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

FORM 8-K

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

Date of Report (Date of earliest event reported): June 9, 2023

AVROBIO, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-38537**	**81-0710585**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

100 Technology Square
Sixth Floor
Cambridge, MA 02139
(Address of principal executive offices, including zip code)

(617) 914-8420
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	**Trading symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.0001 par value per share	**AVRO**	**Nasdaq Global Select Market**

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. ☐

Item 1.02 Termination of a Material Definitive Agreement.

On June 9, 2023, upon the closing of the Asset Sale (as defined below), all outstanding amounts due and owed, including principal, interest, and other charges, under the Loan and Security Agreement (the "Term Loan Facility"), dated as of November 2, 2021, by and among AVROBIO, Inc. (the "Company"), Silicon Valley Bank, a division of First-Citizens Bank & Trust and the other parties thereto, were repaid in full and the Term Loan Facility was terminated.

Upon repayment, the obligations of the Company under the Term Loan Facility were satisfied in full, the Term Loan Facility and all related loan documents were terminated and all liens and security interests granted thereunder were released and terminated (excluding certain indemnification obligations that expressly survive termination of the Term Loan Facility).

Item 2.01 Completion of Acquisition or Disposition of Assets.

As previously disclosed in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on May 22, 2023, the Company entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Novartis Pharma AG and Novartis Pharmaceuticals Corporation (collectively, the "Purchaser") on May 19, 2023 (the transactions contemplated by the Asset Purchase Agreement, the "Asset Sale"). On June 9, 2023, the Company completed the Asset Sale.

A copy of the unaudited pro forma financial statements of the Company, giving effect to the Asset Sale, are attached as Exhibit 99.1 to this Current Report on Form 8-K and are incorporated herein by reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Compensation of Interim Chief Executive Officer

On June 9, 2023, the Compensation Committee (the "Compensation Committee") of the Board of Directors of AVROBIO, Inc. (the "Company") approved adjusted terms of compensation for Erik Ostrowski, the Company's President, Interim Chief Executive Officer, Chief Financial Officer and Treasurer, in consideration of his service in such role. Effective July 1, 2023, (i) Mr. Ostrowski's base salary shall be adjusted to be $535,000 and (ii) Mr. Ostrowski's 2023 target bonus, commencing on July 1, 2023, shall be increased to 55% (which shall be applied against the base salary in effect for such period). For the six month period ending June 30, 2023, Mr. Ostrowski's 2023 target bonus shall remain at 40% (to be applied against the base salary in effect for such period).

Additionally, pursuant to the Company's 2018 Stock Option and Incentive Plan, as amended, the Compensation Committee granted Mr. Ostrowski 70,000 restricted stock units ("RSUs"). The RSUs shall vest over four years, with 25% vesting annually on July 1 of each following year, subject to continued employment through the applicable vesting date.

Retention Bonuses

Also on June 9, 2023, the Compensation Committee approved cash retention bonuses (the "Retention Bonuses") for each of Mr. Ostrowski and Azadeh Golipour, the Company's Chief Technology Officer, (each, an "Executive"). The Retention Bonuses will be payable to each Executive, in each case subject to such Executive continuing to be employed by the Company as of December 31, 2023 (the "Effective Date"). The amount of the Retention Bonuses payable to each Executive shall be equal to (i) 125% of each Executive's base salary for calendar year 2023 as in effect on June 9, 2023 (except that, in the case of Mr. Ostrowski, such calculation shall be based on his base salary in effect as of July 1, 2023), plus (ii) 125% of each Executive's target 2023 annual bonus as in effect on June 9, 2023 (except that, in the case of Mr. Ostrowski, such calculation shall be based on his target 2023 annual bonus in effect for the six month period commencing July 1, 2023), in each case pro-rated for the period of time from June 9, 2023 to the Effective Date. If the Company undergoes a Change in Control, the Company terminates the Executive without Cause or the Executive terminates his or her employment for Good Reason (each term as defined in each Executive's respective employment agreement with the Company), the applicable Retention Bonuses shall be payable in full immediately prior to the consummation of such Change in Control or termination.

