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

FORM 8-K/A

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

Date of Report (Date of earliest event reported): May 9, 2017

Novus Therapeutics, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**001-36620**	**20-1000967**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

19900 MacArthur Blvd., Suite 550
Irvine, California 92612
(Address of Principal Executive Offices)

(949) 238-8090
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions 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))

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

On May 15, 2017, Novus Therapeutics, Inc. (formerly Tokai Pharmaceuticals, Inc.), a Delaware corporation (the "Company"), filed a Current Report on Form 8-K announcing that on May 10, 2017, the Company completed its business combination with Otic Pharma, Ltd., a private limited company organized under the laws of the State of Israel ("Otic Pharma") in accordance with the terms of Share Purchase Agreement, dated as of December 21, 2016, as amended and restated on March 2, 2017, by and among the Company, Otic Pharma, and the shareholders of Otic Pharma (the "Merger"). This Current Report on Form 8-K/A amends and supplements the Current Report on Form 8-K filed on May 15, 2017 (the "May 2017 Form 8-K") to provide the financial statements and pro forma information required by Items 9.01(a) and 9.01(b) of Form 8-K. The text of the May 2017 Form 8-K is incorporated herein by reference. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed to them in the May 2017 Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited consolidated financial statements of Otic Pharma and its subsidiary, which comprise the balance sheets as of December 31, 2016 and 2015, and the related Statements of Operations, Changes in Shareholders Deficit and Cash Flows for the year and period then ended, and the related notes thereto, are contained in the Proxy Statement commencing on Page F-28 and are incorporated herein by reference.

The unaudited interim financial statements of Otic Pharma, including Otic Pharma's unaudited condensed consolidated balance sheet as of March 31, 2017, condensed consolidated balance sheet derived from audited financial statements as of December 31, 2016, unaudited condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2017 and 2016, unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2017 and 2016, and the notes related thereto are filed as Exhibit 99.1 and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma combined financial information of the Company, including the unaudited pro forma combined balance sheet as of March 31, 2017, the unaudited pro forma combined statement of operations for the three months ended March 31, 2017, the unaudited pro forma combined statement of operations for the year ended December 31, 2016, and the notes related thereto are filed as Exhibit 99.2 and are incorporated herein by reference.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Brightman, Almagor Zohar & Co., a member of Deloitte Touche Tohmatsu Limited, the independent auditors of Otic Pharma, Ltd. and its subsidiary.
99.1	Unaudited Interim Financial Statements of Otic Pharma, Ltd. Condensed Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016 Condensed Consolidated Statements of Operations and Comprehensive Loss for the Three Months Ended March 31, 2017 and 2016 Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016 Notes to Condensed Consolidated Financial Statements (Unaudited)
99.2	Unaudited Pro Forma Combined Financial Statements of Novus Therapeutics, Inc. Balance Sheet as of March 31, 2017 Statement of Operations for the Three Months Ended March 31, 2017 Statement of Operations for the Year Ended December 31, 2016 Notes to the Unaudited Pro Forma Combined Financial Statements

* * *

SIGNATURE

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.

Novus Therapeutics, Inc.

Date: July 25, 2017

By: /s/ Gregory J. Flesher
Name: Gregory J. Flesher
Title: Chief Executive Officer

EXHIBIT INDEX

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference, in the Registration Statements on Form S-3 (Nos. 333-207359 and 333-218949) and Form S-8 (Nos. 333-210058, 333-203032, 333-200413, and 333-216432) of our report dated February 28, 2017, with respect to the consolidated financial statements of Otic Pharma Ltd. and its subsidiary (which comprise the balance sheets as of December 31, 2016 and 2015, and the related Statements of Operations, Changes in Shareholders Deficit and Cash Flows for the year and period then ended, and the related notes to the financial statements) appearing in the Definitive Proxy Statement on Schedule 14A, filed by Tokai Pharmaceuticals, Inc. on April 7, 2017.

/s/ Brightman, Almagor Zohar & Co.
Brightman, Almagor Zohar & Co.
Certified Public Accountants
Member of Deloitte Touche Tohmatsu Limited

Tel Aviv, Israel
July 25, 2017

Exhibit 99.1

OTIC PHARMA, LTD.

Index to Unaudited Interim Financial Statements

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OTIC PHARMA, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	March 31, 2017 (Unaudited)	December 31, 2016 (Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 591	$ 1,103
Restricted cash	44	14
Prepaid expenses and other current assets	26	33
Total current assets	661	1,150
Property and equipment, net	27	31
Other assets	15	15
Total assets	$ 703	$ 1,196
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 486	$ 338
Accrued expenses and other liabilities	340	113
Convertible notes	3,447	3,447
Total current liabilities	4,273	3,898
Commitments and contingencies		
Shareholders' deficit:		
Common Shares, NIS 0.01 par value, 9,207,060 shares authorized; 104,925 and 82,246 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	1	1
Preferred Shares, NIS 0.01 par value, 6,565,540 shares authorized; 452,706 shares issued and outstanding at March 31, 2017 and December 31, 2016	11	11
Additional paid-in capital	11,891	11,385
Receipts on account of Preferred A shares	291	291
Accumulated deficit	(15,764)	(14,390)
Total shareholders' deficit	(3,570)	(2,702)
Total liabilities and shareholders' deficit	$ 703	$ 1,196

See accompanying notes to unaudited condensed financial statements.

OTIC PHARMA, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(In thousands, except share and per share data)

	Three Months Ended March 31,	
	2017	2016
Operating expenses		
Research and development	$ 479	$ 690
General and administrative	906	422
Total operating expenses	1,385	1,112
Loss from operations	(1,385)	(1,112)
Other income, net	11	9
Net loss and comprehensive loss	$ (1,374)	$ (1,103)
Net loss used in the calculation of basic and diluted net loss per share (Note 8)	$ (246)	$ (187)
Net loss per share, basic and diluted (Note 8)	$ (2.86)	$ (2.41)
Weighted-average common shares outstanding, basic and diluted	86,026	77,856

See accompanying notes to unaudited condensed financial statements.

