REFINITIV

DELTA REPORT

10-Q

ERNA - ETERNA THERAPEUTICS INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1590
CHANGES	124
DELETIONS	782
ADDITIONS	684

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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023 March 31, 2024
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _____________

Commission file number: 001-11460

graphic

Eterna Therapeutics Inc.

(Exact name of registrant as specified in its charter)

Delaware	**31-1103425**
(State of incorporation)	***(I.R.S. Employer Identification No.)***
1035 Cambridge Street, Suite 18A **Cambridge, Massachusetts**	**02141**
(Address of principal executive offices)	***(Zip Code)***

(212) 582-1199
(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, $0.005 par value per share	**ERNA**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every interactive data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 10 May 13, 2023, 2024, the registrant had outstanding 5,410,331 shares of common stock, $0.005 par value per share.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 ("PSLRA"), Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include statements related to future events, results, performance, prospects and opportunities, including statements related to our strategic plans, and targets, revenue generation, product availability and offerings, capital needs, capital expenditures, industry trends and our financial position. Forward-looking statements are based on information currently available to us, on our current expectations, estimates, forecasts, and projections about the industries in which we operate and on the beliefs and assumptions of management. Forward looking statements often contain words such as "expects," "anticipates," "could," "targets," "projects," "intends," "plans," "believes," "seeks," "estimates," "may," "will," "would," and similar expressions. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business, and other characterizations of future events or circumstances, are forward-looking statements. Forward-looking statements by their nature address matters that are, to different degrees, subject to risks and uncertainties that could cause actual results to differ materially and adversely from those expressed in any forward-looking statements. For us, particular factors that might cause or contribute to such differences include those risks and uncertainties described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 filed with the Securities and described Exchange Commission (the "SEC") on March 14, 2024, in Part II, Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q, and in other documents we file from time to time with the Securities and Exchange Commission, which we refer to as the SEC.

Readers are urged not to place undue reliance on the forward-looking statements in this Quarterly Report on Form 10-Q, which speak only as of the date of this Quarterly Report on Form 10-Q. We are including this cautionary note to make applicable, and take advantage of, the safe harbor provisions of the PSLRA. Except as required by law, we do not undertake, and expressly disclaim any obligation, to disseminate, after the date hereof, any updates or revisions to any such forward-looking statements to reflect any change in expectations or events, conditions or circumstances on which any such statements are based.

We believe that the expectations reflected in forward-looking statements in this Quarterly Report on Form 10-Q are based upon reasonable assumptions at the time made. However, given the risks and uncertainties, you should not rely on any forward-looking statements as a prediction of actual results, developments or other outcomes. You should read these forward-looking statements with the understanding that we may be unable to achieve projected results, developments or other outcomes and that actual results, developments or other outcomes may be materially different from what we expect.

Unless stated otherwise or the context otherwise requires, all references in this Quarterly Report on Form 10-Q to "Eterna" refer to Eterna Therapeutics Inc., references to "Eterna LLC" refer to Eterna Therapeutics LLC, a wholly owned subsidiary of Eterna, and references to the "Company," "we," "us" or "our" refer to Eterna and its subsidiaries, including Eterna LLC, Novellus, Inc. and Novellus Therapeutics Limited.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ETERNA THERAPEUTICS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amount) amounts)
(unaudited)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
ASSETS				
Current assets:				
Cash	$ 4,551	$ 11,446	$ 5,116	$ 7,575
Other receivables	1,776	951	351	425
Prepaid expenses and other current assets	704	1,284	697	1,599
Total current assets	7,031	13,681	6,164	9,599
Restricted cash	4,095	4,095	4,095	4,095
Property and equipment, net	173	236	710	493
Right-of-use assets - operating leases	34,860	1,030	36,524	32,781
Goodwill	2,044	2,044	2,044	2,044
Investment in non-controlling interest	-	59		
Other assets	4,045	1,134	120	120
Total assets	$ 52,248	$ 22,279	$ 49,657	$ 49,132
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY				
Current liabilities:				
Accounts payable	$ 1,464	$ 1,620	$ 2,063	$ 1,067
Accrued expenses	5,019	3,626	1,868	1,893
Income taxes payable	2	-	6	2
Operating lease liabilities, current	1,149	295	2,874	2,216
Due to related party, current	1,643	1,750		
Due to related party, current			768	1,205
Deferred revenue, current	349	-	189	190
Other current liabilities	-	363		
Total current liabilities	9,626	7,654	7,768	6,573
Convertible notes payable, net	3,452	-		
Convertible notes, net			8,014	6,773
Warrant liabilities	165	331	186	116
Operating lease liabilities, non-current	34,998	887	36,565	32,854
Due to related party, non-current	-	1,206		
Deferred revenue, non-current	250	-	345	392
Contingent consideration liability	107	-	107	107
Other liabilities	88	94	84	84
Total liabilities	48,686	10,172	53,069	46,899
Stockholders' equity:				
Preferred stock, $0.005 par value, 1,000 shares authorized, 156 designated and outstanding of Series A convertible preferred stock at September 30, 2023 and December 31, 2022, $156 liquidation preference	1	1		
Common stock, $0.005 par value, 100,000 shares authorized at September 30, 2023 and December 31, 2022; 5,410 and 5,127 issued and outstanding at September 30, 2023 and December 31, 2022, respectively	27	26		
Stockholders' (deficit) equity:				
Preferred stock, $0.005 par value, 1,000 shares authorized, 156 designated and outstanding of Series A convertible preferred stock at March 31, 2024 and December 31, 2023, $156 liquidation preference			1	1
Common stock, $0.005 par value, 100,000 shares authorized at March 31, 2024 and December 31, 2023; 5,410 issued and outstanding at March 31, 2024 and December 31, 2023			27	27
Additional paid-in capital	184,354	177,377	190,188	189,186
Accumulated deficit	(180,820)	(165,297)	(193,628)	(186,981)
Total stockholders' equity	3,562	12,107		
Total liabilities and stockholders' equity	$ 52,248	$ 22,279		
Total stockholders' (deficit) equity			(3,412)	2,233
Total liabilities and stockholders' (deficit) equity			$ 49,657	$ 49,132

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

ETERNA THERAPEUTICS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
Revenue	$ 51	$ -	$ 51	$ -	$ 47	$ -
Cost of revenues	120	-	170	-	61	50
Gross loss	(69)	-	(119)	-	(14)	(50)
Operating expenses:						
Research and development	1,457	4,963	4,710	8,430	1,458	1,674
General and administrative	3,979	3,341	10,081	14,060	4,315	3,592
Acquisition of Exacis in-process research and development	-	-	460	-		
Impairment of in-process research and development	-	-	-	5,990		
Total operating expenses	5,436	8,304	15,251	28,480	5,773	5,266
Loss from operations	(5,505)	(8,304)	(15,370)	(28,480)	(5,787)	(5,316)
Other (expense) income, net:						
Other expense, net:						
Change in fair value of warrant liabilities	20	1,024	166	10,493	(70)	(45)
Change in fair value of contingent consideration	-	-	118	-		
Loss on non-controlling investment	-	(21)	(59)	(932)	-	(51)
Other expense, net	(114)	(10)	(369)	(1,166)		
Total other (expense) income, net	(94)	993	(144)	8,395		
Interest (expense) income, net					(786)	1
Total other expense, net					(856)	(95)
Loss before income taxes	(5,599)	(7,311)	(15,514)	(20,085)	(6,643)	(5,411)
Benefit (provision) for income taxes	8	(5)	(1)	(5)		
Provision for income taxes					(4)	(5)
Net loss	(5,591)	(7,316)	(15,515)	(20,090)	(6,647)	(5,416)
Series A preferred stock dividend	-	-	(8)	(8)		
Net loss attributable to common stockholders	$ (5,591)	$ (7,316)	$ (15,523)	$ (20,098)		
Net loss per common share - basic and diluted	$ (1.03)	$ (2.49)	$ (2.94)	$ (7.04)	$ (1.23)	$ (1.06)
Weighted average shares outstanding - basic and diluted	5,410	2,941	5,281	2,855	5,410	5,127

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

ETERNA THERAPEUTICS INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
For the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited)
(in thousands)

	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balances at July 1, 2023	156	$ 1	5,410	$ 27	$ 179,067	$ (175,229)	$ 3,866
Issuance of warrants in connection with the July 2023 Financing, net of fees	-	-	-	-	**5,113**	-	**5,113**
Stock-based compensation	-	-	-	-	174	-	174