Item 7.01 Regulation FD Disclosure.

On June 12, 2023, the Company issued a press release titled "AVROBIO Completes Sale of Cystinosis Gene Therapy Program for $87.5 Million." A copy of the press release is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

The information in Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.2 attached hereto, shall not be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of the Company as of and for the three months ended March 31, 2023 and the year ended December 31, 2022 and the notes related thereto, in each case giving effect to the Asset Sale, are filed as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

(d) Exhibits

99.1	Unaudited pro forma condensed combined financial information of AVROBIO, Inc. (giving effect to the Asset Sale) as of and for the three months ended March 31, 2023 and for the year ended December 31, 2022 and the notes related thereto.
99.2	Press Release issued by AVROBIO, Inc., dated June 12, 2023.
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

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.

AVROBIO, INC.

Date: June 12, 2023

By: /s/ Erik Ostrowski
Erik Ostrowski
President, Interim Chief Executive Officer, Chief Financial Officer and Treasurer

Exhibit 99.1

UNAUDITED PRO FORMA FINANCIAL INFORMATION

On May 19, 2023, AVROBIO, Inc., a Delaware corporation (the "Company"), entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Novartis Pharma AG and Novartis Pharmaceuticals Corporation (collectively, the "Purchaser"), providing for the sale of the Company's cystinosis gene therapy program (designated AVR-RD-04) and all other assets of the Company specifically related to this program. In addition, pursuant to the Asset Purchase Agreement, the Company has granted an exclusive license to the Purchaser to use certain intellectual property of the Company, which consists of certain proprietary elements of the Company's plato® gene therapy platform technology specifically within the field of cystinosis. The foregoing transactions contemplated by the Asset Purchase Agreement are referred to as the "Asset Sale". The Company has also agreed not to assert claims against the Purchaser for violations of certain other Company intellectual property rights in connection with the Purchaser's exercise of the exclusive license granted to it under the Asset Purchase Agreement, and for violations of the licensed intellectual property, except in connection with activities by the Purchaser in the fields of Gaucher disease, Pompe disease, Hunter syndrome and Fabry disease, or indemnification claims under the Asset Purchase Agreement. The aggregate consideration to the Company consists of a cash payment of $87.5 million upon closing of the transaction on June 9, 2023 (the "Closing Date").

The Asset Purchase Agreement contains certain customary representations, warranties and covenants. The Asset Purchase Agreement also contains customary indemnification provisions pursuant to which the parties agree to indemnify each other for certain matters, including, among other things, breaches of certain representations, warranties and covenants in connection with the Asset Sale, subject to specified caps and limitations. The Company has also agreed to a covenant that would prohibit the Company from engaging in specified activities that would compete with the cystinosis business, for a period of 5 years, subject to certain limitations and exceptions. Completion of the Asset Sale was subject to the satisfaction or waiver of customary closing conditions, including a requirement to obtain third party consents from certain of the Company's key suppliers and licensors, and a requirement to terminate any liens, including those imposed under the Company's Loan and Security Agreement (the "Term Loan Facility"), dated as of November 2, 2021, with Silicon Valley Bank, a division of First-Citizens Bank & Trust and the other parties thereto. Upon closing, the Company utilized a portion of the transaction proceeds to pay off its outstanding balance under the Term Loan Facility.

The following unaudited pro forma condensed consolidated financial statements are intended to show how the Asset Sale might have affected the historical financial statements of the Company if the Asset Sale had been completed at an earlier time as indicated therein, and such unaudited pro forma consolidated financial statements are derived from, and should be read in conjunction with, the Company's historical condensed consolidated financial statements and notes thereto, as presented in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2023 filed with the Securities and Exchange Commission ("SEC") on May 11, 2023 (the "Form 10-Q") and the Company's historical financial statements and notes thereto, as presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on March 23, 2023 (the "Form 10-K").

