal fees (ii) $1.2 million of vendor costs, (iii) $800,000 of short-term debt, (iv) $300,000 of patent reimbursement costs, and (v) $400,000 in contingent license fees. The contingent payments due upon the closing of future capital raises, principally upon the first cumulative capital raise equal to at least $50.0 million, including the proceeds from the business combination transaction, total approximately $12.8 million. These contingent payments consist of $11.3 million of contingent compensation and bonuses to certain members of senior management, $1.4 million of contingent vendor payments, and $100,000 of related party expense.

Going Concern Considerations

The accompanying consolidated financial statements are prepared in accordance with GAAP applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

In March 2021, we approved the issuance of 42,176 shares of common stock to certain persons consisting of friends and family of our employees, at an aggregate offering price of $1.0 million. As of December 31, 2022, we issued 41,828 shares of common stock at an aggregate offering price of $1.0 million. We had no cash inflows from operating activities for the year ended December 31, 2022. During 2022, we borrowed approximately $800,000 from Second Street to fund our operations, which is due March 31, 2023. As of December 31, 2022, we had minimal cash and a working capital deficiency of $10.6 million. Our current operating plan indicates we will incur losses from operations and generate negative cash flows from operating activities, given anticipated expenditures related to research and development activities and we lack revenue generating ability at this point in our lifecycle. These events and conditions raise substantial doubt about our ability to continue as a going concern within one year after the date the financial statements are issued.

We will need to raise additional funds in order to advance our research and development programs, operate our business, and meet our future obligations as they come due, as described above under “Liquidity and Capital Resources.” We will seek additional funding through private equity financings, debt financings, collaborations, strategic alliances, or marketing, distribution, or licensing arrangements. There is no assurance that we will be successful in obtaining additional financing on terms acceptable to us, if at all, and we may not be able to enter into collaborations or other arrangements. If we are unable to obtain funding, we could be forced to delay, reduce, or eliminate our research and development programs, which could adversely affect our business prospects and our ability to continue operations.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Funding Requirements

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

- advance preclinical development of our early-stage programs;
- manufacture, or have manufactured on our behalf, our preclinical and clinical drug material and develop processes for late state and commercial manufacturing;
- regulatory approvals for any product candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure to commercialize our product candidates for which we may obtain marketing approval and intend to commercialize on our own;
- hire additional clinical, quality control and scientific personnel; and
- expand our operational, financial and management systems and increase personnel, including personnel to support our research and clinical development, manufacturing and commercialization efforts and our operations as a public company; and obtain, maintain, expand and protect our intellectual property portfolio.

We anticipate that we will require additional capital as we seek regulatory approval of our product candidates and if we choose to pursue in-licenses or acquisitions of other product candidates. If we receive regulatory approval for our product candidates, we expect to incur significant commercialization expenses related to product manufacturing, sales, marketing and distribution, depending on where we choose to commercialize. Because of the numerous risks and uncertainties associated with research, development and commercialization of biologic product candidates, we are unable to estimate the exact amount of our working capital.

License Fees

Our contractual obligations are expected to have an effect on our liquidity and cash flows in future periods. Under our license agreements with our academic research institution partners, fixed license maintenance fees of $298,418 are due within 15 days of financing of at least $10 million and $110,000 are due within 30 days of financing of at least $10 million. In addition, under these license agreements, we are also required to make payments upon successful completion and achievement of certain milestones as well as royalty payments upon sales of products covered by such licenses. The payment obligations under the license and collaboration agreements are contingent upon future events such as our achievement of specified development, clinical, regulatory, and commercial milestones. As the timing of these future milestone payments are not known, we have not included these fees in our consolidated balance sheets as of December 31, 2022. None of these were paid at Closing.

Contingent Compensation

Under the management employment agreements, we have salaries and bonuses that are contingently payable upon financing, collectively called contingent compensation, that are contingently payable based only upon our first cumulative capital raise of at least $50 million. As of December 31, 2022 we have contingent compensation and bonuses in the amount of $11.3 million to certain members of senior management. These amounts will not be paid if the contingencies do not occur. Since the payment of obligations under the employment agreements are contingent upon these future events, which are not considered probable as such future events are deemed outside of our control, we have not included these amounts in its consolidated financial statements. None of these were paid at Closing.

Other Contractual Obligations

We have entered and anticipate we will continue to enter into contracts in the normal course of business with external organizations such as CMOs, CROs and other third parties for the manufacture of our product candidates and to support clinical trials and preclinical research studies and testing. We expect that these contracts will be generally cancelable by us, and we anticipate that payments due upon cancellation will consist only of payments for services provided or expenses incurred, including noncancelable obligations of our service providers, up to the date of cancellation. We accrued CMO services in the amount of $394,000 and $543,691 for the year ended December 31, 2021 and 2022, respectively, under the Development and Manufacturing Services Agreement with Lonza AG and affiliate Lonza Sales AG in developing the product OCX-253.

Second Street Capital Loan

On February 22, 2022, we entered into the Second Street Loan pursuant to which we borrowed $600,000, which was used to pay a $15,000 loan fee and certain accrued expenses of our company. The Second Street Loan accrues interest at the rate of 15% per annum, with principal and interest due at maturity. We were required to repay the Second Street Loan on the earlier of (i) 5 business days after our next financing or (ii) May 23, 2022. We issued to Second Street Capital, a warrant to purchase 312,500 shares of Ocean Biomedical's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. For a period of 180 days from the closing of our next financing, Second Street Capital has the right to put the warrants to us in exchange for a payment of $250,000. On April 22, 2022, the Second Street Loan Agreement was amended whereas the maturity date was extended from May 23, 2022 to November 18, 2022. We recognized an expense and liability of $250,000 for the put option in our consolidated financial statements for the period ended December 31, 2022.

On April, 22 2022, we entered into a second Loan Agreement with Second Street Capital pursuant to which we borrowed $200,000, which was used to pay a $15,000 loan fee, $15,000 fee for amending the Second Street Loan Agreement to extend the maturity date, and $20,000 next day loan fee. The Second Street Loan 2 accrues interest at the rate of 15% per annum, with principal and interest due at maturity. We issued to Second Street Capital a warrant to purchase 62,500 shares of Ocean Biomedical's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. There is no put option associated with this loan. We were required to repay the Second Street Loan 2 on the earlier of (i) 5 business days after our next financing or (ii) November 18, 2022. We recognized an expense of $388,938 for the warrants issued based on the estimated fair value of the awards on the date of grant.

On September 30, 2022, the Second Street Loan and Second Street Loan 2 were amended whereas the maturity date was extended from November 18, 2022 to December 30, 2022. In consideration of the extension, we issued to Second Street Capital a warrant to purchase 75,000 shares of our common stock with an exercise price of $10.20 per share exercisable until September 30, 2026. We recognized an expense of $435,075 for the warrants issued based on the estimated fair value of the awards on the date of grant. The Company recognized a total expense in the amount of $1,074,013 of which $250,000 was for the put option and $824,013 was for the warrants issued for the year ended December 31, 2022.