Net loss	-	-	-	-	-	(5,591)	(5,591)
Balances at September 30, 2023	156	$ 1	5,410	$ 27	$ 184,354	$ (180,820)	$ 3,562
Balances at January 1, 2023	156	$ 1	5,127	$ 26	$ 177,377	$ (165,297)	$ 12,107
Issuance of common stock in connection with Exacis asset acquisition	-	-	69	-	208	-	208
Issuance of common stock related to stock purchase agreement with Lincoln Park Capital Fund, LLC, net	-	-	214	1	579	-	580
Issuance of warrants in connection with the July 2023 Financing, net of fees	**-**	**-**	**-**	**-**	**5,113**	**-**	**5,113**
Cash dividends to Series A preferred stockholders	-	-	-	-	-	(8)	(8)
Stock-based compensation	-	-	-	-	1,077	-	1,077
Net loss	-	-	-	-	-	(15,515)	(15,515)
Balances at September 30, 2023	156	$ 1	5,410	$ 27	$ 184,354	$ (180,820)	$ 3,562
Balances at July 1, 2022	156	$ 1	2,873	$ 14	$ 168,246	$ (153,483)	$ 14,778
Issuance of common stock from vested restricted stock units	-	-	1	-	-	-	-
Issuance of common stock from exercise of pre-funded warrants	**-**	**-**	**68**	**1**	**874**	**-**	**875**
Stock-based compensation	-	-	-	-	476	-	476
Net loss	-	-	-	-	-	(7,316)	(7,316)
Balances at September 30, 2022	156	$ 1	2,942	$ 15	$ 169,596	$ (160,799)	$ 8,813
Balances at January 1, 2022	156	$ 1	2,601	$ 13	$ 166,190	$ (140,701)	$ 25,503
Issuance of common stock in connection with private offering	-	-	275	1	(1)	-	-
Issuance of common stock from vested restricted stock units	-	-	2	-	(5)	-	(5)
Forfeiture of unvested restricted stock	-	-	(4)	-	-	-	-
Issuance of common stock from exercise of pre-funded warrants	**-**	**-**	**68**	**1**	**874**	**-**	**874**
Cash dividends to Series A preferred stockholders	-	-	-	-	-	(8)	(8)
Stock-based compensation	-	-	-	-	2,538	-	2,539
Net loss	-	-	-	-	-	(20,090)	(20,090)
Balances at September 30, 2022	156	$ 1	2,942	$ 15	$ 169,596	$ (160,799)	$ 8,813

	Series A Preferred Stock		**Common Stock**		**Additional Paid-in Capital**	**Accumulated Deficit**	**Total**
	Shares	**Amount**	**Shares**	**Amount**			
Balances at January 1, 2024	156	$ 1	5,410	$ 27	$ 189,186	$ (186,981)	$ 2,233
Issuance of note warrants	-	-	-	-	755	-	755
Costs allocated to note warrants	-	-	-	-	(35)	-	(35)
Stock-based compensation	-	-	-	-	282	-	282
Net loss	-	-	-	-	-	(6,647)	(6,647)
Balances at March 31, 2024	156	$ 1	5,410	$ 27	$ 190,188	$ (193,628)	$ (3,412)
Balances at January 1, 2023	156	$ 1	5,127	$ 26	$ 177,377	$ (165,297)	$ 12,107
Stock-based compensation	-	-	-	-	689	-	689
Net loss	-	-	-	-	-	(5,416)	(5,416)
Balances at March 31, 2023	156	$ 1	5,127	$ 26	$ 178,066	$ (170,713)	$ 7,380

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

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ETERNA THERAPEUTICS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in In thousands)

(unaudited)

	For the nine months ended September 30,		For the three months ended March 31,	
	2023	2022	2024	2023
Cash flows from operating activities:				
Net loss	$ (15,515)	$ (20,090)	$ (6,647)	$ (5,416)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	62	144	39	21
Stock-based compensation	1,077	2,538	282	689
Commitment shares issued to Lincoln Park Capital, LLC	249	-		
Loss on shares sold to Lincoln Park Capital, LLC	11	-		
Amortization of right-of-use asset	580	267	502	41
Impairment of right-of-use-asset	-	772		
Non-cash component of acquisition of Exacis in-process research and development	433	-		
Impairment of in-process research and development	-	5,990		
Loss on disposal of fixed assets	1	431		
Gain on lease termination	-	(85)		
Gain on disposal of fixed assets			(2)	-
Accrued interest expense			407	-
Paid-in-kind interest expense			177	-
Amortization of debt discount and debt issuance costs	52	-	445	-
Change in fair value of warrant liabilities	(166)	(10,493)	70	45
Change in fair value of contingent consideration liability	(118)	-		
Loss on non-controlling investment	59	932	-	51
Changes in operating assets and liabilities:				
Other receivables	(825)	(237)	74	304
Prepaid expenses and other current assets	340	(575)	807	813
Other non-current assets	(2,911)	(331)	-	(108)
Accounts payable and accrued expenses	1,212	1,376	461	(1,766)
Operating lease liability	795	(223)	123	(173)
Due to related party	(1,313)	3,393	(437)	(438)
Deferred revenue	599	-	(48)	250
Other liabilities	(369)	650	-	(362)
Net cash used in operating activities	(15,747)	(15,541)	(3,747)	(6,049)
Cash flows from investing activities:				
Purchase of property and equipment	-	(276)	(101)	-
Proceeds from the sale of fixed assets	-	100		
Net used in investing activities	-	(176)		
Proceeds received from the sale of fixed assets			4	-
Net cash used in investing activities			(97)	-
Cash flows from financing activities:				
Proceeds received from the July 2023 Financing	8,715	-		
Fees paid related to the July 2023 Financing	(175)	-		
Proceeds from sale of common stock pursuant to stock purchase agreement with Lincoln Park Capital Fund, LLC	320	-		
Proceeds from issuance of common stock and warrants in connection with private offering	-	11,993		
Issuance of common stock from exercise of pre-funded warrants	-	7		
Payroll tax remitted on net share settlement of equity awards	-	(5)		
Dividends paid to Series A preferred stockholders	(8)	(8)		
Issuance of common stock from vested restricted stock units	-	-		
Principal payments on finance leases	-	(1)		
Proceeds received from the convertible notes financing			1,405	-
Fees paid related to the convertible notes financing			(20)	-
Net cash provided by financing activities	8,852	11,986	1,385	-
Net decrease in cash and cash equivalents	(6,895)	(3,731)	(2,459)	(6,049)
Cash, cash equivalents and restricted cash at beginning of period	15,541	16,985	11,670	15,541
Cash, cash equivalents and restricted cash at end of period	$ 8,646	$ 13,254	$ 9,211	$ 9,492
Supplemental disclosures of cash flow information:				
Cash paid during the period for:				
Interest	$ 13	$ 25	$ -	$ 1

Income taxes	$ 4	$ 8	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities:				
Contingent consideration for Exacis asset acquisition	$ 225	$ -		
Issuance of common stock for Exacis asset acquisition	$ 208	$ -		
Warrants issued in connection with the July 2023 Financing	$ 5,234	$ -		
Unpaid fees incurred in connection with the July 2023 Financing	$ 27	$ -		
Initial measurement of ROU assets	$ 34,410	$ 1,706		
Initial measurement of lease liabilities	$ 34,170	$ 1,706		
Conversion of warrant liability to equity	$ -	$ 867		
Initial measurement of finance lease liabilities	$ -	$ 10		
Note warrants issued			$ 755	$ -
Unpaid fees incurred in connection with the convertible notes financing			$ 46	$ -
Paid in-kind interest added to convertible notes principal			$ 177	$ -
Adjustment to lease liability and ROU asset due to remeasurement			$ 4,245	$ -
Property and equipment purchased but not paid			$ 279	$ -
Reconciliation of cash, cash equivalents and restricted cash at end of period:				
Cash and cash equivalents	$ 4,551	$ 13,254	$ 5,116	$ 5,397
Restricted cash	4,095	-		
Restricted Cash			4,095	4,095
Total Cash, cash equivalents and restricted cash at end of period	$ 8,646	$ 13,254	$ 9,211	$ 9,492

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

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ETERNA THERAPEUTICS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1) DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Eterna Therapeutics Inc. ("Eterna"), together with its subsidiaries including Eterna Therapeutics LLC ("Eterna LLC"), Novellus, Inc. ("Novellus") and Novellus Therapeutics Limited ("Novellus Limited"), is a life science company committed to realizing the potential of mRNA cell engineering to provide patients with transformational new medicines. Eterna has in-licensed a portfolio of over 100 patents covering key mRNA cell engineering technologies, including technologies for mRNA cell reprogramming, mRNA gene editing, the NoveSliceTM and UltraSliceTM gene-editing proteins, and the ToRNAdoTM mRNA delivery system. system, which Eterna plans collectively refers to develop as our "mRNA technology platform." Eterna refers to aspects of its mRNA technology platform as "mRNA delivery," "mRNA gene editing" and advance a pipeline of therapeutic products both internally and through strategic partnerships, with the near-term focus on strategic partnerships. "mRNA cell reprogramming." Eterna licenses its mRNA technology platform from Factor Bioscience Limited ("Factor Limited") under an exclusive license agreement. As used herein, the "Company" or "Eterna" refers collectively to Eterna and its subsidiaries. consolidated subsidiaries (Eterna LLC, Novellus, Inc. and Novellus Therapeutics Limited) unless otherwise stated or the context otherwise requires.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited financial statements include all the normal recurring adjustments that are necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented.