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma condensed consolidated balance sheet as of March 31, 2023 assumes the transaction had occurred on March 31, 2023. The unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 2023 and the year ended December 31, 2022 give effect to the transaction as if it had occurred as of January 1, 2022.

In addition, Regulation S-X permits registrants to reflect adjustments that depict synergies and dis-synergies of the acquisitions and dispositions for which pro forma effect is being given in the Company's disclosures as management adjustments. The Company has determined not to disclose such adjustments because it does not believe that presentation of such adjustments would enhance an understanding of the pro forma effects of the Asset Sale.

The accounting adjustments to reflect the Asset Sale in the unaudited pro forma consolidated financial statements include:

- the sale of the assets related to the AVR-RD-04 program pursuant to the Asset Purchase Agreement;
- the cash repayment of the Term Loan Facility; and

- receipt of the cash proceeds that were payable on the Closing Date in connection with the Asset Sale.

The unaudited pro forma consolidated financial statement information is presented for informational purposes only and is based upon estimates by the Company's management, which are based upon available information and certain assumptions that the Company's management believes are reasonable as of the date of this filing. The unaudited pro forma consolidated financial statements are not intended to be indicative of the actual financial position or results of operations that would have been achieved had the Asset Sale been consummated as of the periods indicated, nor does it purport to indicate results which may be attained in the future. Actual amounts could differ materially from these estimates.

The unaudited pro forma consolidated balance sheet as of March 31, 2023 and the unaudited pro forma consolidated statements of operations for three months ended March 31, 2023 and the year ended December 31, 2022 should be read in conjunction with the notes thereto.

AVROBIO, Inc.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of March 31, 2023
(in thousands, except per share data)

	Historical AVROBIO (a)	Transaction Accounting Adjustments: Operations of Sold Assets (b)	Transaction Accounting Adjustments: Pro Forma Adjustments (c)	Pro Forma AVROBIO
Assets				
Current assets:				
Cash and cash equivalents	$ 72,326	$ (16,403) (d)	$ 84,024 (f)	$ 139,947
Prepaid expenses and other current assets	4,925	(714) (e)	—	4,211
Total current assets	77,251	(17,117)	84,024	144,158
Operating lease assets	2,857	—	—	2,857
Property and equipment, net	2,574	—	—	2,574
Restricted cash, net of current portion	283	—	—	283
Other assets	40	—	—	40
Total assets	$ 83,005	$ (17,117)	$ 84,024	$ 149,912
Liabilities and stockholders' equity				
Current liabilities:				
Accounts payable	$ 591	$ —	$ —	$ 591
Accrued expenses and other current liabilities	11,081	(553) (e)	(286)	10,242
Operating lease liabilities, current	2,627	—	—	2,627
Total current liabilities	14,299	(553)	(286)	13,460
Note payable, net of discount	15,356	(15,356) (d)	—	—
Operating lease liabilities, net of current portion	352	—	—	352
Total liabilities	30,007	(15,909)	(286)	13,812
Stockholders' equity				
Common stock, $0.0001 par value; 150,000 shares authorized; 44,088 shares issued and outstanding as of March 31, 2023	4	—	—	4
Additional paid-in capital	567,383	—	—	567,383
Accumulated deficit	(514,389)	(1,208)	84,310	(431,287)
Total stockholders' equity	52,998	(1,208)	84,310	136,100
Total liabilities and stockholders' equity	$ 83,005	$ (17,117)	$ 84,024	$ 149,912

See accompanying notes to the pro forma consolidated financial statements

AVROBIO, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Three Months Ended March 31, 2023
(in thousands, except per share data)

	Historical AVROBIO (a)	Transaction Accounting Adjustments: Operations of Sold Assets (b)		Transaction Accounting Adjustments: Pro Forma Adjustments (c)	Pro Forma AVROBIO
Operating expenses:					
Research and development	$ 17,333	$ (456)	(e)	$ —	$ 16,877
General and administrative	7,887	—		(286)	7,601
Total operating expenses	25,220	(456)		(286)	24,478
Loss from operations	(25,220)	456		286	(24,478)
Other income:					
Interest income, net	248	550	(d)	—	798
Other income, net	15	—		—	15
Total other income, net	263	550		—	813
Net loss and comprehensive loss	$ (24,957)	$ 1,006		$ 286	$ (23,665)
Net loss per share—basic and diluted	$ (0.57)	$ —		$ —	$ (0.54)
Weighted-average number of common shares outstanding — basic and diluted	44,037	—		—	44,037