OTIC PHARMA, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2017	**2016**
Operating activities		
Net loss	$(1,374)	$(1,103)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	4	6
Share-based compensation	106	42
Change in operating assets and liabilities:		
Prepaid expenses and other assets	7	33
Accounts payable and accrued expenses	375	(128)
Net cash used in operating activities	(882)	(1,150)
Investing activities		
Purchase of property and equipment	—	(5)
Net cash used in investing activities	—	(5)
Financing activities		
Exercise of warrants for common stock	400	—
Net cash provided by financing activities	400	—
Net decrease in cash, cash equivalents, and restricted cash	(482)	(1,155)
Cash, cash equivalents, and restricted cash at beginning of period	1,117	3,109
Cash, cash equivalents, and restricted cash at end of period	$ 635	$ 1,954

See accompanying notes to unaudited condensed financial statements.

OTIC PHARMA, LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of Business

Otic Pharma, Ltd. (the "Company" or "Otic") is a clinical-stage, specialty pharmaceutical company focused on the acquisition and development of products for disorders of the ear, nose, and throat (ENT). Otic was founded in Israel in 2008. In 2015, Otic established U.S. operations, Otic Pharma, Inc., ("Otic Pharma" or the "Subsidiary") and moved its corporate headquarters to Southern California. Otic has two novel technologies that are initially being developed for conditions of the ear.

Liquidity and Financial Condition

For the year ended December 31, 2016, the Company has adopted FASB Accounting Standard Codification ("ASC") Topic 205-40, *Presentation of Financial Statements – Going Concern*, which requires that management evaluate whether there are relevant conditions and events that, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern and to meet its obligations as they become due within one year after the date that the financial statements are issued.

The Company has experienced recurring net losses and negative cash flows from operating activities since its inception. The Company recorded a net loss of $1.4 million for the three months ended March 31, 2017. As of March 31, 2017, the Company had a working capital deficit of $3.6 million and an accumulated deficit of $15.8 million. Following the completion of the reverse merger (see below), management estimates that the Company has sufficient cash resources to meet anticipated cash needs through at least the next 12 months, based on cash and cash equivalents available as of March 31, 2017 and subsequently received. Due to continuing research and development activities, the Company expects to continue to incur net losses into the foreseeable future. In order to continue these activities, the Company may need to raise additional funds through future public or private debt and equity financings or strategic collaboration and licensing arrangements. Sufficient additional funding may not be available or be available on acceptable terms. If so, the Company may need to delay, reduce the scope of, or put on hold research and development activities while the Company seeks strategic alternatives.

Reverse Merger

On December 21, 2016, Tokai Pharmaceuticals, Inc. ("Tokai"), a Delaware corporation, Otic Pharma, and the shareholders of Otic Pharma (each a "Seller" and collectively, the "Sellers"), entered into a Share Purchase Agreement (the "Share Purchase Agreement"), pursuant to which, among other things, each Seller agreed to sell to Tokai, and Tokai agreed to purchase from each Seller, all of the common and preferred shares of Otic Pharma ("Otic Pharma Shares") owned by such Seller in exchange for the issuance of a certain number of shares of common stock of Tokai, as determined pursuant to the terms of the Share Purchase Agreement (the "Otic Transaction"). The parties amended and restated the Share Purchase Agreement on March 2, 2017.

On May 9, 2017, Tokai, Otic Pharma, and the Sellers closed the transaction contemplated by the Share Purchase Agreement, and Tokai issued to the Sellers an aggregate 4,027,693 shares of Tokai's common stock in exchange for 836,857 Otic Pharma Shares. Following the completion of the Otic Transaction, the business being conducted by Tokai became primarily the business conducted by Otic Pharma, which is a specialty pharmaceutical company focusing on the development of ear, nose, and throat (ENT) product candidates. In connection with the Otic Transaction, the name of the surviving corporation was changed to "Novus Therapeutics, Inc.".

On January 31, 2017, the Company entered into a stock purchase agreement (the "Stock Purchase Agreement") with certain purchasers named therein (the "Purchasers"), pursuant to which the Purchasers agreed to purchase approximately $4,000,000 of the Company's common stock through the purchase of 400,400 shares of the Company's common stock at a price of $9.99 per share. This transaction closed on May 10, 2017.

On May 11, 2017, the Company effected a reverse split of its issued and outstanding common stock at a ratio of one-for-nine. The accompanying condensed consolidated financial statements and notes give retroactive effect to the reverse split.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and requirements set forth by the Securities and Exchange Commission (SEC) for interim reporting and reflect all adjustments, which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The unaudited condensed consolidated financial statements do not include all information and notes necessary for a complete presentation of results of income, comprehensive income, financial position, and cash flows in conformity with GAAP. The accompanying unaudited condensed consolidated financial statements and notes should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2016 included in the definitive proxy statement relating to the Reverse Merger between Tokai Pharmaceuticals, Inc. and Otic Pharma, Ltd., filed on March 24, 2017 with the SEC pursuant to Schedule 14(a) under the Securities Exchange Act of 1934. The results of operations and comprehensive loss for the three months ended March 31, 2017 are not necessarily indicative of expected results for the full fiscal year or any other future period.

Use of estimates

The preparation of the Company's financial statements in conformity with GAAP requires management to make informed estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in the Company's financial statements and accompanying notes. The most significant estimates in the Company's financial statements relate to the valuation of certain financial instruments, share-based compensation, and accruals for liabilities and other matters that affect the condensed consolidated financial statements and related disclosures. Actual results could differ materially from those estimates under different assumptions or conditions and the differences may be material to the consolidated financial statements.

Cash and cash equivalents

Cash equivalents consist of demand deposits in banks and other short-term, highly liquid investments with original maturities of less than three months at the date of purchase. At times, the Company has cash and cash equivalents deposited at financial institutions in excess of federally insured deposit limits. Cash is held on deposit in major financial institutions and is subject to minimal credit risk.

Restricted cash

Restricted cash relates primarily to deposits held in the Company's Israeli bank account to fund potential tax payments.

Concentration of Credit Risk

The Company maintains cash balances in the United States at financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At March 31, 2017, the Company had no U.S. bank accounts in excess of the FDIC insurance limit. As of March 31, 2017, the Company's cash balances of approximately $512,000 in bank accounts held in Israel were uninsured. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these deposits.