On December 30, 2022, the Second Street Loan and the Second Street Loan 2 were further amended to extend the maturity date to February 15, 2023. No additional warrants were issued to Second Street Capital in connection with the extension. We are required to repay the Second Street Loan and the Second Street Loan 2 on the earlier of (i) 5 business days after Ocean Biomedical's next financing or (ii) February 15, 2023.

Effective as of February 15, 2023, the Second Street Loan and the Second Street Loan 2 were further amended to extend the maturity date to March 31, 2023 and warrants to acquire 75,000 shares of the Company's common stock at an exercise price of $10.34, that expires in five years, were issued.

March 2023 Loans

Dated as of March 28, 2023, the Company entered into a Loan Agreement with McKra Investments III pursuant to which the Company borrowed $1 million to pay certain accrued expenses. The loan bears interest at 15% per annum and is due within three business days of our next financing or receipt of proceeds from the Backstop Agreement or, if earlier, 45 days from the date of the advance. We issued warrants to the lender for 200,000 shares of the Company's common stock, exercisable for five years at an exercise price of $10.34 and will pay $150,000 in loan fees at maturity.

Dated as of March 29, 2023, the Company entered into a Loan Agreement with Second Street Capital, LLC pursuant to which the Company borrowed $1 million to pay certain accrued expenses. The loan bears interest at 15% per annum and is due within three business days of our next financing or receipt of proceeds from the Backstop Agreement or, if earlier, 45 days from the date of the advance. We issued warrants to the lender for 200,000 shares of the Company's common stock, exercisable for five years at an exercise price of $10.34 and will pay $150,000 in loan fees at maturity.

Cash Flows

To date, we have not generated any revenue. Cash flows to date have resulted from financing activities, including payments made on behalf of the Company by related parties and net proceeds of $1.0 million from issuance of shares of common stock consisting of friends and family of our employees and $800,000 from the Second Street Loan and Second Street Loan 2. As of December 31, 2022, our cash balance of approximately $33,000 is held in a standard checking account. We do not have any cash equivalents. Cash used in operating activities was used to pay legal and accounting fees. Accounts payable and accrued expenses of $6.7 million and $11.7 million as of December 31, 2021 and 2022, respectively, were recorded. Approximately $11.6 million of this amount will be paid following the receipt of the proceeds from the Business Combination, the Backstop Agreement, and the Common Stock Purchase Agreement.

Quantitative and Qualitative Disclosures about Market Risk

To minimize the risk in the future, we intend to maintain our portfolio of cash equivalents in institutional market funds that are composed of U.S. Treasury and U.S. Treasury-backed repurchase agreements or short-term U.S. Treasury securities. We do not believe that inflation, interest rate changes, or exchange rate fluctuations had a significant impact on our results of operations for any periods presented herein.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses. We base our estimates on historical experience, known trends and events, and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are described in more detail in Note 2 to our audited consolidated financial statements appearing elsewhere in this Form 8-K, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Deferred Offering Costs

Deferred offering costs, consisting of direct accounting fees, legal fees, regulatory fees, transfer agent fees, and printing costs directly related to the Business Combination are capitalized. The deferred offering costs will be reclassified to additional paid in capital upon completion of Business Combination. The amount is recorded as current assets in the consolidated balance sheets. For the year ended December 31, 2022, we deferred $1.8 million of offering costs related to the Business Combination with Aesther, which is recorded as current assets in the Balance Sheet. Additional deferred offering costs were incurred up to the Business Combination.

Stock-Based Compensation for Profit Interests in Poseidon

We account for all stock-based payments to employees and non-employees, including profits interest grants in Poseidon based on their respective grant date fair values. We estimate the fair value of profits interest grants using the Black-Scholes option pricing model, which is affected principally by the estimated fair value of shares of our common stock and requires management to make a number of other assumptions, including the expected life of the profits interest, the volatility of the underlying shares, the risk-free interest rate and expected dividends. Expected volatility is based on the historical share volatility of a set of comparable publicly traded companies over a period of time equal to the expected term of the profits interests. Due to the lack of historical exercise history, the expected term of the profit interests is determined using 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. Expected dividend yield is zero based on the fact that we have never paid cash dividends and do not expect to pay any cash dividends in the foreseeable future. The fair value of common stock underlying our profit interests was estimated by our board of directors considering, among other things, contemporaneous valuations of our common stock prepared by unrelated third-party valuation firms. The profit interests are valued based on the fair value of Poseidon units on the date of grant. Ocean Biomedical expenses stock-based compensation related to these profit interests over the requisite service period using the straight-line method such that recognized compensation expense is at least equal to the vested portion of the awards. All stock-based compensation costs are recorded in research and development expense or general and administrative expense in the consolidated statements of operations based upon the respective employee’s roles within our company. Forfeitures are recorded as they occur.

Accounting for Second Street Warrants

We account for the Second Street Warrants issued based on their respective grant dates fair values. Prior to September 2022, the value of the Second Street Warrants was estimated considering, among other things, contemporaneous valuations for our common stock prepared by unrelated third party valuation firms and prices set forth in our previous filings with the SEC for a proposed IPO of our common stock that was not pursued by us ("IPO filings"). We used the mid-range price per share based upon our IPO filings. Starting in September 2022, following the execution of the Merger Agreement with Aesther, the value of the Second Street Warrants was based on the closing price of Aesther's Class A common stock as reported on the Nasdaq Global Select Market on the grant date. We estimate the fair value, based upon these values, using the Black-Scholes option pricing model, which is affected principally by the life of the warrant, the volatility of the underlying shares, the risk-free interest rate, and expected dividends. Expected volatility is based on the historical share volatility of a set of comparable publicly traded companies over a period of time equal to the expected term of the warrants. 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 warrant for time periods approximately equal to the expected term of the warrant. Expected dividend yield is zero based on the fact that we have never paid cash dividends and do not expect to pay any case dividends in the foreseeable future. We expense the amount in Other expenses.

Segments

We operate and manage the business as one reportable and operating segment, which is the business of discovering and developing therapeutic products in oncology, fibrosis, infectious diseases and inflammation. Our chief executive officer, who is the chief operating decision maker, or CODM, reviews financial information on an aggregate basis for allocating and evaluating financial performance.

Off-Balance Sheet Arrangements

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

Recently Issued Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our audited consolidated financial statements included elsewhere in this proxy statement.

Emerging Growth Company and Smaller Reporting Company Status

The Jumpstart Our Business Startups Act of 2012 permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have elected to not "opt out" of this provision and, as a result, we will adopt new or revised accounting standards at the time private companies adopt the new or revised accounting standard and will do so until such time that we either (i) irrevocably elect to "opt out" of such extended transition period or (ii) no longer qualify as an emerging growth company.

We are also a "smaller reporting company" meaning that the market value of our stock held by non- affiliates plus the proposed aggregate amount of gross proceeds to us as a result of this offering is expected to be less than $700 million and our annual revenue was less than $100 million during the most recently completed fiscal year. We may continue to be a smaller reporting company after this offering if either (i) the market value of our stock held by non-affiliates is less than $250 million or (ii) our annual revenue was less than $100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700 million. If we are a smaller reporting company at the time that we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company, we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. Under standards established by the Public Company Accounting Oversight Board, or PCAOB, a deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or personnel, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. The PCAOB defines a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis.