See accompanying notes to the pro forma consolidated financial statements

AVROBIO, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2022
(in thousands, except per share data)

	Historical AVROBIO (a)	Transaction Accounting Adjustments: Operations of Sold Assets (b)		Transaction Accounting Adjustments: Pro Forma Adjustments (c)		Pro Forma AVROBIO
Operating expenses:						
Research and development	$ 72,186	$ (4,615)	(e)	$ —		$ 67,571
General and administrative	33,248	—		—		33,248
Total operating expenses	105,434	(4,615)		—		100,819
Gain on Asset Sale	—	—		84,024	(f)	84,024
Loss from operations	(105,434)	4,615		84,024		(16,795)
Other income (expense), net:						
Interest income (expense), net	(299)	1,808	(d)	—		1,509
Loss on extinguishment of debt	—	(1,405)	(d)	—		(1,405)
Other expense, net	(157)	—		—		(157)
Total other income (expense), net	(456)	403		—		(53)
Net loss and comprehensive loss	$ (105,890)	$ 5,018		$ 84,024		$ (16,848)
Net loss per share attributable to ordinary shareholders—basic and diluted	$ (2.42)	$ —		$ —		$ (0.39)
Weighted average ordinary shares outstanding—basic and diluted	43,739	—		—		43,739

See accompanying notes to the pro forma consolidated financial statements

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

The unaudited pro forma condensed consolidated financial statements reflect the following notes and adjustments:

(a) Reflects the condensed consolidated balance sheet as of March 31, 2023 and condensed consolidated statement of operations for the three months ended March 31, 2023 in the Form 10-Q and the consolidated statement of operations for the year ended December 31, 2022 in the Form 10-K.

(b) Reflects the consummation of the Asset Sale in accordance with the terms of the Asset Purchase Agreement.

(c) Reflects the additional transaction accounting adjustments which show how the Asset Sale might have affected the Company's historical financial statements if the sale had been completed on January 1, 2022.

(d) The notes payable is secured by substantially all of the Company's assets, other than the Company's intellectual property. The adjustments represent the 1) repayment of the notes payable to facilitate the Asset Sale per the covenants in our debt arrangement; 2) elimination of interest expense incurred for the year ended December 31, 2022 and three months ended March 31, 2023; and 3) pro-forma accounting for the extinguishment loss upon prepayment during the year ended December 31, 2022.

(e) Adjustments represent the elimination of assets and liabilities to the Asset Sale and the disposed operations.

(f) To record the net cash proceeds from the Asset Sale paid on the Closing Date of $87.5 million, less estimated closing costs of $3.5 million that are expected to be incurred as part of the consummation of the Asset Sale.

Exhibit 99.2

AVROBIO Completes Sale of Cystinosis Gene Therapy Program for $87.5 Million

All-cash transaction, full $87.5 million paid at closing

Proceeds expected to extend cash runway into Q4 2024

CAMBRIDGE, Mass.--(BUSINESS WIRE)—June 12, 2023 -- AVROBIO, Inc. (Nasdaq: AVRO), a leading clinical-stage gene therapy company working to free people from a lifetime of genetic disease, today announced the closing of the previously announced agreement to sell its investigational hematopoietic stem cell (HSC) gene therapy program for cystinosis to Novartis for $87.5 million in cash.

AVROBIO retains full rights to its portfolio of first-in-class HSC gene therapies for Gaucher disease type 1 and type 3, Hunter syndrome and Pompe disease. Proceeds from this transaction are expected to extend the Company's cash runway into the fourth quarter of 2024.

TD Cowen and Wells Fargo Securities, LLC acted as financial advisors to AVROBIO in the transaction.