Property and equipment

Leasehold improvements, computers and software, and furniture and equipment are recorded at historical cost, net of accumulated depreciation and amortization. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of their useful lives or the terms of the underlying leases. Computers and software, as well as furniture and equipment, are depreciated over a period of three to twenty years. Lab equipment is depreciated over 15 years.

Management reviews fixed assets for impairment whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. No material impairment occurred for the three months ended March 31, 2017 or March 31, 2016.

Research and development expenses

Research and development expenses consist of expenses incurred in performing research and development activities including salaries and benefits and other overhead expenses, formulation development, clinical trials, contract services, and other outsourced contracts. Research and development expenses are charged to operations as they are incurred. Up-front payments to collaborators made in exchange for the avoidance of potential future milestone and royalty payments on licensed technology are also charged to research and development expense when the drug is still in the development stage, has not been approved by the US Food and Drug Administration ("FDA") for commercialization, and has no alternative uses.

The Company assesses its obligations to make milestone payments that may become due under licensed or acquired technology to determine whether the payments should be expensed or capitalized. The Company charges milestone payments to research and development expense when:

- The technology is in the early stage of development and has no alternative uses;
- There is substantial uncertainty regarding the future success of the technology or product;
- There will be difficulty in completing the remaining development; and
- There is substantial cost to complete the work.

Acquired contractual rights. Payments to acquire contractual rights to a licensed technology or drug candidate are expensed as incurred when there is uncertainty in receiving future economic benefits from the acquired contractual rights. The Company considers the future economic benefits from the acquired contractual rights to a drug candidate to be uncertain until such drug candidate is approved by the FDA or when other significant risk factors are abated.

Share-based compensation

For stock options granted to employees, the Company recognizes compensation expense for all share-based awards based on the grant-date estimated fair value. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The fair value of stock options is determined using the Black-Scholes option pricing model, net of estimated forfeitures. The forfeiture rate is estimated at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates forfeitures based on historical experience. The determination of fair value for share-based awards on the date of grant using an option pricing model requires management to make certain assumptions regarding a number of complex and subjective variables.

Share-based compensation expense related to stock options granted to nonemployees is recognized based on the fair value of the stock options, determined using the Black-Scholes option pricing model, as they are earned. The awards generally vest over the period the Company expects to receive services from the non-employee. Stock options granted to non-employees are subject to periodic revaluation over their vesting terms.

Since the Company has a net operating loss carry-forward as of March 31, 2017, no excess tax benefits for tax deductions related to share-based awards were recognized in the accompanying consolidated statements of operations.

Recently Issued Accounting Pronouncements

In January 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU No. 2016-01 will be effective for the Company beginning in its first quarter of 2018. The adoption of ASU No. 2016-01 is not expected to have a material impact on the Company's condensed consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for annual reporting period beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact on its condensed consolidated financial statements upon the adoption of this guidance.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies the measurement of expected credit losses of certain financial instruments. ASU No. 2016-13 will be effective for the Company beginning in its first quarter of 2020 and early adoption is permitted. The adoption of ASU No. 2016-13 is not expected to have a material impact on the Company's condensed consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfer of Assets Other than Inventory*, which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. ASU No. 2016-06 will be effective for the Company in the first quarter of 2018. The Company is currently evaluating the impact of adopting ASU No. 2016-16 on its condensed consolidated financial statements.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This guidance identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The Company early adopted ASU No. 2016-09 in the fourth quarter of 2016 and the adoption did not have a material impact on its condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statements of Cash Flows (Topic 230): Classification and Presentation of Restricted Cash in the Statements of Cash Flows*, which requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents in the statement of cash flows. The Company adopted the provisions of this guidance using the retrospective approach in the first quarter of 2017. The adoption did not have a material impact on its condensed consolidated financial statements but did impact the presentation of the cash flow statement.

Note 3. Fair Value

Financial assets and liabilities are recorded at fair value. At March 31, 2017 and December 31, 2016, the Company's financial instruments included cash, cash equivalents, restricted cash, and short-term convertible debt. The carrying amount of cash, cash equivalents, restricted cash, and short-term convertible debt approximates fair value due to the short-term maturities of these instruments.

The Company measures the fair value of certain of its financial instruments on a recurring basis. A fair value hierarchy is used to rank the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as unadjusted quoted prices for similar assets and liabilities, unadjusted quoted prices in the markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There have been no transfers of assets for liabilities between these fair value measurement classifications during the periods presented.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at March 31, 2017 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities				
Convertible notes	$ —	$3,447	$ —	$3,447
Total liabilities at fair value	$ —	$3,447	$ —	$3,447

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities				
Convertible notes	$ —	$3,447	$ —	$3,447
Total liabilities at fair value	$ —	$3,447	$ —	$3,447

Note 4. Accrued Expenses

Accrued expenses consisted of the following as of March 31, 2017 and December 31, 2016 (in thousands):

	March 31, 2017	December 31, 2016
Accrued payroll and related expenses	$ 159	$ 51
Accrued vacation	73	50
Accrued other	108	12
Total accrued expenses	$ 340	$ 113

Note 5. Convertible Loan

On July 11, 2016, OrbiMed Israel Partners Limited Partnership and Peregrine Management II Ltd., provided the Company with a convertible bridge financing in the aggregate amount of $2.9 million (the "Bridge Financing Amount"), pursuant to a Bridge Financing Agreement (the "Bridge Financing Agreement"). Under the terms of the Bridge Financing Agreement, other than upon occurrence of an Event of Default (as defined in the Bridge Financing Agreement), Otic is not required to repay the Bridge Financing Amount or any portion in cash. The Bridge Financing Agreement further provides that upon a Deemed Liquidation (as defined in Otic's Articles of Association), the Bridge Financing Amount is convertible into Preferred C Shares of Otic at a price per share representing 85% of the Preferred C Shares' original issue price. Upon closing of the Otic Transaction on May 9, 2017, pursuant to the terms of the Bridge Financing Agreement, the Bridge Financing amount converted into 67,427 shares of common stock.