In connection with the preparation and audits of our financial statements as of December 31, 2021 and 2022 included elsewhere in this Form 8-K, we have identified a material weakness as defined under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and by the Public Company Accounting Oversight Board (United States) in our internal control over financial reporting, as follows:

- Management does not have adequate staffing in its accounting department and has not yet designed and implemented the appropriate processes and internal controls to support accurate and timely financial reporting.

We have begun taking measures, and plan to continue to take measures, to remediate the material weakness. These measures include hiring or engaging additional accounting personnel with familiarity with reporting under U.S. GAAP, and implementing and adopting additional controls and procedures. Our recruitment efforts to identify additional accounting personnel and implementation of additional accounting processes and controls are underway. Remediation costs consist primarily of additional personnel expenses, which we do not anticipate will have a material impact to our financial statements. See "*Risk Factors—Risks Related to New Ocean Biomedical and its Common Stock following the Business Combination*" in the 2022 Form 10-K. We may identify additional material weaknesses in the future or otherwise fail to maintain proper and effective internal controls, which may impair our ability to produce accurate financial statements on a timely basis.

However, the implementation of these measures may not be sufficient to remediate the control deficiencies that may lead to a material weakness in our internal control over financial reporting or to prevent or avoid potential future material weaknesses. Moreover, our current controls and any new controls that we develop may become inadequate in the future because of changes in conditions in our business. Furthermore, we may not have identified all material weaknesses and weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or if we identify any additional material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting, and our share price may decline as a result.

We also could become subject to investigations by Nasdaq, the SEC, or other regulatory authorities. Any failure to develop or maintain effective controls or any difficulties encountered in its implementation or improvement could negatively impact our operating results or cause us to fail to meet its reporting obligations and may result in a restatement of our financial statements for prior periods, which could cause the price of our common stock and warrants to decline.

Exhibit 99.4

UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

Introduction

The following unaudited pro forma combined financial information presents the combination of the financial information of Aesther Healthcare Acquisition Corp. ("Aesther" or "AHAC") and Ocean Biomedical, Inc. adjusted to give effect to a completed transaction on February 14, 2023 (the "Closing Date"), whereas, AHAC consummated the Agreement and Plan of Merger dated August 31, 2022 as amended on December 5, 2022 (the "Business Combination Agreement"). On the Closing Date, AHAC Merger Sub Inc., a Delaware corporation and wholly-owned subsidiary of AHAC ("Merger Sub") merged with and into Ocean Biomedical, Inc., with Ocean Biomedical, Inc., continuing as the surviving entity and a wholly-owned subsidiary of AHAC ("Merger," and, together with the other transactions and ancillary agreements contemplated by the Business Combination Agreement, the "Business Combination"). In connection with the closing of the Business Combination (the "Closing"), AHAC changed its name from "Aesther Healthcare Acquisition Corp." to "Ocean Biomedical, Inc." ("New Ocean Biomedical" or the "Company") and Ocean Biomedical, Inc., changed its name to "Ocean Biomedical Holdings, Inc ("Ocean Biomedical" or "Legacy Ocean"). The unaudited pro forma combined consolidated financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses."

The unaudited pro forma combined consolidated balance sheets as of December 31, 2022 combines the historical audited balance sheet of AHAC as of December 31, 2022 with the historical audited consolidated balance sheets of Ocean Biomedical as of December 31, 2022 on a pro forma basis as if the Business Combination and related transactions, summarized below, had been consummated on December 31, 2022.

The unaudited pro forma combined consolidated statements of operations for the year ended December 31, 2022 combine the historical audited statement of operations of AHAC and the audited consolidated statements of operations of Ocean Biomedical on a pro forma basis as if the Business Combination and related transactions, summarized below, had been consummated on January 1, 2022, the beginning of the earliest period presented.

The unaudited pro forma combined consolidated balance sheets as of December 31, 2022 and the unaudited pro forma combined consolidated statements of operations for the year ended December 31, 2022 are presented in connection with the Closing on the Closing Date including the occurrence of the following:

- AHAC issued to the holders of Ocean Biomedical's securities as of immediately prior to the Closing approximately 23,355,432 shares of AHAC's Class A common stock (with a per-share value of $10.00) with an aggregate value equal to $233,554,320, as adjusted as required by the Business Combination Agreement to take into account net working capital, closing net debt and Ocean Biomedical, transaction expenses, in exchange for all of the issued and outstanding capital stock of Ocean Biomedical;

- the Sponsor's 2,625,000 shares of AHAC's Class B common stock converted on a one-for-one basis into 2,625,000 shares of AHAC's Class A common stock pursuant to the Third Amended and Restated Certificate of Incorporation (the "Amended Certificate");

- AHAC issued to the Sponsor 1,365,000 additional shares of AHAC's Class A common stock in connection with the Sponsor obtaining two (2) three-month extensions beyond the September 16, 2022 deadline to complete an initial business combination;

- all shares of AHAC's Class A common stock were reclassified as common stock pursuant to the Company's Third Amended and Restated Certificate of Incorporation (the "Amended Certificate"); and

- New Ocean Biomedical issued to Second Street Capital, LLC ("Second Street"), Ocean Biomedical's lender, three (3) warrants (the "Converted Ocean Warrants") for the number of shares of New Ocean Biomedical's common stock equal to the economic value of the Legacy Ocean warrants previously issued to Second Street in exchange for the termination of the Ocean Biomedical warrants. The Converted Ocean Warrants are exercisable for a total of 511,712 shares of New Ocean Biomedical's common stock at an exercise price of $8.06 per share and 102,342 shares of New Ocean Biomedical's common stock at an exercise price of $7.47 per share.

● pursuant to the Vellar Backstop Agreement (as defined below), Vellar and its assigns purchased 4,885,466 shares of AHAC Class A common stock through a broker in the open market, including from other stockholders that elected to redeem and subsequently revoked their prior elections to redeem their shares, following the expiration of AHAC's redemption offer.

The historical financial information of AHAC was derived from the audited financial statements of AHAC for the year ended December 31, 2022 and from the audited financial statements for the period from inception June 17, 2021 to December 31, 2021. The historical financial information of Ocean Biomedical was derived from the audited consolidated financial statements of Ocean Biomedical for the years ended December 31, 2022 and 2021. This information should be read together with AHAC's audited financial statements and related notes contained in the Company's Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K") and the section entitled "*The Company's Management's Discussion and Analysis of Financial Condition and Results of Operations*" in the 2022 Form 10-K, Ocean Biomedical's audited financial statements and related notes, contained in Exhibit 99.2 of this Amendment No. 2 to the Company's Form 8-K dated February 14, 2023 (the "Amended Form 8-K") and the section entitled "*Ocean Biomedical's Management's Discussion and Analysis of Financial Condition and Results of Operations*" and other financial information included in the Company's 2022 Form 10-K and in the Amended Form 8-K.