These condensed consolidated financial statements should be read together with the audited consolidated financial statements and notes thereto contained in Eterna's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 filed with the Securities and Exchange Commission (the "SEC") on March 20, 2023 (the "2022 March 14, 2024, as amended by the Form 10-K/A filed with the SEC on March 18, 2024 (as amended, the "2023 10-K"). The accompanying condensed consolidated balance sheet as of December 31, 2022 December 31, 2023 has been derived from the audited financial statements contained in the 2022 2023 10-K but does not include all of the information and footnotes required by GAAP for complete financial statements. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be anticipated for the entire year ending December 31, 2023 December 31, 2024, or any other period.

Reclassifications

Certain reclassifications have been made to the Company's prior year amounts to conform to the current year presentation.

2) LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred significant operating losses and has an accumulated deficit as a result of its efforts to develop product candidates, including conducting clinical trials and providing general and administrative support for operations. As of September 30, 2023 March 31, 2024, the Company had an unrestricted cash balance of approximately $4.6 million $5.1 million and an accumulated deficit of approximately $180.8 million $193.6 million. For the three and nine months ended September 30, 2023March 31, 2024, the Company incurred a net loss of $5.6 million and $15.5 million $6.6 million, respectively, and the Company used cash of $3.7 million in operating activities of $15.7 million during the nine months ended September 30, 2023. activities.

In October 2022, the Company entered into a facility sublease agreement (the "Sublease") for approximately 45,500 square feet of office and laboratory space in Somerville, Massachusetts. Pursuant to the Sublease, sublease, the Company delivered to the sublessor a security deposit in the form of a letter of credit in the amount of $4.1 million, which will be reduced on an incremental basis throughout the term of the lease. sublease. The letter of credit was issued by the Company's commercial bank, which required that the Company cash collateralize the letter of credit by depositing $4.1 million in a restricted cash account with such bank. The amount of required restricted cash collateral will decline in parallel with the reduction in the amount of the letter of credit over the term of the Subleas sublease.

On April 5, 2023, In April 2023, the Company entered into a standby equity purchase agreement (the "SEPA") and a registration rights agreement with Lincoln Park Capital Fund, LLC ("Lincoln Park"), pursuant to which Lincoln Park committed to purchase up to $10.0 million of the Company's common stock in an "equity line" financing arrangement. During the nine months year ended September 30, 2023 December 31, 2023, the Company issued and sold approximately 214,000 shares of common stock under the SEPA for gross proceeds of $0.3 million. The Company did not sell any No shares have been sold under the SEPA for during the three months ended September 30, 2023March 31, 2024. See Note 15.

The accompanying condensed consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The accompanying condensed consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from uncertainty related to the Company's ability to continue as a going concern.

3) ASSET ACQUISITION

In April 2023, the Company entered into an asset purchase agreement (the "Exacis Purchase Agreement"), together with Exacis Biotherapeutics Inc. ("Exacis"), the stockholders party thereto and, with respect to specified provisions therein, Factor Limited (the "Exacis Acquisition"). Pursuant to the Exacis Purchase Agreement, the Company acquired from Exacis substantially all of Exacis' intellectual property assets (the "Exacis Assets"), including all of Exacis' right, title and interest in and to an exclusive license agreement by and between Exacis and Factor Limited (the "Purchased License"). The Company assumed none of Exacis' liabilities, other than liabilities under the Purchased License that accrue subsequent to the closing date.

In consideration for the Exacis Assets, on the closing date of the transaction, the Company issued to Exacis an aggregate of approximately 69,000 shares of common stock, which shares are subject to a 12-month lockup, pursuant to which Exacis may not sell or otherwise transfer such shares. The shares were issued to Exacis at a price based on the Company having an assumed equity valuation of $75.0 million, divided by the number of issued and outstanding shares of common stock as of the close of business two trading days prior to the closing date. For accounting purposes, the shares issued were valued at $3.00 per share, which was the closing price of the Company's common stock on the date of issuance. The Company additionally agreed to make the following contingent payments:

(i) if, at any time during the three-year period commencing on the closing date and ending on the three-year anniversary of the closing date, the Company's market capitalization equals or exceeds $100.0 million for at least ten consecutive trading days, then the Company will issue to Exacis a number of shares of common stock equal to (x) $2.0 million divided by (y) the quotient of $100.00 million divided by the number of the Company's then issued and outstanding shares of common stock;

(ii) if, at any time during the three-year period commencing on the closing date and ending on the three-year anniversary of the closing date, the Company's market capitalization equals or exceeds $200.0 million for at least ten consecutive trading days, then the Company will issue to Exacis a number of additional shares of common stock equal to (x) $2.0 million divided by (y) the quotient of $200.00 million divided by the number of the Company's then issued and outstanding shares of common stock (collectively with (i) above, the "Market Cap Contingent Consideration"); and

(iii) during the five-year period commencing on the closing date and ending on the five-year anniversary of the closing date, the Company will pay or deliver to Exacis 20% of all cash or other consideration (collectively, "License Contingent Consideration") actually received by the Company during the five-year period from (i) third-party licensees or sublicensees of the intellectual property rights acquired by the Company from Exacis pursuant to the Exacis Purchase Agreement, or (ii) subject to certain exceptions, the sale of such intellectual property rights; provided, that the License Contingent Consideration shall not in any event exceed $45.0 million.

The Company accounted for the Exacis Acquisition as an asset acquisition because it determined that substantially all of the fair value of the assets acquired was concentrated in the Purchased License. Assets acquired in an asset acquisition are recognized based on their cost to the acquirer and generally allocated to the assets on a relative fair value basis. The Company's cost for acquiring the Exacis Assets includes the issuance of the Company's common stock, direct acquisition-related costs and contingent consideration.

The Market Cap Contingent Consideration is indexed to or settled in the Company's own shares. As a result, the Company classified the Market Cap Contingent Consideration as a liability measured at fair value because the financial instrument embodies a conditional obligation (the Company would only issue the shares on the condition that the market capitalization thresholds are met), and at inception, the monetary value of the obligation is based solely on a fixed monetary amount ($2.0 million of shares for each target), which will be settleable with a variable number of the Company's shares. The Company used a Monte Carlo simulation model to estimate the fair value of the Market Cap Contingent Consideration as of the acquisition date using the following assumptions:

Stock price	$	3.00
Risk-free rate		3.58 %
Volatility		100 %
Dividend yield		0 %
Expected term		3.0 years

The License Contingent Consideration is to be settled in cash and is generally recognized when the liability is probable and estimable. As of the acquisition date and as of September 30, 2023, the Company concluded that paying the License Contingent Consideration was not probable or estimable. Therefore, there was no applicable contingent consideration liability recognized.

The table below shows the total fair value of the consideration paid for the Exacis Assets (in thousands).

		Fair Value of Consideration
Shares issued	$	208
Contingent consideration		225
Direct costs		27
Total fair value	$	460

The Company allocated 100% of the fair value of the consideration to the Purchased License, which the Company determined is an in-process research and development ("IPR&D") asset. IPR&D assets acquired through an asset purchase that have no alternative future uses and no separate economic values from their original intended purpose are expensed in the period the cost is incurred. As a result, the Company expensed the fair value of the Purchased License during the nine months ended September 30, 2023.

4) 3) CONTRACT WITH CUSTOMER

On February 21, 2023, the Company and Lineage Cell Therapeutics, Inc. ("Lineage") entered into an exclusive option and license agreement (the "Agreement" "Lineage Agreement"), which provided Lineage with the option (the "Option Right") to obtain an exclusive sublicense to certain related technology for preclinical, clinical and commercial purposes, which would permit Lineage to further sublicense such of intellectual property subject from the Company and to request the Company to develop a customized cell line. The Lineage Agreement was amended in August 2023 to provide for changes specifically related to the cell line customization activities such as (i) payment terms, (ii) certain definitions, (iii) certain courses of certain sublicense royalty fees. action if the customized cell line selected by Lineage is not successful and (iv) documentation requirements. Lineage paid the Company a $0.3 million non-refundable up-front payment (the "Option Fee") for the Option Right.