The Company concluded the value of the Bridge Financing is predominantly based on a fixed monetary amount known at the date of issuance as represented by the 15% discount on the Company's shares to be sold upon a Deemed Liquidation event. Accordingly, the Bridge Financing was classified as debt and is measured at its fair value of $3.4 million.

Note 6. Commitments and Contingencies

Leases

The Company leases office space and equipment under various operating leases. These leases are generally subject to scheduled base rent and maintenance cost increases, which are recognized on a straight-line basis over the term of the leases. Total rental expense for all operating leases in the accompanying condensed consolidated statements of operations and comprehensive loss was $41,000 and $59,000 for the three months ended March 31, 2017 and 2016, respectively.

Grants and licenses

From 2012 through 2015 the Company received grants in the amount of approximately $537,000 from the Office of Chief Scientist designated for Otic's investments in research and development. The grants are linked to the U.S. dollar and bear annual interest of LIBOR. The grants are to be repaid out of royalties from sales of the products developed by the Company from their investments in research and development. Because the Company has not yet earned revenues related to these investments and cannot estimate potential royalties, no liability related to these grants have been recorded as of each period presented.

In November 2015, the Company entered into an exclusive license agreement with Scientific Development and Research, Inc. and Otodyne, Inc. (collectively, the "Licensors") granting Otic exclusive worldwide rights to develop and commercialize OP-02. Under the terms of the agreement, the Company is obligated to use commercially reasonable efforts to seek approval for and commercialize at least one product for otitis media in the U.S. and key European markets (France, Germany, Italy, Spain, and the United Kingdom). Otic is responsible for prosecuting, maintaining, and enforcing all intellectual property and will be the sole owner of improvements. Under the agreement with the Licensors, the Subsidiary paid license fees totaling $700,000 and issued 9,780 common shares to the Licensors.

In January 2016, the Licensors completed transfer of all technology, including the active Investigational New Drug application ("IND") to the Company. The Subsidiary is obligated to pay up to $42.1 million in development and regulatory milestones if OP-02 is approved for three indications in the U.S., two in Europe, and two in Japan. Otic is also obligated to pay up to $36.0 million in sales based milestones, beginning with sales exceeding $1.0 billion in a calendar year. The Company is also obligated to pay a tiered royalty for a period up to eight years, on a country-by-country basis. The royalty ranges from low-single to mid-single percent of net sales.

Legal Matters

In the normal course of business, the Company periodically becomes involved in litigation. As of March 31, 2017, in the opinion of management, the Company had no pending litigation that would have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

Legal Proceedings

On August 1, 2016, a purported stockholder of Tokai filed a putative class action lawsuit in the U.S. District Court for the Southern District of New York against Tokai, Jodie P. Morrison, and Lee H. Kalowski, entitled Doshi v. Tokai Pharmaceuticals, Inc., et al., No. 1:16-cv-06106 ("Doshi Action"). The plaintiff sought to represent a class of purchasers of Tokai securities between June 24, 2015, and July 25, 2016, and alleges that, in violation of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder, defendants made false and misleading statements and omissions about Tokai's clinical trials for its drug candidate, galeterone. The lawsuit sought, among other things, unspecified compensatory damages, interest, costs, and attorneys' fees. On October 3, 2016, the case was transferred to the U.S. District Court for the District of Massachusetts. A lead plaintiff has yet to be appointed.

On August 19, 2016, a purported stockholder of Tokai filed a putative class action lawsuit in the Superior Court of the State of California, County of San Francisco, against Tokai, Jodie P. Morrison, Lee H. Kalowski, Seth L. Harrison, Timothy J. Barberich, David A. Kessler, Joseph A. Yanchik, III, and the underwriters of Tokai's "IPO", entitled Jackie888, Inc. v. Tokai Pharmaceuticals, Inc., et al., No. CGC-16-553796. The lawsuit alleges that, in violation of the Securities Act of 1933 ("Securities Act"), Tokai's registration statement for its IPO made false and misleading statements and omissions about Tokai's clinical trials for galeterone. The plaintiff sought to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO. The lawsuit sought, among other things, unspecified compensatory damages, interest, costs, and attorneys' fees. On October 19, 2016, the defendants moved to dismiss or stay the action on grounds of forum non conveniens, and certain individual defendants moved to quash the plaintiff's summons for lack of personal jurisdiction. On February 27, 2017, the Superior Court entered an order granting defendants' motion to stay the lawsuit.

On September 29, 2016, two purported stockholders of Tokai filed a putative class action lawsuit in the U.S. District Court for the District of Massachusetts against Tokai, Jodie Pope Morrison, Lee H. Kalowski, Seth L. Harrison, Timothy J. Barberich, David A.

Kessler, Joseph A. Yanchik, III, and the underwriters of Tokai's IPO, entitled Garbowski, et al. v. Tokai Pharmaceuticals, Inc., et al., No. 1:16-cv-11963 ("Garbowski Action"). The lawsuit alleges that the defendants and Tokai's registration statement for its IPO made false and misleading statements and omissions about Tokai's clinical trials for galeterone, in violation of the Securities Act, the Exchange Act, and Rule 10b-5. The plaintiffs sought to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO as well as a class of purchasers Tokai common stock between September 17, 2014, and July 25, 2016. The lawsuit sought, among other things, unspecified compensatory damages, interest, costs, and attorneys' fees. A prospective lead plaintiff has filed a motion to consolidate the Doshi and Garbowski Actions for all purposes. A lead plaintiff has yet to be appointed.

On December 5, 2016, a putative securities class action was filed in the Business Litigation Session of the Superior Court Department of the Suffolk County Trial Court, Massachusetts ("Massachusetts State Court") against Tokai, Jodie P. Morrison, Lee H. Kalowski, Seth L. Harrison, Timothy J. Barberich, David A. Kessler, Joseph A. Yanchik, III, and the underwriters of Tokai's IPO, entitled Wu v. Tokai Pharmaceuticals, Inc., et al., 16-3725 BLS ("Wu Action"). The lawsuit alleges that Tokai's IPO registration statement made false and misleading statements and omissions about Tokai's clinical trials for galeterone, in violation of the Securities Act. The plaintiff seeks to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO. The lawsuit sought, among other things, unspecified compensatory damages, interest, costs, and attorneys' fees. On December 19, 2016, defendants removed the Wu Action to the U.S. District Court for the District of Massachusetts, where it was captioned Wu v. Tokai Pharmaceuticals, Inc., et al., 16-cv-12550, and assigned to the same judge presiding over the Doshi and Garbowski Actions. On December 22, 2016, defendants filed a motion to consolidate the Wu Action with the Doshi and Garbowski Actions. On January 6, 2017, plaintiff filed a motion to remand the Wu Action to Massachusetts State Court.