The pro forma combined consolidated financial statements have been presented for informational purposes only and are not necessarily indicative of what AHAC's and Ocean Biomedical's financial position or results of operations actually would have been had the transaction been completed as of the date indicated. In addition, the pro forma data does not purport to project the future financial position or operating results of New Ocean Biomedical. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

Accounting for the Business Combination

The Business Combination is accounted for as a reverse recapitalization in accordance with Generally Accepted Accounting Principles ("GAAP"). Under this method of accounting, AHAC, who is the legal acquirer, is treated as the "acquired" company for financial reporting purposes and Ocean Biomedical is treated as the accounting acquirer. Ocean Biomedical has been determined to be the accounting acquirer based on evaluation of the following facts and circumstances:

- Ocean Biomedical's existing stockholders have 69.2% of the voting interest of New Ocean Biomedical;
- Ocean Biomedical's senior management comprises the senior management of New Ocean Biomedical;
- the directors nominated by Ocean Biomedical represents the majority of the board of directors of New Ocean Biomedical;
- Ocean Biomedical's operations comprises the ongoing operations of New Ocean Biomedical; and
- "Ocean Biomedical, Inc." is the name being used by New Ocean Biomedical.

The business combination is accounted for as the equivalent of a capital transaction in which Ocean Biomedical has issued stock for the net assets of AHAC. The net assets of AHAC are stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination are Ocean Biomedical.

Basis of Pro Forma Presentation

The unaudited pro forma combined financial information reflects the Company stockholders' approval of the Business Combination on February 3, 2023, the redemption of 10,389,093 shares of the Company's Class A common stock at approximately $10.34 per share based on trust figures prior to the Closing on February 14, 2023, and the Closing of the Business Combination on February 14, 2023.

The following summarizes the pro forma shares of New Ocean Biomedical common stock issued and the table below shows the issued and outstanding at the Closing:

	Share ownership in New Ocean Biomedical	
Stockholder	**Shares**	**%**
Legacy Ocean equity holders	23,355,432	69.2%
AHAC Public Stockholders	293,569	0.9%
AHAC Sponsor	2,625,000	7.8%
Extension Shares	1,365,000	4.0%
Shares Consideration	1,200,000	3.6%
Syndicated Forward Purchase Agreement	4,885,466	14.5%
	33,724,467	100.0%

UNAUDITED PRO FORMA COMBINED CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2022
(In thousands)

	(A) OCEA	(B) AHAC	Adjustments	Pro Forma Combined
Assets				
Current assets				
Cash and cash equivalents	$ 34	$ 328	$ 3,100(1)	$ 2,912
			(550)(5)	
Deferred Acquisition Costs	1,808	-	(1,808)(2)	-
Prepaid expenses and other assets	-	140	-	140
Total current assets	1,842	468	742	3,052
Forward purchase agreement	-	-	51,127(1)	51,127
Cash held in trust	-	110,433	(110,443)(1)	-
Total assets	1,842	110,911	(58,574)	54,179
Liabilities and stockholders' (deficit)/equity				
Current liabilities:				
Accounts payable	$ 11,440	$ 325	$ —	$ 11,765
Accrued expenses and other current liabilities	445	989		1,434
Short term loans	776	2,150	(550)(5)	2,376
Total current liabilities	12,661	3,464	(550)	15,575
Deferred underwriting commissions	-	3,150		3,150
Total liabilities	12,661	6,614	(550)	18,725
Commitments and contingencies				
AHAC Class A common stock subject to possible redemption	-	110,443	(110,443)(1)	-
Stockholders' (deficit)/equity				
AHAC preferred stock	-	-	-	-
OCEA common stock	-	-	-	-
AHAC Class A common stock	-	-	4(3)	4
AHAC Class B common stock		1	(1)(3)	-
Additional paid-in capital	70,770	(3,380)	65,962(1)	142,424
			(1,808)(2)	
			(4)(3)	
			(2,766)(4)	
			13,650(5)	
Retained earnings (accumulated deficit)	(81,589)	(2,766)	(11,736)(1)	(106,975)
			2,766(4)	
			(13,650)(5)	
Total stockholders' (deficit) equity	(10,819)	(6,146)	52,419	35,454
Total liabilities and stockholders' (deficit) equity	1,842	110,911	(58,574)	54,179

(A) Obtained from the audited consolidated balance sheets of Ocean Biomedical as of December 31, 2022.
(B) Obtained from the audited balance sheet of AHAC as of December 31, 2022.

See accompanying notes to the combined consolidated financial statements

UNAUDITED PRO FORMA COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Dollars in thousands, except per share data)

	Ocean Biomedical Historical (A)	AHAC Historical (B)	Transaction Accounting Adjustments	Note 2	Proforma Combined
Revenue	$ -	$ -	$ -		$ -
Operating expenses:					
Research and development	8,409	-			8,409
Selling, general and administrative	7,712	2,482	-		10,194
Total operating expenses	16,121	2,482	-		18,603
Loss from operations	(16,121)	(2,482)	-		(18,603)
Other income (expense):					
Other income (expense):	(1,238)	-	(11,736)	(dd)	(12,974)
Loss on Extinguishment of Debt			(13,650)	(cc)	(13,650)
Interest, net	-	1,524	(1,524)	(aa)	-
Total other income (expense)	(1,238)	1,524	(26,910)		(26,624)
Income (loss) before income tax expense	(17,359)	(958)	(26,910)		(45,227)
Income tax expense	-	-	-		-
Net income (loss)	$ (17,359)	$ (958)	$ (26,910)		$ (45,227)
Basic and diluted weighted average shares outstanding, Class A Common Stock	17,496,370	10,600,000	33,724,467	(bb)	33,724,467
Class A common stock – basic and diluted net loss per share	(0.99)	$ (0.09)			$ (1.34)
Basic and diluted weighted average shares outstanding, Class B Common Stock		2,625,000	(2,625,000)	(bb)	-
Class B common stock – basic and diluted net loss per share		$ (0.37)			

(A) Obtained from the audited consolidated statements of operations of Ocean Biomedical ended December 31, 2022.
(B) Obtained from the audited statement of operations of AHAC ended December 31, 2022.

See accompanying notes to the consolidated combined financial statements

NOTES TO UNAUDITED PRO FORMA COMBINED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of Presentation

The Business Combination is accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, AHAC, who is the legal acquirer, and treated as the "acquired" company for financial reporting purposes and Ocean Biomedical is the accounting acquirer. This determination was primarily based on the following facts and circumstances: (i) Ocean Biomedical's existing stockholders have 67.2% of the voting interest of New Ocean Biomedical; (ii) Ocean Biomedical's senior management comprises the senior management of New Ocean Biomedical; (iii) the directors nominated by Ocean Biomedical represent a majority of the board of directors of New Ocean Biomedical; (iv) Ocean Biomedical's operations comprise the ongoing operations of New Ocean Biomedical; and (v) "Ocean Biomedical, Inc." is the name being used by New Ocean Biomedical. Accordingly, for accounting purposes, the Business Combination is the equivalent of a capital transaction in which Ocean Biomedical is issuing stock for the net assets of AHAC. The net assets of AHAC are stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Business Combination are those of Ocean Biomedical. The audited pro forma combined consolidated balance sheets as of December 31, 2022 assumes the Business Combination occurred on December 31, 2022. The audited pro forma combined consolidated statements of operations for year ended December 31, 2022 present the pro forma effect of the Business Combination as if it had been completed on January 1, 2022, the beginning of the earliest period presented. These periods are presented on the basis of Ocean Biomedical as the accounting acquirer.