Under Right and paid an initial payment of $0.4 million to commence the Agreement, Lineage could also request that the Company develop for, and deliver to, Lineage certain induced pluripotent stem cell lines, which Lineage would use to evaluate the possible development of cell transplant therapies for treatment of diseases of the central nervous system in humans, excluding certain indications. Lineage had until August 22, 2023 to request that the Company develop the customized cell line, at which point, the Company would be entitled to certain cell line customization fees.

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Upon Lineage's request for activities, per the Company to develop the customized cell line, Lineage would then have six months from delivery to Lineage of such induced pluripotent stem cell lines to exercise the Option Right and obtain the sublicense. amended payment terms. If Lineage obtains the sublicense, the Company would be entitled to receive additional license fees, including milestone payments and royalties.

The Company recognizes revenue under ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), when a customer obtains control of promised services or goods in an amount that reflects the consideration to which requires the Company expects to perform the following five steps receive in order to recognize revenue: exchange for those goods or services.

1. Identify the contract with a customer;
2. Identify the performance obligations in the contracts;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations; and
5. Recognize revenue when (or as) the performance obligations are satisfied.

Pursuant to ASC 606, the Company determined that the Option Right was an unexercised right held by Lineage under the Lineage Agreement at contract inception, as the cell line customization activities and the sublicense were optional purchases at contract inception. These optional purchases of goods and services would be treated as separate contracts if and when Lineage determines that it will make such purchases. Therefore, 100% of the Option Fee was allocated to the Option Right. The Option Fee will remain in deferred revenue until such time that Lineage enters into the sublicense or when the Option Right expires.

As previously concluded, the The Option Right and the cell line customization activities are accounted for as separate contracts, and the Company has determined that the amended terms discussed above represent a modification to the cell line customization contract. Because there were no goods or services transferred to Lineage before entering into the amendment, and therefore, no previously recognized revenue, there was no catch-up adjustment to revenue required during at the three and nine months ended September 30, 2023. time of the amendment.

Lineage will make payments to the Company for the cell line customization activities over the development period. During the three months ended September 30, 2023, the Company received an initial payment of $0.4 million to commence the cell line customization activities, per the amended payment terms. The Company will only earn the remaining full amount of the cell line customization fee if it makes certain progress towards delivery of the customized cell line. The Company estimates the amount of consideration it expects to recognize as revenue that is not probable of having a significant reversal of such recognized revenue, and it places a constraint on the remaining contractual consideration. The Company has determined that $0.4 million of consideration received could be recognized without the probability of being reversed, and it has placed a constraint on the remaining contractual customization fee. The $0.4 million is being recognized equally over ten the development period, which is expected to be approximately 20 to 25 months, (which is the expected development period), as the level of effort to perform the services is happening at the same rate over time. As it becomes evident that If the constrained amounts are no development period is expected to be longer at risk of a significant reversal of revenue, or shorter than originally planned, the Company will remove the constraint from the related revenue and recognize a cumulative catch-up adjustment to revenue in the period in which the constraint was removed, with the remaining unconstrained revenue being recognized over the remaining development time. that such determination is made. For the three and nine months ended September 30, 2023 March 31, 2024, the Company recognized less than $0.1 million of revenue for the customization activities. The Company did not recognize any revenue for the three months ended March 31, 2023.

The granting of the license that the Company may provide to Lineage if Lineage exercises the Option Right is not considered a performance obligation at this time, as it is an optional request that the customer may make in the future and will be accounted for as a separate contract when the customer exercises the Option Right.

The Company recognizes direct labor and supplies used in the customization activities as incurred and are recorded as a cost of revenue. As provided for in the Exclusive A&R Factor License Agreement discussed in Note 9, the Company is obligated to pay Factor Limited 20% of any amounts the Company receives from a customer that is related to the licensed technology under the Exclusive A&R Factor License Agreement, which is also recorded as a cost of revenue.
For the three months ended March 31, 2023, the Company recognized less than $0.1 million in license fees, which is recorded in cost of revenues, due to Factor Limited as a result of receiving the $0.3 million Option Fee payment from Lineage. There was no such license fee incurred during the three months ended March 31, 2024.

5) 4) JULY 2023 FINANCING CONVERTIBLE NOTES FINANCINGS

On July 14, 2023, the Company completed received $8.7 million from a private placement in which the July 2023 Financing, which provided for the issuance of approximately Company issued $8.7 million in aggregate principal amount of Convertible Notes convertible notes (the "July 2023 convertible notes") and the issuance of the Note Warrants warrants to purchase an aggregate of approximately 6.1 million shares of its common stock. stock (the "July 2023 warrants"). The Company recognized approximately $0.2 million in fees associated with the transaction.

On December 14, 2023, the Company entered into a purchase agreement with certain purchasers for the private placement of $9.2 million of convertible notes (the "December 2023 convertible notes" and together with the July 2023 convertible notes, the "convertible notes") and warrants to purchase an aggregate of approximately 9.6 million shares of the Company's common stock (the "December 2023 warrants" and together with the July 2023 warrants, the "note warrants").

There were two closings under the December 14, 2023 purchase agreement – one on December 15, 2023 and the second on January 11, 2024. At the first closing, the Company received $7.8 million and issued $7.8 million of December 2023 convertible notes and December 2023 warrants to purchase approximately 8.1 million shares of its common stock. At the second closing, the Company received $1.4 million and issued $1.4 million of December 2023 convertible notes and December 2023 warrants to purchase approximately 1.5 million shares its common stock.

See Note 12 for more information on the note warrants.

The Convertible Notes July 2023 convertible notes bear interest at 6% per annum, and the December 2023 convertible notes bear interest at 12% per annum, both of which are payable quarterly in arrears. At the Company's election, it may pay interest either in cash or in-kind by increasing the outstanding principal amount of the Convertible Notes. convertible notes. The Convertible Notes convertible notes mature on July 14, 2028, the five-year anniversary of the date of their issuance, unless earlier converted or repurchased. The Company may does not have the option to redeem any of the Convertible Notes at its option convertible notes prior to maturity. maturity.

At the option of the investors, holders, the Convertible Notes convertible notes may be converted from time-to-time in whole or in part into shares of the Company's common stock at an initial conversion rate of, with respect to the July 2023 convertible notes, $2.86 per share and, with respect to the December 2023 convertible notes, $1.9194 per share, subject to customary adjustments for stock splits, stock dividends, recapitalization and the like. As of September 30, 2023 March 31, 2024, there were no Convertible Notes that none of the convertible notes were converted into shares of common stock. stock.

The Convertible convertible Notes notes do not contain any ratchet or other financial antidilution provisions. The Convertible convertible Notes purchased by the investors notes contain conversion limitations providing such that no conversion may be made if the aggregate number of shares of common stock beneficially owned by the holder thereof would exceed 4.99%, 9.99% or 19.99% immediately after conversion thereof, subject to certain increases not in excess of either 9.99% or 19.99% at the option of such holder.

The Convertible Notes convertible notes provide for customary events of default which include (subject in certain cases to customary grace and cure periods), among others, the following: others: nonpayment of principal or interest, breach of covenants or other agreements in the Convertible Notes; convertible notes; the occurrence of a material adverse effect event (as defined in the related securities purchase agreement) and certain events of bankruptcy. Generally, if an undisputed event of default occurs and is continuing under the Convertible Notes, convertible notes, the holder thereof may require the Company to repurchase redeem some or all of their Convertible Notes convertible notes at a repurchase redemption price equal to 100% of the principal amount of the Convertible Notes convertible notes being repurchased, redeemed, plus accrued and unpaid interest thereon.

The Note Warrants are immediately exercisable, have an exercise price

The Company determined that there were no embedded derivatives within the Convertible Notes convertible notes that required bifurcation from the host agreement. TheIn connection with the December 2023 convertible notes that were issued on January 11, 2024, the Company allocated the gross proceeds received and the fees incurred over the Convertible Notes applicable convertible notes and the Note Warrants warrants based on their relative fair values. For purposes values as follows (in thousands):

	Relative Fair Value	Allocation Percentage	Allocation of Proceeds and Costs: Proceeds	Allocation of Proceeds and Costs: Costs	Allocation of Proceeds, Net
Convertible notes	$ 1,750	46.24 %	$ 650	$ (31)	$ 619
Note warrants	2,035	53.76 %	755	(35)	720
	$ 3,785	100.00 %	$ 1,405	$ (66)	$ 1,339

The Company estimated the fair values of the allocation, the Company used an estimated fair value convertible notes as of $8.7 million for the Convertible Notes January 11, 2024 based off of a valuation performed by a third-party specialist. specialist as of December 15, 2023 using a binomial tree model and the following assumptions:

	Stock Price	Credit Spread	Volatility	Risk-Free Rate
Convertible notes	$ 1.75	2,000	109 %	3.90 %

The fair value of the Note Warrants, note warrants, all of which qualified for equity classification, was approximately $13.1 million determined using the Black-Scholes pricing model as of January 11, 2024 using the transaction date following assumptions:

	Stock Price	Exercise Price	Expected Life	Volatility	Dividend	Risk-Free Rate
Warrants	$ 1.75	$ 1.43	5 years	102 %	0.00 %	3.90 %

The amount of July 14, 2023. As a result, the Company proceeds allocated approximately $5.2 million in proceeds and approximately $0.1 million in fees to the Note Warrants and note warrants resulted in a corresponding reduction in the carrying value of the Convertible Notes for respective convertible notes as a debt discount, which is amortized with the debt discount and debt issuance costs both of which are amortized as a component of interest expense based on the effective interest rate method over the contractual terms of the Convertible Notes. convertible notes.