In connection with the Otic Transaction, two putative securities class actions have been filed in the U.S. District Court for the District of Massachusetts against Tokai, Jodie P. Morrison, Seth L. Harrison, Stephen Buckley, Jr., Cheryl L. Cohen, David A. Kessler, and Joseph A. Yanchik, III. The two complaints are captioned as follows: *Bushansky v. Tokai Pharmaceuticals, Inc., et al.*, No. 1:17-cv-10621-DPW (filed April 11, 2017), and *Wilson v. Tokai Pharmaceuticals, Inc., et al.*, No. 1:17-cv-10645-DPW (filed April 14, 2017). Each lawsuit alleges that Tokai's definitive proxy statement on Schedule 14A filed with the SEC on April 7, 2017 (the "Definitive Proxy Statement") made false and misleading statements and omissions in connection with the Otic Transaction, in violation of the Exchange Act and Rule 14a-9, promulgated thereunder. Each plaintiff sought to represent a class of all persons and entities that owned Tokai common stock. Each lawsuit sought, among other things, preliminary and permanent injunctions of the Otic Transaction unless Tokai disclosed certain information requested by plaintiff, rescission and unspecified damages if the Otic Transaction is consummated, and attorneys' fees. These two actions are collectively referred to as the "Stockholder Litigation."

As disclosed in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (the "Tokai Q1 Form 10-Q"), Tokai believed that no supplemental disclosures were required under applicable laws. However, to avoid the risk of the Stockholder Litigation delaying or adversely affecting the closing of the Otic Transaction and to minimize the expense of defending the Stockholder Litigation, and without admitting any liability or wrongdoing, Tokai made certain disclosures that supplement and revise those contained in the Definitive Proxy Statement. In the Tokai Q1 Form 10-Q, Tokai and the other named defendants denied that they committed or assisted others in committing any violations of law or breaches of duty to our stockholders, and expressly maintained that they complied with their fiduciary and other legal duties and have provided the litigation-related supplemental disclosures solely to try to eliminate the burden and expense of further litigation, to put the claims that were or could have been asserted to rest, and to avoid any possible delay to the closing of the Otic Transaction that might arise from further litigation. The Tokai Q1 Form 10-Q stated that nothing in Tokai's litigation-related supplemental disclosures shall be deemed an admission of the legal necessity or materiality under applicable laws of any of the litigation-related supplemental disclosures.

The Tokai Q1 Form 10-Q stated that Tokai believes it has valid defenses, and intends to engage in a vigorous defense of the litigation. However, Tokai is unable to predict the ultimate outcome of these actions, and, therefore cannot estimate its possible losses or ranges of losses, if any, or the materiality thereof. The Tokai Q1 Form 10-Q further stated that an unexpected unfavorable resolution of these matters in any reporting period may have a material adverse effect on Tokai's results of operations and cash flows for that period.

As discussed in Note 1, in May 2017 in connection with the Otic Transaction, Otic was acquired by Tokai and the name of the surviving corporation was changed to "Novus Therapeutics, Inc."

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnification. The Company's exposure under these agreements is unknown because it involves future claims that may be made against the Company but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future because of these indemnification obligations. No amounts associated with such indemnifications have been recorded to date.

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. There have been no contingent liabilities requiring accrual at March 31, 2017.

Note 7. Income Taxes

The Company is subject to income taxes under the Israeli and U.S. tax laws. The Company was subject to an Israeli corporate tax rate of 25% in the year 2016 and will be subject to an Israeli corporate tax rate of 24% in the year 2017 and 23% in the year 2018 and thereafter. The Company was subject to a blended U.S. tax rate (Federal as well as state corporate tax) of 35% in 2016.

Note 8. Net Loss per Share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if dilutive potential shares of common stock had been issued. Because the inclusion of common share equivalents in the calculation would be anti-dilutive for all periods presented, diluted net loss per share is the same as basic net loss per share.

	Three Months Ended March 31,	
	2017	2016
	(In thousands, except share and per share data)	
Net loss available to stockholders of the company	$ (1,374)	$ (1,103)
Interest accumulated on preferred shares and on preferred shares contingently issuable for little or no cash	(229)	(229)
Net loss attributable to shareholders of preferred shares and to shareholders of preferred shares contingently issuable for little or no cash	1,357	1,145
Net loss used in the calculation of basic and diluted loss per share	$ (246)	$ (187)
Net loss per share, basic and diluted	$ (2.86)	$ (2.41)
Weighted-average number of common shares	86,026	77,856

The computation of diluted earnings per share excludes stock options, warrants, restricted stock units, and shares that would convert under the convertible loan that are anti-dilutive. For the three months ended March 31, 2017 and 2016, stock options, warrants, and restricted stock units representing common share equivalents of 384,387 shares and 347,611 shares, respectively, were anti-dilutive.

Note 9. Stockholders' Equity

Common Shares

Common shares confer upon the holders thereof the right to receive notice of, participate in, and vote at general meetings of the Company. Holders also have the right to receive cash and stock dividends, if declared or upon dissolution, subject to the preferential rights of the holders of the series of preferred shares.

Preferred Shares

Preferred shares are convertible into common shares at the option of their holders, and confer upon their holders all rights accruing to holders of common shares in the Company on an as converted basis. In addition, holders of Preferred Shares are entitled to preference upon a liquidation event and upon distribution of dividends, plus 8% annual interest calculated on the preferred share original issue price.

Warrants

On March 16, 2017 OrbiMed Israel Partners Limited Partnership and Peregrine Management II Ltd., a related party, exercised a warrant for 22,679 shares of common stock at $17.64 per share for an aggregate amount of $400,000.