The unaudited pro forma combined consolidated balance sheets as of December 31, 2022 have been prepared using, and should be read in conjunction with, the following:

- AHAC's audited balance sheet as of December 31, 2022 and the related notes for the year ended December 31, 2022; and

- Ocean Biomedical's audited consolidated balance sheets as of December 31, 2022 and the related notes for the period ended December 31, 2022.

The unaudited pro forma combined consolidated statements of operations for the year ended December 31, 2022 have been prepared using, and should be read in conjunction, with the following:

- AHAC's audited statement of operations for the period since inception (June 17, 2021) ended December 31, 2022 and the related notes; and

- Ocean Biomedical's audited consolidated statements of operations for the year ended December 31, 2022 and the related notes.

Management has made significant estimates and assumptions in its determination of the pro forma adjustments. As the unaudited pro forma combined consolidated financial information has been prepared based on these preliminary estimates, the final amounts recorded may differ materially from the information presented.

The unaudited pro forma combined consolidated financial information does not give effect to any anticipated synergies, operating efficiencies, tax savings or cost savings that may be associated with the Business Combination. The pro forma adjustments reflecting the consummation of the Business Combination are based on certain available information as of the Closing Date of these unaudited pro forma combined consolidated financial statements and certain assumptions and methodologies that AHAC believes are reasonable under the circumstances. The unaudited consolidated pro forma adjustments, which are described in the accompanying notes, may be revised as additional information becomes available and is evaluated. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the difference may be material. AHAC believes that its assumptions and methodologies provide a reasonable basis for presenting all of the significant effects of the Business Combination based on information available to management at the time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited pro forma combined consolidated financial information.

The unaudited pro forma combined consolidated financial information is not necessarily indicative of what the actual results of operations and financial position would have been had the Business Combination taken place on the dates indicated, nor are they indicative of the future consolidated results of operations or financial position of New Ocean Biomedical. They should be read in conjunction with the historical financial statements and notes thereto of AHAC and Ocean Biomedical.

General Description of the Business Combination Agreement

On August 31, 2022, AHAC entered into an Agreement and Plan of Merger by and among AHAC Merger Sub Inc., a Delaware corporation and wholly-owned subsidiary of AHAC ("Merger Sub"), Ocean Biomedical, Inc., a Delaware corporation ("Ocean Biomedical"), Aesther Healthcare Sponsor, LLC, ("Sponsor") in its capacity as Purchaser Representative, and Dr. Chirinjeev Kathuria, in his capacity as Seller Representative, that was amended on December 5, 2022 (as amended, the "Business Combination Agreement"), pursuant to which at the closing of the transactions contemplated by the Business Combination Agreement (the "Closing"), Merger Sub merged with and into Ocean Biomedical (the "Merger"), with Ocean Biomedical continuing as the surviving corporation and wholly-owned subsidiary of AHAC. AHAC changed its name to Ocean Biomedical, Inc. at the Closing (collectively, the "Business Combination"). We refer to AHAC and its consolidated subsidiaries following the Business Combination as "New Ocean Biomedical." The Business Combination is accounted for as a reverse recapitalization.

Merger Consideration

As consideration for the Merger, AHAC issued to the holders of Ocean Biomedical's securities as of immediately prior to the Closing approximately 23,355,432 shares of AHAC's Class A common stock (with a per-share value of $10.00) with an aggregate value equal to $233,554,320, as adjusted as required by the Business Combination Agreement to take into account net working capital, closing net debt and Ocean Biomedical, transaction expenses, in exchange for all of the issued and outstanding capital stock of Ocean Biomedical;

Earnout Shares

In addition, pursuant to Business Combination Agreement, the holders of Ocean Biomedical's common stock shall be entitled to receive from the New Ocean Biomedical, Inc., in the aggregate, up to an additional 19,000,000 shares of the Company's common stock (the "Earnout Shares") as follows: (a) in the event that the volume-weighted average price (the "VWAP") of New Ocean Biomedical exceeds $15.00 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Ocean Biomedical securities pre-Closing shall be entitled to receive an additional 5,000,000 shares of New Ocean Biomedical's common stock, (b) in the event that the VWAP of New Ocean Biomedical exceeds $17.50 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Ocean Biomedical's securities pre-Closing shall be entitled to receive an additional 7,000,000 shares of New Ocean Biomedical's common stock and (c) in the event that the VWAP of New Ocean Biomedical exceeds $20.00 per share for twenty (20) out of any thirty (30) consecutive trading days beginning on the Closing Date until the 36-month anniversary of the Closing Date, the holders of Ocean Biomedical's securities pre-Closing shall be entitled to receive an additional 7,000,000 shares of New Ocean Biomedical's common stock. In addition, for each issuance of Earnout Shares, New Ocean Biomedical will also issue to Sponsor an additional 1,000,000 shares of New Ocean Biomedical's common stock.

Both the number of Earn-Out Shares and the price per share is subject to adjustment to reflect the effect of any stock split, reverse stock split, stock dividend, reorganization, recapitalization, reclassification, combination, exchange of shares or other like change with respect to the common stock (i.e., dilutive activities).

The accounting for the Earnout Shares was first evaluated under ASC 718 to determine if the arrangement represents a share-based payment arrangement. Because the Earnout Shares are issued to all of Ocean Biomedical's Shareholders (before the merger) and the Sponsor and there are no service conditions nor any requirement of the participants to provide goods or services, the Company determined that the Earnout Shares are not within the scope of ASC 718. In reaching this conclusion, the Company focused on the fact that the Earnout Shares are not provided to any holder of options or unvested stock but rather the arrangement is provided only to vested equity holders.

Next, the Company determined that the Earnout Shares represent a freestanding equity-linked financial instrument to be evaluated under ASC 480 and ASC 815-40. Based upon the analysis, the Company concluded that the Earnout Shares should not be classified as a liability under ASC 480.

Under ASC 815-40, an entity must first evaluate whether an equity-linked instrument is considered indexed to the reporting entity's stock. This analysis, which is performed under ASC 815-40-15, is a two-step test that includes evaluation of both exercise contingencies and settlement provisions. The Earnout Share arrangement contains contingencies – the daily volume weighted average stock price on the basis of a specific price per share. The contingency is based on an observable market or an observable index other than one based on New Ocean Biomedical's stock. With respect to settlement provisions, the number of Earn Out Shares is adjusted only for dilutive activities, which are an input into the pricing of a fixed-for-fixed option on equity shares under ASC 815-40-15-7E(c). It is important to note that, in absence of dilutive activities, there will be either zero or 19 million shares issuable under the Earnout Share arrangement; therefore, the triggering events for issuance of shares is only an exercise contingency to be evaluated under step 1 of ASC 815-40-15.

