

Aadi Bioscience, Inc. (fka. Aerpio Pharmaceuticals, Inc.)

FEIN: 61-1547850

Attachment for Form 997

Part II

Line 14

On August 26, 2021, Aadi Bioscience, Inc. (f/k/a Aerpio Pharmaceuticals, Inc., “New Aadi”) completed its business combination with Aadi Subsidiary, Inc. (f/k/a Aadi Bioscience, Inc., “Legacy Aadi”). Pursuant to the terms of the Agreement and Plan of Merger dated as of May 16, 2021 (as it may be further amended or supplemented from time to time, the “Merger Agreement”) by and among New Aadi, Legacy Aadi, and Aspen Merger Subsidiary, Inc., a wholly-owned subsidiary of New Aadi (“Merger Sub”), Merger Sub merged with and into Legacy Aadi with Legacy Aadi continuing as the surviving corporation and as a wholly owned subsidiary of New Aadi. In connection with the closing, New Aadi changed its name “Aadi Bioscience, Inc. and Legacy Aadi changed its name to “Aadi Subsidiary, Inc.”

Immediately prior to the effective time of the Merger:

- (i) New Aadi effected a reverse stock split whereby for every 15 shares of New Aadi Common Stock held by a New Aadi shareholder, such New Aadi shareholder would receive 1 share of New Aadi Common Stock in exchange (the “New Aadi Reverse Stock Split”); and
- (ii) New Aadi entered into a contingent value rights agreement (the “CVR Agreement”) with Cheryl Cohen, as Holder Representative (as defined in the CVR Agreement), and American Stock Transfer & Trust Company, LLC, as Rights Agent (as defined in the CVR Agreement). Pursuant to the CVR Agreement, each holder of New Aadi Common Stock as of immediately prior to the effective time of the Merger is entitled one contingent value right (“CVR”) for each outstanding share of New Aadi Common Stock held by such stockholder as of immediately prior to the effective time of the Merger. Each CVR entitles the holder thereof to receive 90% of the net proceeds, if any, under the CVR covered agreements.

At the time of closing:

- (i) Each share of Legacy Aadi Common Stock and Legacy Aadi Preferred Stock (collectively, the “Legacy Aadi Capital Stock”) converted into the right to receive the applicable per share merger consideration, which was in the form of New Aadi Common Stock; and
- (ii) Certain third party investors (the “PIPE Investors”) purchased an aggregate of 11,852,863 share of New Aadi Common Stock for an aggregate purchase price of \$155 million. The acquisition of the New Aadi Common Stock was contingent upon the closing of the Merger.

Immediately following the effective time of the Merger, and giving effect to the PIPE Financing, there was approximately 20.8 million shares of New Aadi Common Stock outstanding. At such time, approximately 29.2% of the New Aadi Common Stock was owned by former Legacy Aadi stockholders, approximately 55.6% of the New Aadi Common Stock was owned by the PIPE Investors, and the remainder held by New Aadi stockholders prior to the Merger.

Line 15

New Aadi and Legacy Aadi intend for U.S. federal income tax purposes (i) that the Merger Agreement shall constitute a “plan of reorganization” within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (the “Code”) and (ii) the Merger shall constitute a “reorganization” within the meaning of Section 368(a) of the Code (the “Intended Tax Treatment”).

Each share of New Aadi Common Stock received pursuant to the New Aadi Reverse Stock Split occurring immediately prior to the Merger shall generally have tax basis equal to 15 shares of such New Aadi Common Stock held immediately prior to such New Aadi Reverse Stock Split.

Each CVR issued to holders of New Aadi Common Stock shall have basis allocated to it equal to the fair market value of such CVR as of the date of the distribution. The fair market value of the CVR’s in the aggregate is estimated to be approximately \$35.2 million. This equates to approximately \$0.73 per share of New Aadi Common Stock to which the CVRs were issued. With the anticipation that New Aadi will be in both an accumulated and current earnings and profits (“E&P”) deficit as of the execution of the CVR Agreement, the fair market value of the CVR distributed should be considered a return of capital to the recipients to the extent of basis, and the excess (if any) as gain from a sale or exchange of Legacy Aadi Capital Stock. Thus, the basis of each share of New Aadi Common Stock outstanding immediately prior to the Merger should be decreased by approximately \$0.73. This basis reduction in turn would constitute basis in the CVRs received. Each CVR holder should consult with his or her tax advisor with respect to the tax considerations associated with the potential future exercise of a CVR.

At closing, the basis in the surrendered Legacy Aadi Capital Stock must be allocated in a manner that reflects, to the greatest extent possible, the New Aadi Common Stock received being received in exchange for shares of Legacy Aadi Capital Stock that were acquired on the same date and at the same price. To the extent it is not possible to allocate in this manner, the basis of the Legacy Aadi Capital Stock surrendered must be allocated to the New Aadi Common Stock received in a manner that minimizes the disparity in the holding periods of the surrendered Legacy Aadi Capital Stock whose basis is allocated to any particular share of New Aadi Common Stock received. This could result in a particular share of New Aadi Common Stock having a split basis and split holding period. Each shareholder should consult with his or her tax advisor with respect to the computation of gain or loss and basis in this transaction based upon his or her specific facts.

Line 16

The basis in each share of New Aadi Common Stock received by former Legacy Aadi Capital Stockholders in conjunction with the merger will generally be equal to the basis in 3.1526 (1 share of Legacy Aadi Capital Stock divisible into 0.3172 New Aadi Common Stock) shares of Legacy Aadi Capital Stock surrendered for such share. The basis in each share of New Aadi Common Stock received pursuant to the New Aadi Reverse Stock Split occurring immediately prior to the Merger shall generally have tax basis equal to 15 shares of such New Aadi Common Stock held immediately prior to such New Aadi Reverse Stock Split. The basis in each share of New Aadi Common Stock outstanding immediately prior to the Merger to which a CVR was issued should be decreased by approximately \$0.73, to the extent such basis is present. To the extent the New Aadi Common Shares received are rounded to the nearest whole share, the basis of the shares of the respective stock surrendered should generally be fractionally allocated pro rata. See the discussion in Line 15 above for further description of the specific allocation of basis when certain shares have a different basis per share and/or holding period.

Line 17

Section 301

Section 368(a)

Section 368(a)(1)(F)

Section 358(a) and (b)

Section 354

Line 18

In general, the New Aadi shareholders should not recognize gain or loss for U.S. federal income tax purposes by reason of the reorganization.

Line 19

The Scheme and resulting stock exchange were completed on August 26, 2021. Therefore, the reportable tax year is the 2021 calendar year.