Note 10. Subsequent events

The Company's management has evaluated events and transactions that occurred after March 31, 2017 through July 24, 2017, the date at which the accompanying condensed consolidated financial statements were available to be issued. Management determined that no material subsequent events have occurred during that period that would require the Company to either recognize the financial impact of such events in the accompanying condensed consolidated financial statements or disclose any such events to ensure the condensed consolidated financial statements are not misleading.

Exhibit 99.2

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Reverse Merger

On December 21, 2016, Tokai Pharmaceuticals, Inc. ("Tokai"), a Delaware corporation, Otic Pharma, and the shareholders of Otic Pharma (each a "Seller" and collectively, the "Sellers"), entered into a Share Purchase Agreement (the "Share Purchase Agreement"), pursuant to which, among other things, each Seller agreed to sell to Tokai, and Tokai agreed to purchase from each Seller, all of the ordinary and preferred shares of Otic Pharma ("Otic Pharma Shares") owned by such Seller in exchange for the issuance of a certain number of shares of common stock of Tokai, as determined pursuant to the terms of the Share Purchase Agreement (the "Otic Transaction"). The parties amended and restated the Share Purchase Agreement on March 2, 2017.

On May 9, 2017, Tokai, Otic Pharma, and the Sellers closed the transaction contemplated by the Share Purchase Agreement, and Tokai issued to the Sellers an aggregate 4,027,693 shares of Tokai's common stock in exchange for the Otic Pharma Shares. Following the completion of the Otic Transaction, the business being conducted by Tokai became primarily the business conducted by Otic Pharma, which is a specialty pharmaceutical company focusing on the development of ear, nose, and throat (ENT) product candidates. In connection with the Otic Transaction, the name of the surviving corporation was changed to "Novus Therapeutics, Inc." (the "Company").

On January 31, 2017, Tokai entered into a stock purchase agreement (the "Stock Purchase Agreement") with certain purchasers named therein (the "Purchasers"), pursuant to which the Purchasers agreed to purchase approximately $4,000,000 of the Company's common stock through the purchase of 400,400 shares of the Company's common stock at a price of $9.99 per share. This transaction closed on May 10, 2017.

On May 11, 2017, the Company effected a reverse split of its issued and outstanding common stock at a ratio of one-for-nine. As a result, the accompanying unaudited combined pro forma financial statements and notes give retroactive effect to the reverse split for all periods presented.

Unaudited Pro-Forma Combined Financial Statements

The following unaudited pro forma combined balance sheet as of March 31, 2017 and the unaudited pro forma combined statement of operations for the three months ended March 31, 2017 and for the year ended December 31, 2016, are presented herein for illustrative purposes and is based on assumptions and adjustments that are described in the accompanying notes. Otic Pharma is considered to be the acquiring company for accounting purposes, and the transaction will be accounted for by Otic Pharma as a reverse acquisition under the acquisition method of accounting for business combinations. Assets and liabilities of Tokai will be measured at fair value and added to the assets and liabilities of Otic Pharma, and the historical results of operations of Otic Pharma will be reflected in the results of operations of the Company following the transaction. The historical financial statements of Tokai and Otic Pharma have been adjusted to give pro forma effect to events that are (1) directly attributable to the Otic Transaction and Equity Financing, (2) factually supportable, and (3) with respect to the unaudited pro forma combined statements of operations, expected to have a continuing impact on the combined results of operations of the combined company.

The unaudited pro forma combined financial information does not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies, or other savings or expenses that may be associated with the integration of the two companies. The unaudited pro forma combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had Tokai and Otic Pharma been a combined company during the specified periods.

The unaudited pro forma combined balance sheet combines the unaudited balance sheet of Tokai and the unaudited balance sheet of Otic Pharma and gives effect to the transaction as if it had been completed on March 31, 2017. The unaudited pro forma combined statement of operations for the three months ended March 31, 2017 and for the year ended December 31, 2016 combine the historical results of Tokai and the historical results of Otic Pharma and give effect to the transaction as if it had occurred on January 1, 2016.

The unaudited pro forma combined financial statements do not purport to represent the actual financial condition or results of operations as of March 31, 2017 or any period thereafter, including the closing date of the transaction, for the combined company. The unaudited pro forma combined financial statements are based on unaudited historical financial statements of Tokai and Otic Pharma including unaudited pro forma adjustments to derive the financial condition and results of operations of the combined company on an unaudited pro forma basis.

The unaudited pro forma combined financial information, including the notes thereto, should be read in conjunction with the separate historical financial statements of Tokai and Otic included in the definitive proxy statement relating to the Reverse Merger between Tokai Pharmaceuticals, Inc. and Otic Pharma, Ltd., filed on March 24, 2017 with the SEC pursuant to Schedule 14(a) under the Securities Exchange Act of 1934.

Otic's audited consolidated financial statements for the years ended December 31, 2016 and 2015 are also included in the definitive proxy statement relating to the Reverse Merger between Tokai Pharmaceuticals, Inc. and Otic Pharma, Ltd., filed on March 24, 2017 with the SEC pursuant to Schedule 14(a) under the Securities Exchange Act of 1934.

Because Otic Pharma will be treated as the accounting acquirer, Otic Pharma's assets and liabilities will be recorded at their pre-combination carrying amounts and the historical operations that are reflected in the financial statements will be those of Otic Pharma. Tokai's assets and liabilities will be measured and recognized at their fair values as of the transaction date, and consolidated with the assets, liabilities and results of operations of Otic Pharma after the consummation of the transaction. The unaudited pro forma combined statements of operations include certain purchase accounting adjustments, including items expected to have a continuing impact on the combined results.

The unaudited pro forma combined statements of operations do not include the impacts of any cost or other operating synergies that may result from the transaction or any related restructuring costs. The unaudited pro forma combined statements of operations do not reflect certain amounts resulting from the transaction that were determined to be of a non-recurring nature.