The following table shows the activity that occurred during the three months ended March 31, 2024 for the convertible notes on the accompanying condensed consolidated balance sheet:

	Gross convertible notes	Debt discount and debt issuance costs	Convertible notes, net
Beginning balanace as of January 1, 2024	$ 16,616	$ (9,843)	$ 6,773
December 2023 notes issued in January 2024	1,405	(786)	619
Paid-in-kind interest added to principal	177	-	177
Amortization of debt discount and debt issuance costs	-	445	445
Ending balanace as of March 31, 2024	$ 18,198	$ (10,184)	$ 8,014

As of September 30, 2023, To date, the outstanding Company has elected to pay in-kind the accrued interest payable on the convertible notes and has added the accrued and unpaid interest to the principal amount of the Convertible Notes was $8.7 million, and applicable convertible note. The Company has recognized approximately $0.8 million in interest expense for the unamortized balance three months ended March 31, 2024 for the convertible notes, which includes $0.4 million for the amortization of the debt discount and debt issuance costs was $5.2 million. The Company accrued approximately $0.1 million in interest expense related to the Convertible Notes, which is and $0.4 million recorded in accrued expenses in the accompanying condensed consolidated balance sheet.

For both

5) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the three price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between willing market participants. A fair value hierarchy has been established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and nine months ended September 30, 2023 the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs – Valued based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- Level 2 Inputs – Valued based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- Level 3 Inputs – Valued based on inputs for which there is little or no market value, which require the reporting entity to develop its own assumptions.

The carrying amounts reported on the balance sheet for cash and cash equivalents, other receivable, prepaid assets and other current assets, accounts payable and accrued expenses, other current liabilities and other liabilities approximate fair value based due to their short maturities.

The Company issued approximately 343,000 warrants in connection with a private placement during the first quarter of 2022 (the "Q1-22 warrants"), which were determined to be classified as a liability.

The Company completed an asset acquisition on April 26, 2023 with Exacis Biotherapeutics, Inc. (Exacis"), which consisted of primarily acquiring an exclusive license agreement by and between Exacis and Factor Limited. See Note 9 for additional information. As part of the consideration paid to Exacis for the acquisition, the Company recognized approximately $0.2 million in interest expense, which is included in other expense, net agreed to make certain contingent payments to Exacis related to reaching two separate targets of the Company's market capitalization ($100.0 million and $200.0 million). Such payments would be in the accompanying form of issuing $2 million worth of shares of the Company's common stock to Exacis for each target achieved (the "market cap contingent consideration.").

The market cap contingent consideration is indexed to or settled in the Company's own shares. As a result, the Company classified the market cap contingent consideration as a liability measured at fair value because the financial instrument embodies a conditional obligation (the Company would only issue the shares on the condition that the applicable market capitalization threshold is met), and at inception, the monetary value of the obligation is based solely on a fixed monetary amount ($2.0 million worth of shares for each market capitalization threshold), which will be settleable with a variable number of the Company's shares.

The Company uses a Black-Scholes option pricing model to estimate the fair value of its warrant liabilities and a Monte Carlo simulation model to estimate the fair value of the contingent consideration related to the market cap contingent consideration, both of which are considered a Level 3 fair value measurement. The Company remeasures the fair value of the warrant liabilities and the market cap contingent consideration at each reporting period and changes in the fair values are recognized in the statement of operations.

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The following tables summarize the liabilities that are measured at fair value as of March 31, 2024 and December 31,2023 (in thousands):

Description	**Level**	**March 31, 2024**	**December 31, 2023**
Liabilities:			
Warrant liabilities - Q1-22 warrants	3	$ 186	$ 116
Market cap contingent consideration	3	$ 107	$ 107

Certain inputs used in Black-Scholes and Monte Carlo models may fluctuate in future periods based upon factors that are outside of the Company's control. A significant change in one or more of these inputs used in the calculation of the fair value may cause a significant change to the fair value of the Company's warrant liabilities or contingent consideration liabilities, which could also result in material non-cash gains or losses being reported in the Company's condensed consolidated statement of operations.

The interest expense following table presents the changes in the liabilities measured at fair value from January 1, 2024 through March 31, 2024 (in thousands):

	Warrant Liabilities	**Contingent Consideration**
Fair value at January 1, 2024	$ 116	$ 107
Change in fair value	70	-
Fair value at March 31, 2024	$ 186	$ 107

With the assistance of a third-party specialist, the Company assessed the fair value of the contingent consideration at March 31, 2024 and determined that fair value did not materially change from the liability recorded at December 31, 2023, and therefore did not recognize a change in the fair value as of March 31, 2024.

The table below is provided for comparative purposes only and presents information about the fair value of the Company's convertible notes relative to the carrying values recognized in the condensed consolidated balance sheet as of March 31, 2024 and December 31, 2023 (in thousands).

		March 31, 2024		December 31, 2023	
	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Convertible notes	3	$ 18,198	$ 28,340	$ 16,616	$ 17,594

The carrying value in the table above is shown before the allocation of the proceeds to the note warrants. The Company assessed the fair value of the convertible notes as of March 31,2024 using a Monte Carlo simulation model and as of December 31, 2023 using a binomial model, both of which are considered a Level 3 measurement.

6) GOODWILL

In 2018, the Company acquired IRX Therapeutics ("IRX"), which was accounted for as a business combination. The Company recorded goodwill in the amount of $2.0 million related to the Convertible Notes includes approximately $0.1 million IRX acquisition . Goodwill is not amortized but is tested for impairment annually, or more frequently if the amortization Company becomes aware of any events occurring or changes in circumstances that indicate that the fair value of the debt discount entity is less than its carrying value. Because management evaluates the Company as a single reporting unit, goodwill is tested for impairment at the entity level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the entity is less than its carrying value. Such qualitative factors include macroeconomic conditions, industry and debt issuance costs. market considerations, cost factors, overall financial performance and other relevant events. If the entity does not pass the qualitative assessment, then the entity's carrying value is compared to its fair value. Goodwill is considered impaired if the carrying value of the entity exceeds its fair value.

As of March 31, 2024, the Company evaluated potential triggering events that could indicate that the fair value of the entity is less than its carrying value and determined there were no such events that occurred.

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6) 7) LEASES

The The Company currently has operating leases for office and laboratory space in (a) the borough of Manhattan in New York, New York, (b) Cambridge, Massachusetts, and (c) Somerville, Massachusetts, which expire in 2026, 2028, and 2033, respectively.

During the second quarter of 2022, the Company determined to consolidate its research and development efforts in Cambridge, Massachusetts and sublease its San Diego lab and office space. As a result, the Company recognized an impairment charge of approximately $0.8 million on the San Diego Lease ROU asset during the nine months ended September 30, 2022. In November 2022, the Company entered into a lease termination agreement, effective January 31, 2023; and as of September 30, 2023, there was no lease liability or ROU asset balances remaining for the San Diego lease.

In October 2022, the Company entered into the Sublease a sublease with E.R. Squibb & Sons, L.L.C., a subsidiary of Bristol-Myers Squibb Company, as sublessor ("Sublessor"), for office, laboratory and research and development space (the "Premises"). The Premises consist of approximately 45,500 square feet on the ninth floor of a building currently under construction located in Somerville, Massachusetts. The lease expires in November 2033 and is subject to a five-year extension.

Rental Rent payments for under the Sublease will begin sublease began on November 29, 2023. The Company will pay pays base rent of approximately $0.5 million per month during the first year of the term, which will increase 3% per year thereafter. The Company will also make makes monthly payments for parking, which are based on market rates that can change from time to time, as well as and pay its share of traditional lease expenses, including certain taxes, operating expenses and utilities.

Pursuant to the Sublease, the The Company paid the Sublessor a security deposit in the form of a letter of credit in the amount of approximately $4.1 million. Provided there are no events of default by the Company under the Sublease, sublease, the letter of credit will be reduced on an incremental basis throughout the Term. term.