About AVROBIO

Our vision is to bring personalized gene therapy to the world. We target the root cause of genetic disease by introducing a functional copy of the affected gene into patients' own hematopoietic stem cells (HSCs), with the goal of durably expressing the therapeutic protein throughout the body, including the central nervous system. Our first-in-class pipeline includes clinical programs for Gaucher disease and Hunter syndrome, as well as a preclinical program for Pompe disease. Our proprietary plato® gene therapy platform is scalable for planned global commercialization. We are headquartered in Cambridge, Mass. For additional information, visit avrobio.com, and follow us on Twitter and LinkedIn.

Forward-Looking Statements

This press release contains forward-looking statements, including statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may be identified by forward-looking terminology such as “aims,” “anticipates,” “believes,” “continue,” “could,” “designed to,” “estimates,” “expects,” “forecasts,” “goal,” “intends,” “may,” “plans,” “possible,” “potential,” “predicts,” “projects,” “seeks,” “strives,” “should,” “will,” and similar expressions or the negative of these terms. These forward-looking statements include, without limitation, statements regarding our business strategy for and the potential therapeutic benefits of our current and prospective preclinical and clinical product candidates, statements regarding our financial and cash position and expected cash runway following the closing of the sale of our cystinosis program to Novartis. Any such statements in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Results in preclinical or early-stage clinical trials may not be indicative of results from later stage or larger scale clinical trials and do not ensure regulatory approval. You should not place undue reliance on these statements, or the scientific data presented.

Any forward-looking statements in this press release are based on AVROBIO’s current expectations, estimates and projections about our industry as well as management’s current beliefs and expectations of future events only as of today and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those set forth in or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, the risk that we may not realize the intended benefits of the sale of our cystinosis program to Novartis, the risk that any one or more of AVROBIO’s product candidates will not be successfully developed or commercialized, the risk of cessation or delay of any ongoing or planned clinical trials of AVROBIO or our collaborators, the risk that AVROBIO may not successfully recruit or enroll a sufficient number of patients for our clinical trials, the risk that AVROBIO may not realize the intended benefits of our gene therapy platform, including the features of our plato® platform, the risk that our product candidates or procedures in connection with the administration thereof will not have the safety or efficacy profile that we anticipate, the risk that prior results, such as signals of safety, activity or durability of effect, observed from preclinical or clinical trials, will not be replicated or will not continue in ongoing or future studies or trials involving AVROBIO’s product candidates, the risk that we will be unable to obtain and maintain regulatory approval for our product candidates, the risk that we may be unable to realize the potential benefits associated with rare pediatric disease designation, the Innovative Licensing and Access Pathway, or any other regulatory strategy, the risk that the size and growth potential of the market for our product candidates will not materialize as expected, risks associated with our dependence on third-party suppliers and manufacturers, including sole source suppliers, risks regarding the accuracy of our estimates of expenses and future revenue, risks relating to our capital requirements, needs for additional financing, and ability to continue as a going concern including the risk that additional funding may not be available on acceptable terms or at all and that failure to obtain capital when needed may force us to delay, limit or terminate our product development efforts or other operations, risks relating to our identification and pursuit of any strategic opportunities with respect to one or more of our programs, our technology or our plato® platform, risks relating to clinical trial and business interruptions resulting from the COVID-19 outbreak or similar public health crises, including that such interruptions may materially delay our enrollment and development timelines and/or increase our development costs or that data collection efforts may be impaired or otherwise impacted by such crises, and risks relating to our ability to obtain and maintain intellectual property protection for our product candidates. For a discussion of these and other risks and uncertainties, and other important factors, any of which could cause AVROBIO’s actual results to differ materially and adversely from those contained in the forward-looking statements, see the section entitled “Risk Factors” in AVROBIO’s most recent Annual or Quarterly Report, as well as discussions of potential risks, uncertainties and other important factors in AVROBIO’s subsequent filings with the Securities and Exchange Commission. AVROBIO explicitly disclaims any obligation to update any forward-looking statements except to the extent required by law.

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