Unaudited Pro Forma Combined Balance Sheet

March 31, 2017
(in thousands)

	Otic	Tokai	Pro Forma Adjustments		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 591	$ 24,400	$ 4,000	**A**	$ 32,110
			3,119	**B**	
Restricted cash	44	—	—		44
Prepaid expenses and other current assets	26	1,231	—		1,257
Total current assets	661	25,631	7,119		33,411
Property and equipment, net	27	80	—		107
Restricted cash	—	120	—		120
Goodwill	—	—	1,821	**I**	1,821
Other assets	15	—	—		15
Total assets	$ 703	$ 25,831	$ 8,940		$ 35,474
Liabilities and Stockholders' (Deficit) Equity					
Current liabilities:					
Accounts payable	$ 486	$ 276	$ —		$ 762
Accrued expenses	340	2,143	5,418	**C**	7,757
			(144)	**D**	
Convertible debt	3,447	—	(3,447)	**E**	—
Total current liabilities	4,273	2,419	1,827		8,519
Long-term liabilities	—	48	(48)	**D**	—
Total liabilities	4,273	2,467	1,779		8,519
Stockholders' (deficit) equity:					
Preferred stock	11	—	(11)	**E**	—
Common stock	1	23	(23)	**F**	31
			4	**A**	
			23	**G**	
			3	**H**	
Additional paid-in capital	11,891	196,604	(196,604)	**F**	48,106
			3,996	**A**	
			3,119	**B**	
			3,749	**E**	
			23,533	**G**	
			(3)	**H**	
			1,821	**I**	
Receipts on account of Preferred A shares	291	—	(291)	**E**	—
Accumulated deficit	(15,764)	(173,263)	173,263	**F**	(21,182)
			(5,418)	**C**	
Accumulated other comprehensive income (loss)	—	—	—	**F**	—
Total stockholders' (deficit) equity	(3,570)	23,364	7,161		26,955
Total liabilities and stockholders' (deficit) equity	$ 703	$ 25,831	$ 8,940		$ 35,474

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

Unaudited Pro Forma Combined Statement of Operations
Three Months Ended March 31, 2017
(in thousands, except share and per share data)

	Otic	Tokai	Pro Forma Adjustments		Pro Forma Combined
Operating expenses:					
Research and development	479	306	—		785
General and administrative	906	3,586	(1,610)	**J**	2,882
Total operating expenses	1,385	3,892	(1,610)		3,667
Loss from operations	(1,385)	(3,892)	1,610		(3,667)
Other income (expense), net	11	26	—		37
Net loss (1)	$ (1,374)	$ (3,866)	$ 1,610		$ (3,630)
Net loss per share, basic and diluted	$ (15.98)	$ (1.54)			$ (0.47)
Weighted-average common shares outstanding, basic and diluted	86,026	2,515,739	4,084,376	**L**	6,686,141

(1) Otic's historical net loss attributable to common shareholders was $246 for the three months ended March 31, 2017.

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

Unaudited Pro Forma Combined Statement of Operations
Year Ended December 31, 2016
(in thousands, except share and per share data)

	Otic	Tokai	Pro Forma Adjustments		Pro Forma Combined
Operating expenses:					
Research and development	3,191	25,024	—		28,215
General and administrative	1,937	13,099	(675)	**J**	14,361
Total operating expenses	5,128	38,123	(675)		42,576
Loss from operations	(5,128)	(38,123)	675		(42,576)
Other income (expense), net	(527)	164	517	**K**	154
Net loss (1)	$ (5,655)	$ (37,959)	$ 1,192		$ (42,422)
Net loss per share, basic and diluted	$ (70.83)	$ (15.09)			$ (6.42)
Weighted-average common shares outstanding, basic and diluted	79,835	2,514,960	4,010,214	**L**	6,605,009

(1) Otic's historical net loss attributable to common shareholders was $941 for the year ended December 31, 2016.

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

Notes to Unaudited Pro Forma Combined Financial Information

1. Description of the Transactions and Basis of Presentation

Description of the Otic Transaction

On December 21, 2016, Tokai Pharmaceuticals, Inc. ("Tokai"), Otic Pharma, Ltd., a private limited company organized under the laws of the State of Israel ("Otic"), and the shareholders of Otic named therein (the "Selling Shareholders") entered into a Share Purchase Agreement (the "Share Purchase Agreement"), pursuant to which, among other things, subject to the satisfaction or waiver of the conditions set forth in the Share Purchase Agreement, each Selling Shareholder agreed to sell to Tokai, and Tokai agreed to purchase from each Selling Shareholder, all of the ordinary and preferred shares of Otic (the "Otic Shares") owned by such Selling Shareholder (the "Otic Transaction").

Upon the terms and subject to the conditions set forth in the Share Purchase Agreement, as amended and restated on March 2, 2017, by and among Tokai, Otic, and the shareholders of Otic, Tokai acquired all of the ordinary and preferred shares of Otic in exchange for the issuance to the Sellers of a specified number of shares of Tokai common stock and assumed all outstanding share options and warrants of Otic.

Under the Share Purchase Agreement, Tokai issued an aggregate of 4,027,693 shares of its common stock to the Sellers and to the holders of warrants and options of Otic upon the exercise of such options and warrants, which shares were allocated among the Otic equity holders in accordance with the Articles of Association of Otic and the share incentive plan of Otic based on the average closing price of the Tokai common stock on the NASDAQ Global Market over the twenty trading days ending the third trading day prior to the closing of the Otic Transaction.

Description of the Equity Financing

In connection with the Otic Transaction, Tokai entered into the Tokai Stock Purchase Agreement dated January 31, 2017 with Otic and certain purchasers set forth therein pursuant to which the purchasers agreed to purchase 400,400 shares of Tokai common stock at a price of $9.99 per share. All of the purchasers under the Tokai Stock Purchase Agreement were either existing shareholders or employees of Otic. The Tokai Stock Purchase Agreement provided that the purchase and sale of the Tokai common stock occurred immediately following the closing of the Otic Transaction. After giving effect to the issuance of 400,400 shares of Tokai common stock in the Equity Financing, the shareholders of Otic hold approximately 64% of the Tokai common stock.