The Sublessor has agreed to provide the Company with a tenant improvement allowance ("TIA") of $190 per rentable square foot, or $8.6 million. Tenant improvements to the Premises in excess of this amount if any, will be at the Company's own cost. It is anticipated that the construction will be Construction was substantially complete by [the end in January 2024, however, as of 2023] March 31, 2024, the Company did not have the certificate of occupancy due to circumstances beyond its control, and therefore, has not yet been able to use the premises for its intended purpose. The total out-of-pocket costs for the improvements was approximately $1.6 million. As of March 31, 2024, the Company received the entire $8.6 million TIA.

The Company obtained access and control of the Premises on June 21, 2023, and as such, the Company determined that the commencement date for accounting purposes was June 21, 2023. The Company also performed an analysis on the accounting ownership of the tenant improvement assets and determined that such assets were Sublessor/Lessor sublessor/lessor owned. As a result, TIA payments made by the Sublessor to the Company for the tenant improvement assets are considered a reimbursement rather than a lease incentive and not included as part of the consideration of the contract. Amounts paid by the Company for Sublessor/Lessor sublessor/lessor owned assets that are in excess of the TIA are considered non-cash lease payments and are added to the consideration in the contract.

The Company measured is in discussions with the Sublessor to possibly renegotiate the terms of the sublease, which may include, among other things, deferment of rent payments as well as a reduction of the lease liability and corresponding ROU asset for the Somerville Sublease as of June 21, 2023, which includes lease payments the Company must make over the ten-year lease term. The Company did not include the option to extend the lease for an additional five years in the initial measurement because the Company was not reasonably certain as of June 21, 2023 that it would exercise its right to extend the lease term. term, square footage, and/or base rent. As a result, the Company recorded has not made its rent payments on the Somerville sublease due for February, March, April or May 2024. To date, the Company owes the sublessor approximately $2.3 million in past due rent payments, including its share of amounts related to property taxes and common area maintenance costs. See Note 15 for more information related to the past due rent.

In February 2024, the Company recognized a reduction of out-of-pocket expenses of approximately $0.4 million for the buildout of sublessor/lessor owned assets as a result of discounts provided to the Company from certain vendors. The change in the timing of the past due rent payments described above and these cost reductions were accounted for as a lease liability modification of $34.2 million, which includes $0.6 million the existing lease. The Company determined that the lease continued to be classified as an operating lease after modification and remeasured the liability for the incremental amount remaining unpaid lease payments, including an aggregate $0.6 million of unpaid out-of-pocket costs above the TIA that the Company expects will pay for sublessor/lessor owned assets, as well as remeasuring any variable lease payment that is based on an index or rate. The Company also requested a third-party specialist to reassess the incremental borrowing rate, which is the rate of interest that a lessee would have to pay for Sublessor/Lessor owned assets, and to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. This reassessment resulted in a decrease to the incremental borrowing rate from 14.4% to 11.1% as of the modification date. The remeasurement resulted in an increase to the lease liability of approximately $4.2 million with a corresponding adjustment to the ROU asset of $34.4 million as of June 30, 2023. As of September 30, 2023, the Company has recorded approximately $1.1 million as other receivables in the condensed consolidated balance sheet for amounts submitted for reimbursement under the TIA for Sublessor/Lessor owned assets and approximately $3.5 million recorded in other current assets in the condensed consolidated balance sheet for amounts paid by the Company but not yet submitted for reimbursement of Sublessor/Lessor owned assets.
asset.

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For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the net operating lease expenses were as follows (in thousands):

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Operating lease expense	$ 1,623	$ 143	$ 1,758	$ 476
Sublease income	(21)	(21)	(63)	(63)
Variable lease expense	6	60	18	113
Total lease expense	$ 1,608	$ 182	$ 1,713	$ 526

	Three months ended March 31, 2024	Three months ended March 31, 2023
Operating lease expense	$ 1,637	$ 68
Sublease income	(21)	(21)
Variable lease expense	330	5
Total lease expense	$ 1,946	$ 52

The tables below show the beginning balances of the operating ROU assets and lease liabilities as of January 1, 2023 January 1, 2024 and the ending balances as of September 30, 2023 March 31, 2024, including the changes during the period (in thousands).

	Operating Lease ROU Assets
Operating lease ROU assets at January 1, 2023 January 1, 2024	$ 1,030 32,781
Recognition of Adjustment to ROU asset for remeasurement of Somerville Sublease liability	34,410 4,245
Amortization of operating lease ROU assets	(580 502)
Operating lease ROU assets at September 30, 2023 March 31, 2024	$ 34,860 36,524

	Operating Lease Liabilities
Operating lease liabilities at January 1, 2023	$ 1,182
Recognition of lease liability for Somerville Sublease	34,169
Accretion of interest for Somerville Sublease	1,055
Principal payments on operating lease liabilties	(259)
Operating lease liabilities at September 30, 2023	36,147
Less non-current portion	34,998
Current portion at September 30, 2023	$ 1,149

		Operating Lease Liabilities
Operating lease liabilities at January 1, 2024	$	35,070
Adjustment to lease liablity due to remeasurement of Somerville Sublease		4,245
Accretion of interest for Somerville Sublease		709
Principal payments on operating lease liabilities		(585)
Operating lease liabilities at March 31, 2024		39,439
Less non-current portion		36,565
Current portion at March 31, 2024	$	2,874

As of September 30, 2023 March 31, 2024, the Company's operating leases had a weighted-average remaining life of 10.0 9.5 years with a weighted-average discount rate

2023
2024
2025
2026
2027
2028
Thereafter
Total payments
Less imputed interest
Total operating lease liabilities

7) FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between willing market participants. A fair val

- Level 1 Inputs – Valued based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement da

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- Level 2 Inputs – Valued based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might i

8)
- Level 3 Inputs – Valued based on inputs for which there is little or no market value, which require the reporting entity to develop its own assumpt

The carrying amounts reported on the balance sheet for cash and cash equivalents, other receivable, prepaid assets and other current assets, accounts payable and accru

The following tables summarize the liabilities that are measured Accrued expenses at fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 (in thou

Description	Level	September 30, 2023	December 31, 2022
Liabilities:			
Warrant liabilities - Common Warrants	3	$ 165	$ 331
Market Cap Contingent Consideration	3	$ 107	$ -

The Company uses a Black-Scholes option pricing model to estimate the fair value of its warrant liabilities and a Monte Carlo simulation model to estimate the fair value De

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Certain inputs used in Black-Scholes, and Monte Carlo models may fluctuate in future periods based upon factors that are outside of the Company's control. A significant c

The following table presents the changes liabilities measured at fair value from January 1, 2023, or from the initial measurement date if later than January 1, 2023, through

	Warrant Liabilities	Contingent Consideration
Fair value at January 1, 2023	$ 331	$ -
Initial measurement	-	225

Change in fair value	(166)	(118)
Fair value at September 30, 2023	$ 165	$ 107

The Company assessed the fair value of the Market Cap Contingent Consideration at September 30, 2023 and determined that there were no material changes to the inpu

The table below is provided for comparative purposes only and presents information about the fair value of the Company's Convertible Notes relative to the carrying values

	September 30, 2023	
	Carrying Value	Fair Value
Convertible Notes	$ 8,715	$ 9,114

The Company assesses the fair value of the Convertible Notes using a binomial model, which is considered a Level 3 measurement.

	March 31, 2024	December 31, 2023
Convertible notes interest	$ 407	$ 176
Legal fees and related	259	643
Somerville facility	221	218
Professional fees	218	239
Accrued compensation	201	109
Other	562	508
Total accrued expenses	$ 1,868	$ 1,893

8) GOODWILL

In 2018, the Company acquired IRX Therapeutics ("IRX"), which was accounted for as a business combination. The Company recorded goodwill in the amount of $2.0 milli

As of September 30, 2023, the Company performed a qualitative assessment to determine whether it was more likely than not that the fair value of the entity is less than its

9) RELATED PARTY TRANSACTIONS

Agreements with Factor Bioscience Inc. and Affiliates

As of September 30, 2023 March 31, 2024, the Company had the agreements described below were in place related to with Factor Bioscience Inc. (including its affiliates, "I

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In September 2022, the Company entered into a Master Services Agreement (the "MSA") with Factor Bioscience, pursuant to which Factor Bioscience agreed to provide se

Under WO1, Factor Bioscience agreed to provide the Company with mRNA cell engineering research support services, including access to certain facilities, equipment, ma

The Company may terminate WO1 under the MSA on or after the second anniversary of the date of the MSA, subject to providing Factor Bioscience with 120 days' prior no

In connection with entering into the MSA, Factor Bioscience's subsidiary, Factor Limited entered into a waiver agreement (the "Waiver Agreement") with Eterna LLC, pursu

Because the License Fee Obligation was conditionally waived until such amount has been the Company paid Factor Bioscience a minimum of $3.5 million under the MSA,
item.