The Company next considered the equity classification conditions in ASC 815-40-25 and concluded that all of them were met. Therefore, the Earnout Share arrangement is appropriately classified in equity.

As the merger is accounted for as a reverse recapitalization, the fair value of the Earnout Share arrangement as of the merger date is accounted for as an equity transaction (as a deemed dividend) as of the closing date of the merger.

Warrants

There are outstanding an aggregate of 5,250,000 Public Warrants and 5,411,000 Private Placement Warrants held by our Sponsor. Each of our outstanding whole warrants is exercisable commencing 30 days following the Closing (February 14, 2023) (or, if later, upon the effectiveness of a registration statement registering the New Ocean Biomedical common stock issuable upon exercise of the warrants) for one share of New Ocean Biomedical common stock. Therefore, if the Company assumes that each outstanding whole warrant is exercised and one share of New Ocean Biomedical common stock is issued as a result of such exercise, with payment to New Ocean Biomedical of the exercise price of $11.50 per whole warrant for one whole share, our fully-diluted share capital would increase by a total of 10,661,000 shares, with approximately $122,601,500 million paid to the Company to exercise the warrants, assuming cash exercise.

On February 22, 2022, Ocean Biomedical entered into a Loan Agreement with Second Street Capital, LLC (the "Second Street Loan"), pursuant to which Ocean Biomedical borrowed $600,000, which was used to pay a $15,000 loan fee and certain accrued expenses of Ocean Biomedical. The Second Street Loan accrues interest at the rate of 15% per annum, with principal and interest due at maturity. Ocean Biomedical was required to repay the Second Street Loan on the earlier of (i) 5 business days after Ocean Biomedical's next financing or (ii) May 23, 2022. Ocean Biomedical issued to Second Street Capital, LLC a warrant to purchase 312,500 shares of Ocean Biomedical's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. For a period of 180 days from the closing of Ocean Biomedical's next financing, Second Street Capital, LLC has the right to put the warrants to Ocean Biomedical in exchange for a payment of $250,000.

On April 22, 2022, Ocean Biomedical entered into a second Loan Agreement with Second Street Capital, LLC (the "Second Street Loan 2"), pursuant to which it borrowed $200,000, which was used to pay a $15,000 loan fee, $15,000 fee for amending the Second Street Loan Agreement to extend the maturity date, and $20,000 next day loan fee. The Second Street Loan 2 accrues interest at the rate of 15% per annum, with principal and interest due at maturity. Ocean Biomedical issued to Second Street Capital, LLC a warrant to purchase 62,500 shares of Ocean Biomedical's common stock, with an exercise price of $11.00 per share, exercisable until February 22, 2026. There is no put option associated with this loan. The Company was required to repay the Second Street Loan 2 on the earlier of (i) 5 business days after Ocean Biomedical's next financing or (ii) November 18, 2022.

On September 30, 2022, the Second Street Loan 2 was further amended to extend the maturity date to December 30, 2022, and to issue to Second Street Capital, LLC an additional warrant to purchase 75,000 shares of Ocean Biomedical's common stock, with an exercise price of $10.20 per share, exercisable until September 30, 2026.

On December 30, 2022, the Second Street Loan and the Second Street Loan 2 were further amended to extend the maturity date to February 15, 2023. No additional warrants were issued to Second Street Capital, LLC in connection with the extension. Effective February 15, 2023, the Second Street Loan and the Second Street Loan 2 were amended again and the Company is currently required to repay the loans on the earlier of (i) 5 business days after Ocean Biomedical's next financing or (ii) March 31, 2023. Currently, the Company and Second Street Capital, LLC are working on an extension.

January 2023 Loan

On January 10, 2023, the Second Street Loan 2 was further amended to increase the loan amount from $200,000 to $400,000 with a maturity date to February 15, 2023. No additional warrants were issued to Second Street Capital, LLC in connection with the extension. Effective February 15, 2023, the Second Street Loan and the Second Street Loan 2 were amended again and the Company is currently required to repay the loans on the earlier of (i) 5 business days after Ocean Biomedical's next financing or (ii) March 31, 2023. Currently, the Company and Second Street Capital, LLC are working on an extension.

March 2023 Loans

Dated as of March 28, 2023, the Company entered into a Loan Agreement with McKra Investments III pursuant to which the Company borrowed $1 million to pay certain accrued expenses. The loan bears interest at 15% per annum and is due within three business days of our next financing or receipt of proceeds from the Backstop Agreement or, if earlier, 45 days from the date of the advance. We issued warrants to the lender for 200,000 shares of the Company's common stock, exercisable for five years at an exercise price of $10.34 and will pay $150,000 in loan fees at maturity.

Dated as of March 29, 2023, the Company entered into a Loan Agreement with Second Street Capital, LLC pursuant to which the Company borrowed $1 million to pay certain accrued expenses. The loan bears interest at 15% per annum and is due within three business days of our next financing or receipt of proceeds from the Backstop Agreement or, if earlier, 45 days from the date of the advance. We issued warrants to the lender for 200,000 shares of the Company's common stock, exercisable for five years at an exercise price of $10.34 and will pay $150,000 in loan fees at maturity.

Ocean Biomedical's lender, Second Street Capital, LLC, has aggregate warrants for 450,000 shares of Ocean Biomedical common stock ("Ocean Warrants"). On the Closing Date of the Business Combination, AHAC issued Second Street Capital, LLC a warrant for a number of shares of New Ocean Biomedical common stock equal to the economic value of the Ocean Warrants (a "Converted Ocean Warrant") in exchange for the termination of the Ocean Warrants. The Converted Ocean Warrant are exercisable for 511,712 shares of New Ocean Biomedical common stock at an exercise price of $8.06 per share and 102,342 shares of New Ocean Biomedical common stock at an exercise price of $7.47 per share.

Class B Units Profit Interest

In December 2020, the sole stockholder of Ocean Biomedical contributed 100% of his founders shares in the amount of 17,112,298 shares to Poseidon Bio, LLC ("Poseidon") which became the sole stockholder of Ocean Biomedical. In February 2021, Poseidon transferred 342,244 shares of Ocean Biomedical's common stock back to Ocean Biomedical's founder. In February 2021, Poseidon amended and restated its operating agreement to allow additional members into Poseidon by issuing Class A units and Class B units in which Ocean Biomedical's founder is the sole Class A unit holder who holds 100% of the voting power of Poseidon. In addition, certain executives and employees were granted Class B unit profit interests in Poseidon. In April 2022, and additional 25,500 fully vested Class B profit interests were granted to an executive. These profit interests grants in Ocean Biomedical's controlling shareholder were deemed to be transactions incurred by the shareholder and within the scope of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, *Stock Compensation*. As a result, the related transactions by the stockholder were pushed down into Ocean Biomedical's consolidated financial statements. As of February 14, 2023, Ocean Biomedical's founder held 100% of the voting power and 68% of the equity interests in Poseidon. The Business Combination had no impact on the Poseidon Class B units and Ocean Biomedical does not anticipate that Poseidon will make any additional grants of Class B units after the Closing.