Basis of Presentation

The unaudited pro forma combined financial statements were prepared in accordance with the regulations of the Securities and Exchange Commission (SEC) and are intended to show how the transaction might have affected the historical financial statements if the transaction had been completed on January 1, 2016 for the purposes of the statement of operations, and as of March 31, 2017 for purposes of the balance sheet. Based on the terms of the Merger, Otic Pharma is deemed to be the acquiring company for accounting purposes and the transaction will be accounted for as a reverse acquisition under the acquisition method of accounting for business combinations in accordance with accounting principles generally accepted in the United States. Accordingly, the assets and liabilities of Tokai will be recorded as of the Merger closing date at their estimated fair values.

The pro forma adjustments are preliminary and based on management's estimates of the fair value of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition. These estimates are based on the most recently available information. To the extent there are significant changes to the combined company's business following completion of the transaction, the assumptions and estimates set forth in the unaudited pro forma combined financial statements could change significantly. Accordingly, the pro forma purchase price adjustments are subject to further adjustments as additional information becomes available and as additional analyses are conducted following completion of the transaction. There can be no assurances that these additional analyses and will not result in material changes to the estimates of fair value.

The unaudited pro forma combined statement of operations for the three months ended March 31, 2017 and the year ended December 31, 2016 combine the audited historical statements of operations and comprehensive loss of Tokai and Otic Pharma for their respective three months ended March 31, 2017 and year ended December 31, 2016 and give pro forma effect to the Merger as if it had been completed on January 1, 2016.

Tokai and Otic did not record any income tax benefits for the net losses incurred and tax credits earned during the year ended December 31, 2016 due to the uncertainty of realizing a benefit from those items. Each company maintains a full valuation allowance on its net deferred tax assets. Accordingly, no tax-related adjustments have been reflected for the pro forma adjustments described in Note 3.

2. Purchase Price

The Company has concluded that the transaction is a business combination pursuant to ASC 805 *Business Combinations*. Under the acquisition method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of Tokai based on their estimated fair values as of the Otic Transaction closing date. The excess of the purchase price over the fair value of assets acquired and liabilities assume, if any, is allocated to goodwill.

The allocation of the estimated purchase price to the acquired assets and liabilities assumed of Tokai, based on their estimated fair values as of March 31, 2017, is as follows (in thousands):

Cash, cash equivalents and marketable securities	$24,400
Other assets	1,351
Property and equipment	80
Goodwill	1,821
Accounts payable, accrued expenses and other liabilities	(2,467)
Net assets acquired	$25,185

3. Pro Forma Adjustments

The unaudited pro forma combined financial information includes pro forma adjustments that are (1) directly attributable to the Otic Transaction and Equity Financing, (2) factually supportable, and (3) with respect to the unaudited pro forma combined statements of operations, expected to have a continuing impact on the results of operations of the combined company.

The pro forma adjustments reflecting the completion of the transaction are based upon the preliminary accounting analysis conclusion that the transaction should be accounted for under the acquisition method of accounting and upon the assumptions set forth below.

The pro forma adjustments, based on preliminary estimates that may change significantly as additional information is obtained, are as follows:

A. To reflect proceeds of $4.0 million from the purchase of 400,400 shares of Tokai common stock at a price of $9.99 per share pursuant to the Equity Financing entered into in connection with the Otic Transaction.

B. To reflect proceeds of $3.1 million from the exercise of outstanding Otic warrants prior to the closing of the Otic Transaction.

C. To reflect accrued liabilities that are directly attributable to the closing of the Otic Transaction, including approximately $2.1 million in employee severance and change-in-control obligations for Tokai employees that will be reflected in the Otic statements of operations following the closing of the Otic Transaction, and estimated transaction costs to complete the Otic Transaction of approximately $1.6 million and $1.7 million for Tokai and Otic, respectively, principally consisting of banker fees, legal expenses, and auditor and printer fees to be incurred by Otic and Tokai. These pro forma adjustments are not reflected in the unaudited pro forma combined statements of operations as these amounts are not expected to have a continuing impact on the operating results of the combined company.

D. To reflect the removal of Tokai deferred rent as a result of the acquisition method of accounting.

E. To reflect the conversion of (1) all outstanding Otic preferred shares into ordinary shares of Otic, (2) all amounts outstanding under Otic's convertible loan agreement into Preferred C shares of Otic and their subsequent conversion into common shares of Otic, and (3) receipts on account of Preferred A shares into common shares of Otic, each occurring prior to the closing of the Otic Transaction (see Note 3).

F. To reflect the elimination of Tokai's historical stockholders' equity.

G. To reflect the estimated purchase consideration transferred to Tokai stockholders.

H. To reflect an increase in the par value of common stock based on the par value of Tokai common stock to be issued to Otic shareholders in connection with the Otic Transaction, as follows (dollar amounts in thousands, except per share amounts):

Shares of Tokai common stock issued to Otic shareholders upon close of the Otic Transaction (see Note 3)	4,027,693
Multiplied by the par value per share of Tokai common stock	$ 0.001
Par value of Tokai common stock issued to Otic shareholders	$ 4
Less historical par value of Otic ordinary shares	(1)
Net pro forma adjustment to common stock	$ 3

I. To reflect the goodwill recognized as a result of the Otic Transaction.

J. To reflect the elimination of transaction costs incurred during the period. These amounts have been eliminated on a pro forma basis as they are not expected to have a continuing effect on the operating results of the combined company.

K. To reflect the elimination of other expense recorded in Otic's historical statement of operations for the periods presented related to a fair value adjustment for amounts outstanding under Otic's convertible loan agreement. The unaudited pro forma combined statement of operations for the year ended December 31, 2016 assumes that the conversion of all amounts outstanding under the loan agreement had occurred on the issuance date of the related note, July 11, 2016.

L. To reflect an increase in the weighted average shares outstanding for the period after giving effect to the issuance of Tokai common stock in connection with the Otic Transaction and Equity Financing:

	Three Months Ended March 31, 2017	Year Ended December 31, 2016
Pro forma Otic weighted-average shares outstanding for the period	3,770,002	3,688,870
Tokai common shares outstanding upon closing of the Otic Transaction	2,515,739	2,515,739
Tokai common shares issued pursuant to the Equity Financing	400,400	400,400
Pro forma combined weighted-average common shares outstanding for the period	6,686,141	6,605,009