On February 20, 2023, the Company and Factor Limited entered into an exclusive license agreement (the "Exclusive Factor License Agreement"), which terminated and su

On July 12, 2023, The Company and Factor Limited entered into the First Amendment to the Exclusive Factor License Agreement (the "Exclusive License Agreement Ame

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In September 2022, Novellus Inc. ("Novellus") and Eterna the Company entered into a Second Amendment to the Limited Waiver and Assignment Agreement (the "Waiver

In November 2022, following the expiration of one of the milestone deadlines for certain regulatory filings required under the Third Amended and Restated Exclusive Licens

On February 20, 2023, the Company, entered into an exclusive license agreement (the "Feb 2023 Factor Exclusive License Agreement") with Factor Limited, pursuant to w

On November 14, 2023, the Company entered into an amended and restated exclusive license agreement (the “A&R Factor License Agreement”) with Factor Limited to re

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Exacis Asset Acquisition

On On April 26, 2023, the Company entered into ta purchase agreement with Exacis pursuant to which the Company acquired certain assets from Exacis, Purchase Agree

The The Exacis Acquisition asset acquisition was deemed a related party transaction because, at the time of the acquisition, (i) Dr. Gregory Fiore who was both the Chief E

In October 2022, the Company entered into an Option Agreement on October 8, 2022 with Exacis (the “Exacis Option Agreement”), pursuant to which Exacis granted the C

Consulting Agreement with Former Director

Consulting Agreement with Dr. Fiore

In May 2023, the Company entered into a consulting agreement with Dr. Fiore, a former director of the Company, whereby Dr. Fiore agreed to provide business developme

July 2023 Financing and December 2023 Financings

On July 14, 2023, the Company closed Investors in the July 2023 Financing. convertible note financing included Brant Binder, Richard Wagner, Charles Cherington and Nic

Q4-22 PIPE

In November 2022, the Company entered into a securities purchase agreement with certain investors providing for the issuance of approximately of 2,185,000 units, each

10) ACCRUED EXPENSES

Accrued expenses at September 30, 2023 and December 31, 2022 consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Buildout costs for Somerville facility	$ 3,249	$ -
Legal fees and settlements	771	1,138
Clinical	95	570
Professional fees	203	333
Accrued compensation	121	1,065
Other	580	520
Total accrued expenses	$ 5,019	$ 3,626

The $3.2 million shown above for the Somerville buildout costs will be subject to the TIA reimbursement described in Note 6 once such amount has been paid by the Comp

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11) 10) COMMITMENTS AND CONTINGENCIES

Litigation Matters

The Company is involved in litigation and arbitrations from time to time in the ordinary course of business. Legal fees and other costs associated with such actions are exp

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Novellus, Inc. v. Sowyrda et al., C.A. No. 2184CV02436-BLS2

On October 25, 2021 Novellus, Inc. filed a complaint in the Superior Court of Massachusetts, Suffolk County, against former Novellus, Inc. employees Paul Sowyrda and Jo

On November 15, 2022, prior to a decision on Westman’s and Sowyrda’s motion to compel or stay, the Parties parties agreed to voluntarily dismiss and consolidate the De
petition for interlocutory review with a single justice of the Massachusetts Appeals Court, seeking to overturn the judge’s decision granting the Counterclaim Defendants’ motion to

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Under applicable Delaware law and Novellus Inc.'s organizational documents, the Company may be required to advance or reimburse certain legal expenses incurred by fo

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eTheRNA Immunotherapies NV and eTheRNA Inc. v. Eterna Therapeutics Inc. C.A. No. 123CV11732

On July 31, 2023, eTheRNA Immunotherapies NV and eTheRNA Inc. filed a complaint in court against Eterna Therapeutics Inc. the Company alleging the following claims:

Licensing Agreements

-

On February 20, 2023 November 14, 2023, the Company and Factor Limited entered into the Exclusive A&R Factor License Agreement which terminated and superseded t

Retirement Savings Plan

The Company established a defined contribution plan, organized under Section 401(k) of the Internal Revenue Code, which allows employees to defer up to 90% of their p

12) 11) STOCK-BASED COMPENSATION

Stock Options

Weighted average risk-free rate
Weighted average volatility
Dividend yield
Expected term

	Three months ended September 30,	
	2023	2022
Weighted average risk-free rate	-	2.6
Weighted average volatility	-	89.8
Dividend yield	-	
Expected term	-	5.73 years

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The per-share weighted average grant-date fair value of stock options granted during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Weighted average grant date fair value	-	$ 7.24	$ 2.99	$ 12.91

Vesting of all stock option grants is subject to continuous service with the Company through such the applicable vesting dates. date. As of September 30, 2023 March 31, 2

Restricted Stock Units

During the nine months ended September 30, 2022, the Company granted approximately 55,000 performance-based restricted stock units ("RSUs"), all of which were forfe

The Company recognizes the fair value of RSUs as expense on a straight-line basis over the requisite service period. For performance-based RSUs, the Company begins

Outstanding RSUs are settled in an equal number of shares of common stock on the vesting date of the award. An RSU award is settled only to the extent vested. Vesting

In lieu of paying cash to satisfy withholding taxes due upon the settlement of vested RSUs, at the Company's discretion, an employee may elect to have shares of commor

The Company did not grant RSUs during either of the three months ended March 31, 2024 and 2023.

Stock-Based Compensation Expense

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the Company recognized stock-based compensation expense as follows (in tho

Research and development
General and administrative
Total

13) 12) WARRANTS

On March 9, 2022, As discussed in connection with Notes 4 and 5, respectively, the Company issued the note warrants and the Q1-22 warrants. The Company also has wa

On July 12, 2022, the investor exercised its 68,000 Pre-Funded Warrants at an exercise price of $0.10 per share for an aggregate exercise price of approximately $7,000, i

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The Common Warrants have an exercise price of $38.20 per share, are currently exercisable, expire five-and-one-half years from the date of issuance and are subject to c

The Common Warrants and Pre-Funded Warrants were accounted for as liabilities under ASC 815-40, as these warrants provide for a cashless settlement provision that d

The fair values of the Common Warrants and the Pre-Funded Warrants at the issuance date totaled $12.6 million in the aggregate, which was $0.6 million more than the su

The Company incurred fees of approximately $1.0 million related to the March 2022 Private Placement, which were allocated to the fair value of the Common Warrants and

In connection with the closing of the July 2023 Financing on July 14, 2023, the Company issued the Note Warrants to purchase an aggregate of approximately 6.1 million s

As of September 30, 2023 March 31, 2024, the Company has the following warrants outstanding that were issued in connection with transactions discussed above as well a

	Warrants Outstanding (in thousands)		Exercise Price	Date Exerciseable	Expiration Date	Classification
Common Warrants	343	$	38.20	September 9, 2022	September 9, 2027	Liability
November 2022 Warrants	4,370	$	3.28	June 2, 2023	June 2, 2028	Equity
Note Warrants	6,094	$	2.61	July 14, 2023	July 14, 2028	Equity
	10,807					

	Warrants Outstanding (in thousands)		Exercise Price	Expiration Date
Q1-22 warrants	343	$	38.20	September 9, 2027
Q4-22 warrants	4,370	$	1.43	June 2, 2028
July 2023 note warrants	6,094	$	1.43	July 14, 2028
December 2023 note warrant issued December 15, 2023	8,115	$	1.43	December 15, 2028
December 2023 note warrant issued January 11, 2024	1,464	$	1.43	January 11, 2029
	20,386			

As of September 30, 2023 March 31, 2024, the weighted average remaining contractual life of the warrants outstanding was 4.72 4.46 years and the weighted average exe

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14) 13) NET LOSS PER SHARE

The Company calculates basic and diluted net loss per share attributable to common stockholders in conformity with the two-class method required for participating securit

Basic net loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding du

The following table presents the amount number of shares subject to outstanding warrants, stock options, RSUs, Series A convertible preferred stock Convertible Notes an

Three and Ni

	2023
Warrants	
Convertible Notes converted into common stock	
Stock options	
Preferred stock converted into common stock	
RSUs	
Total potential shares of common stock excluded from computation	

15) STANDBY EQUITY PURCHASE AGREEMENT

On April 5, 2023, the Company entered into the SEPA with Lincoln Park, pursuant to which Lincoln Park committed to purchase up to $10.0 million of the Company's commor

The Company evaluated the contract that includes the right to require Lincoln Park to purchase shares of common stock in the future ("put right") considering the guidance in

During the nine months ended September 30, 2023, the Company had issued and sold 214,000 shares of common stock under the SEPA, including the 74,000 Commitment

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In connection with entry into the SEPA, the Company terminated its prior purchase agreements with Lincoln Park entered into during 2021.