Extension Share Award

Sponsor received at Closing, as part of obtaining two (2) three-month extensions beyond the September 16, 2022 deadline to complete an initial business combination, additional shares of AHAC Class A common stock (collectively, an "**Extension Share Award**"). At September 30, 2022, the first extension share payment of $1,050,000 was paid. At December 15, 2022, the second extension share payment of $1,050,000 was paid. For the year ended December 31, 2022, a total of $2,100,000 was paid for the extension share payments.

2. Adjustments to Unaudited Pro Forma Combined Consolidated Financial Information

The unaudited pro forma combined consolidated financial information has been prepared to illustrate the effect of the Business Combination and has been prepared for informational purposes only.

The historical financial statements have been adjusted in the unaudited pro forma combined consolidated financial information to give pro forma effect to events that are directly attributable to the Business Combination. Ocean Biomedical and AHAC have not had any historical relationship prior to the Business Combination. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The pro forma combined provision for income taxes does not necessarily reflect the amounts that would have resulted had New Ocean Biomedical filed consolidated income tax returns during the periods presented.

The pro forma basic and diluted earnings per share amounts presented in the unaudited pro forma consolidated combined statement of operations are based upon the number of New Ocean Biomedical's shares outstanding, assuming the Business Combination had been completed on January 1, 2022, the beginning of the earliest period presented.

Adjustments to Unaudited Pro Forma Combined Consolidated Balance Sheet

(1) Reflects the transactions relating to the Business Combination, the purchase of shares under the Vellar Backstop Agreement and release of funds to Ocean at the closing of the Business Combination. AHAC and Ocean Biomedical entered into an OTC Equity Prepaid Forward Transaction (the "Vellar Backstop Agreement") with Vellar Opportunity Fund SPV LLC – Series 3 ("Vellar"). The Vellar Backstop Agreement was entered into on August 31, 2022 concurrently with the execution and prior to the announcement of the Business Combination Agreement. On February 12, 2023, AHAC, Legacy Ocean, and Vellar again amended and restated the original Vellar Backstop Agreement (the "Definitive A&R Backstop Agreement") to increase the maximum number of shares Vellar may purchase from 6,000,000 to 8,000,000. Pursuant to the Backstop Agreement, Vellar agreed to purchase up to 8,000,000 shares of AHAC's common stock in the open market for up to $80 million, including from other stockholders that elected to redeem and subsequently revoked their prior elections to redeem their shares, following the expiration of AHAC's s redemption offer.

On February 13, 2023, AHAC, Vellar, and Legacy Ocean entered into an agreement with each of (i) Meteora Special Opportunity Fund I, LP, Meteora Select Trading Opportunities Master, LP and Meteora Capital Partners, LP (collectively, "Meteora") and (ii) Polar Multi-Strategy Master Fund ("Polar"), pursuant to which Vellar assigned its obligations as to 2,666,667 shares of AHAC's common stock to Meteora and as to 2,000,000 shares of AHAC's common stock to Polar. Vellar, Meteora and Polar are collectively referred to as the "Backstop Providers".

The Vellar Backstop Agreement is intended to provide AHAC with additional issued and outstanding shares and cash (in the short-term) following the closing of the Business Combination because it evidences Vellar's intent to purchase shares from AHAC stockholders that elected to redeem their shares. This is intended to help AHAC obtain sufficient cash at the Closing of the Business Combination Agreement to meet the minimum cash condition therein, reduce redemption related risks and generally facilitate the consummation of the Business Combination. However, if Vellar purchases any shares pursuant to the Vellar Backstop Agreement, immediately following the Closing, AHAC will need to prepay to Vellar an amount equal to the number of shares to be purchased by Vellar times the redemption price (as determined in accordance with the AHAC Charter), and, as a result, AHAC's cash reserves would be reduced significantly.

The Vellar Backstop Agreement was evaluated under the Guidance of ASC 480. The Vellar Backstop Agreement is evaluated as a prepaid redemption contract that meets the definition of a derivative and is initially valued at an estimated closing date fair value of $44.1 million. The value of the Vellar Backstop Agreement was calculated using the Options Method which makes use of the Binomial Lattice Model for evaluation. The valuation was prepared as if it was entered into on September 30, 2022 and the principal assumptions of the evaluation are as follows: volatility 31.84%; risk free interest of 4.15%; zero dividends; and a period of three years.

					Net Changes
Cash and Cash Equivalents	Cash From Trust	$	64,862	(i)	
	Payment to Backstop Providers for Forward Purchase	$	(50,467)	(ii)	
	Payment to Backstop Providers for Share Consideration	$	(12,396)	(iv)	
	Additional shares not redeemed - Cash from Trust	$	1,100	(v)	$ 3,100
Cash Held in Trust	Transfer of Cash from Trust	$	110,443	(iii)	$ 110,443
Forward Purchase Agreement	Valuation for Backstop Agreement	$	50,467	(ii)	
	Valuation Adjustment	$	660	(ii)	$ 51,127
AHAC Class A common Stock subject to possible redemption	Transfer of Common Stock	$	(110,443)	(iii)	$ (110,443)
Additional Paid in Capital	Decrease for redemption of Stock	$	(45,581)	(i)	
	Increase for Transfer of Common Stock	$	110,443	(iii)	
	Additional shares not redeemed - Cash from Trust	$	1,100	(v)	$ 65,962
Retained Earnings	Valuation Adjustment	$	660	(ii)	
	Share Consideration	$	(12,396)	(iv)	$ (11,736)

(i) To Record the release of Cash from the Trust Account for Redeemed shares				
		Shares Redeemed		
Total Number of redeemable shares	10,500,000		10,389,093	193,569
Price per redeemable share	$ 10.33			
Total Shares purchased per the Backstop Agreement			4,885,466	
Total Shares issued for Shares Consideration			1,200,000	6,085,466
Total Shares outstanding after the Backstop Agreement			6,279,035	
Total Cash Deposited from the Trust to the Company			$ 64,862	
Total Cash Deposited from the Trust to the Company less Stock subject to redemption to Additional Paid in Capital.			$ (45,581)	
(ii) To record the payment to Backstop Providers for purchase of shares	Shares Purchased times redeemable Price		$ 50,467	
		Valuation of Agreement	$ 51,127	
		Adjustment for Valuation	$ (660)	
(iii) To record the Stock Subject to redemption to Additional Paid in Capital			$ 110,443	
(iv) Share Consideration	1,200,000		$ 12,396	
(v) Additional Shares not redeemed - Cash from Trust			$ 1,100	

(2) Represents estimated direct and incremental transaction costs incurred by AHAC and Ocean Biomedical related to the Business Combination. The deferred acquisition costs are reflected as a reduction of additional paid in capital as the amounts would be capitalized and deferred in the amount of $1.81 million. This adjustment reflects the amount of accounting fees, legal fees, and registration fees.

(3) Reflects the recapitalization of Ocean Biomedical through the issuance of 23,355,432 shares ($233,554,437 divided by $10.00, excluding fractional shares) of New Ocean Biomedical common stock at par value of $0.0001 and the conversion of Class B common stock to common stock. Below is the computation of the merger consideration calculation at closing. This takes into account all closing adjustments to the merger consideration calculations, including net working capital adjustments, closing net debt adjustment and transaction expenses in excess of $6,000,000. The adjustments were calculated based on the closing.

Merger Consideration	$	240,000,000
Less Agreed Upon Ocean Warrant Valuation for Closing (a)		1,250,545
Adjusted Merger Consideration	$	238,749,455
Net Working Capital Adjustment Minus (b)	$	(4,029,505)
Closing Net Debt Adjustment (c)		-
Transaction expenses in excess of $6 million (d)		(1,165,513)
Potential Adjusted Merger Consideration	$	233,554,437

(a) The parties have agreed to value the Ocean Warrant at Closing at a value of $1,250,455

(b) Minus the amount, if any, by which the Target Net Working Capital ($0.00) Amount exceeds the Net Working Capital by more than $500,000 (“Net Working Capital Threshold”)

Current Assets	$	-
Current Liabilities		4,529,505
Net Working Capital at Closing		(4,529,505)
Less Net Working Capital Threshold		500,000
Net Working Capital Adjustment	$	(4,029,505)

(c) The amount, if any, by which the Company Net Debt exceeds $1,000,000 (“Net Debt Threshold”)

All indebtedness of Target Company	$	1,000,000
Company Closing Cash		183,000
Net Debt at Closing		817,000
Company Net Debt Threshold		1,000,000
Excess of Company Net Debt over Threshold	$	-

(d) The amount, if any by which the Company Transaction Expenses exceed $6,000,000 (“Company Transaction Expense Threshold”)

Transaction Expenses at Closing	$	7,165,513
Company Transaction Expense Threshold		6,000,000
Excess of Transaction Expenses over Threshold	$	1,165,513

(4) Reflects the elimination of the historical accumulated deficit of AHAC, the legal acquirer, in the amount of $2.8 million.

(5) Reflects the repayment of the Extension Loan to Aesther Healthcare Sponsor, LLC of $0.6 million, and issuance of extension shares per the below calculation.

	Amount of Loan	**Number of Shares Per loan Dollar**	**Total Extension Shares**	**Per** Share Value	**Total Extension Share Valuation**
First Extension September 17, 2022	$ 1,050,000	0.25	262,500	$ 10.00	$ 2,625,000
Second Extension December 5, 2022	$ 1,050,000	1.05	1,102,500	$ 10.00	$ 11,025,000
Total	$ 2,100,000		1,365,000	$ 10.00	$ 13,650,000
Less: Amount Paid	$ 550,000				
Total	$ 1,550,000		$ 1,365,000		$ 13,650,000

Adjustments to the Unaudited Pro Forma Combined Consolidated Combined Statements of Operations (in thousands, except share and per share data)

The pro forma adjustments included in the unaudited pro forma combined consolidated statements of operations for the year ended December 31, 2022 are as follows:

(aa) Represents the elimination of historical interest income earned on the Trust Account.

(bb) Represents the conversion of 2,625,000 AHAC Class B shares; 1,365,000 Extension Shares and 23,355,432 shares of New Ocean Biomedical common stock issued in the Business Combination; non-redemption of 293,569 shares of AHAC Class A common stock; Shares Consideration of 1,200,000 shares issued under the Vellar Backstop Agreement; and 4,885,466 shares purchased by the Backstop Providers.

(cc) Represents the amount of the value of the Extension Shares of $13.65 million shown as Loss on Extinguishment of Debt. See Footnote (5).

(dd) Represents the amount of the payment to the Backstop Providers under the Vellar Backstop Agreement that is in excess of the fair value of the agreement of $0.660 million and shares consideration of ($12.396 million).

3. Net income per Share

Represents the net income per share calculated using the historical weighted average shares outstanding, and the issuance of additional shares in connection with the Business Combination, assuming the shares were outstanding since January 1, 2022, the beginning of the earliest period presented. As the Business Combination is being reflected as if it had occurred at the beginning of the period presented, the calculation of weighted average shares outstanding for basic and diluted net income per share assumes that the shares issuable relating to the Business Combination have been outstanding for the entire period presented.

		For the Year Ended December 31, 2022
Pro forma net income	$	(45,227)
Basic and diluted weighted average shares		33,724,467
Net income (loss) per share – Basic and Diluted	$	(1.34)

At the Business Combination there is one class of stock, common stock (Class B common stock converts to common stock). Warrants representing private (5,411,000), Public (5,250,000) and Ocean Biomedical (614,055) were not used in the computation of Basic and diluted weighted average shares outstanding, because the effect of inclusion would be anti-dilutive.

Stockholder	Shares
Legacy Ocean equity holders	23,355,432
AHAC Public Stockholders	293,569
AHAC Sponsor(s)	2,625,000
Extension Shares	1,365,000
Shares Consideration	1,200,000
Syndicated Forward Purchase Agreement	4,885,466
Basic and diluted weighted average shares outstanding	33,724,467

COMPARATIVE PER SHARE DATA

The following table sets forth selected historical comparative unit and share information for AHAC and Ocean Biomedical, respectively, and unaudited pro forma combined per share information of AHAC after giving effect to the Business Combination.

The unaudited AHAC and Ocean Biomedical pro forma combined per share information is derived from, and should be read in conjunction with, the unaudited pro forma combined consolidated financial statements and related notes.

The unaudited pro forma combined earnings per share information below does not purport to represent the earnings per share which would have occurred had the companies been combined during the periods presented, nor earnings per share for any future date or period. The unaudited pro forma combined book value per share information below does not purport to represent what the value of AHAC and Ocean Biomedical would have been had the companies been combined during the period presented.

	Historical		
	Ocean	**AHAC**	**Combined**
As of and for Year Ended December 31, 2022			
Book value per share – basic and diluted	$ (0.99)[1]	$ (0.09)[1]	$ (1.34)[2]
Weighted average redeemable common shares outstanding – basic and diluted	-	10,600,000	
Weighted average non-redeemable common shares outstanding – basic and diluted	17,496,370	2,765,000	33,724,467
Net income(loss) per share – redeemable, basic and diluted	-	$ (0.09)	
Net income(loss) per share – non-redeemable, basic and diluted	$ (0.99)	$ (0.37)	$ (1.34)
As of and for the Year Ended December 31, 2021			
Book value per share – basic and diluted	N/A[3]	N/A[3]	N/A[3]
Weighted average redeemable common shares outstanding – basic and diluted		10,600,000	
Weighted average non-redeemable common shares outstanding – basic and diluted	17,496,370	2,765,000	33,724,467
Net income(loss) per share – redeemable, basic and diluted		$ (0.10)	
Net income(loss) per share – non-redeemable, basic and diluted	$ (3.57)	$ (0.23)	$ (1.87)

(1) Historical book value per share is equal to total stockholders' equity (excluding shares of preferred stock) divided by shares outstanding as of December 31, 2022.

(2) Pro forma book value per share is equal to pro forma stockholders' equity divided by pro forma shares outstanding at closing.

(3) A pro forma balance sheet for the year ended December 31, 2021 is not required to be included herein and as such, no such calculation is included in this table.