	Three months ended March 31,	
	2024	2023
Warrants	20,386	4,713
Convertible Notes converted into common stock	7,945	-
Stock options	2,085	560
Preferred stock converted into common stock	19	7
RSUs	1	1
Total potential common shares excluded from computation	30,436	5,281

16) 14) RECENT ACCOUNTING PRONOUNCEMENTS

There have been no recent No new Accounting Standards Updates ("ASUs") have been issued by the Financial Accounting Standards Board(the "FASB") since January 1,

In October 2023,

15) SUBSEQUENT EVENTS

On May 3, 2024, the FASB issued ASU No. 2023-06, *Disclosure Improvements – Codification Amendment Company received a notice from the Sublessor of the Somerville*
If an event of default exists under the SEC sublease, beyond applicable notice and cure periods, the Sublessor may draw down the letter of credit and use, apply or retain s

report.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read this discussion together with the unaudited interim condensed consolidated financial statements, related notes, and other financial information included els

Overview

We are a life science company committed to realizing the potential of mRNA cell engineering to provide patients with transformational new medicines. We have in-licensec

Through strategic partnerships, we expect
We believe that our proprietary technology platform can be used to develop novel pharmaceutical products to treat a broad range of diseases and address unmet medical
In the short term, we are planning to derive revenue by leveraging our core intellectual property ("IP") portfolio by licensing our IP to third parties in out-licensing or co-dev
In the mid-term, we are planning to transform our preclinical stage company into a clinical-stage company through investigational new drug application ("IND")-enabling st
In the long term, we aspire to become a therapeutics company with multiple approved gene and eventual clinical development of product candidates for a variety of clinica

We refer to aspects of our mRNA technology platform as "mRNA delivery," "mRNA gene editing" and "mRNA cell reprogramming."

mRNA Delivery

Nucleic acids, such as mRNA, can be used to induce cells to express desired proteins, including proteins that are capable of re-writing genetic and epigenetic cellular prog

mRNA Gene Editing

Our mRNA gene-editing technology is designed to delete, insert, and repair DNA sequences in living cells, which may be useful for correcting disease-causing mutations, r

Conventional gene-editing technologies typically employ plasmids or viruses to express gene-editing proteins, which can result in low-efficiency editing and unwanted muta

mRNA Cell Reprogramming

Our mRNA cell-reprogramming technology can generate is capable of generating clonal lines of pluripotent stem cells that can be expanded and differentiated into many de

Conventional cell-reprogramming technologies (e.g., using Sendai virus or episomal vectors) can result in low efficiency reprogramming, can select for cells with abnormal

Recent Developments

Private Placement of Convertible Notes and Warrants

On July 13, 2023 December 14, 2023, we entered into a purchase agreement with certain purchasers for the private placement of $8.7 million in aggregate principal amour

Notice of Default under Sublease

We have not paid our rent obligations under our Somerville, Massachusetts sublease for February, March, April or May 2024, and, as of the date of filing of this report, we c

The Convertible Notes bear interest at 6% per annum, payable quarterly in arrears. At our election, we may pay interest either in cash or in-kind by increasing sublessor re

At the option of the holders, the Convertible Notes may be converted from time-to-time in whole or in part into shares of common stock at an initial conversion rate of $2.86

The Convertible Notes do not contain any ratchet or other financial antidilution provisions. The Convertible Notes purchased by the Purchasers contain conversion limitatio

The Convertible Notes provide for customary events of default (subject in certain cases to customary grace and cure periods), which include, among others, the following: r

The Note Warrants are immediately exercisable, have an exercise price of $2.61 per share, expire five years following the Closing Date and are subject to customary adjus

Basis of Presentation

Revenues Revenue

Our near-term focus is on deploying our mRNA technology platform through strategic partnerships. We are a pre-clinical stage company and have had no revenues not cur

In February 2023, we entered into an exclusive option and license agreement (the "Agreement" with Lineage Cell Therapeutics, Inc. ("Lineage"), a third party, under which p

Under the Agreement, Lineage could also request to us of $0.3 million. In August 2023, that we develop for, and deliver to, Lineage certain induced pluripotent stem cell line

Upon Lineage's request for us to develop the customized cell line, Lineage would then have six months from delivery to Lineage of such induced pluripotent stem cell lines

On August 21, 2023, we entered into an amendment of the Agreement with Lineage, which provided for changes specifically related to the cell line customization activities

Also on August 21, 2023, Lineage third party requested that we begin developing certain induced pluripotent stem cell lines in exchange for a cell line customization fee. Th

Cost of Revenues

We recognize direct labor and supplies associated with generating our revenue as cost of revenues. As provided for in the amended and restated exclusive license agree

License Costs

We recognize certain license costs payable we are obligated to pay Factor Limited 20% of any amounts we receive from a customer that is related to the licensed technolog

Research and Development Expenses

We expense our research and development costs as incurred. Our research and development expenses consist of costs incurred for company-sponsored research and de

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The major components of research and development costs have included include salaries and employee benefits, stock-based compensation expense, supplies and mater

We have contracted with third parties to perform various clinical study and trial activities in the development and testing of potential products. studies. The financial terms c

General and Administrative Expenses

Our general and administrative expenses consist primarily of salaries, benefits and other costs, including equity-based compensation, for our executive and administrative

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Results of Operations

Comparison of the Three and Nine Months Ended September 30, 2023 March 31, 2024 and 2022 2023

(In thousands)
Revenue
Cost of revenues
Gross loss
Operating expenses:
Research and development
General and administrative
Acquisition of Exacis in-process research and development
Impairment of in-process research and development
Total operating expenses
Loss from operations
Other expense, net:
Change in fair value of warrant liabilities
Loss on non-controlling investment
Interest (expense) income, net
Total other expense, net
Other (expense) income, net:
Change in fair value of warrant liabilities
Change in fair value of contingent consideration
Loss on non-controlling investment
Other expense, net
Total other (expense) income, net
Loss before income taxes
Benefit (provision) for income taxes
Provision for income taxes
Net loss

Revenue

During the three and nine months ended September 30, 2023 March 31, 2024, we recognized revenue related to the cell line customization activities that we are performing

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Cost of Revenue

During the three and nine months ended September 30, 2023 March 31, 2024, our cost of revenues include included direct labor and materials to perform the customizatior

Research and Development Expenses

	Three months ended September 30,		
	2023	2022	Change
(in thousands)			
MSA expense	$ 813	$ 3,699	$ (2,886)
Payroll-related	134	735	(601)
Stock-based compensation	57	183	(126)
Professional fees	295	57	238
Other expenses, net	158	289	(131)
Total research and development expenses	$ 1,457	$ 4,963	$ (3,506)

	Nine months ended September 30,		
	2023	2022	Change
(in thousands)			
Payroll-related	$ 504	$ 2,337	$ (1,833)
MSA expense	2,438	3,699	(1,261)
Stock-based compensation	177	1,075	(898)
Professional fees	825	177	648
Other expenses, net	766	1,142	(376)
Total research and development expenses	$ 4,710	$ 8,430	$ (3,720)

	Three months ended March 31,		
	2024	2023	Change
(in thousands)			
Professional fees	$ 103	$ 280	$ (177)
Stock-based compensation	46	64	(18)
Payroll-related	325	203	122
MSA fees	812	812	-
Other expenses, net	172	315	(143)
Total research and development expenses	$ 1,458	$ 1,674	$ (216)

Total research and development expenses decreased by approximately $3.5 million and $3.7 million $0.2 million for the three and nine months ended September 30, 2023

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General and Administrative Expenses

	Three months ended September 30,		
	2023	2022	Change
(in thousands)			
Occupancy expense	$ 1,563	$ 189	$ 1,374
Professional fees	1,656	1,628	28
Insurance	209	528	(319)
Stock-based compensation	117	293	(176)
Payroll-related	254	424	(170)
Other expenses, net	180	279	(99)
Total general and administrative expenses	$ 3,979	$ 3,341	$ 638

	Nine months ended September 30,		
	2023	2022	Change
(in thousands)			

Payroll-related	$ 1,312	$ 2,706	$ (1,394)
Professional fees	4,904	6,251	(1,347)
Impairment of ROU asset	-	772	(772)
Stock-based compensation	900	1,463	(563)
Insurance	936	1,422	(486)
Loss on disposal of fixed assets	1	431	(430)
Occupancy expense	1,606	541	1,065
Other expenses, net	422	474	(52)
Total general and administrative expenses	$ 10,081	$ 14,060	$ (3,979)

	Three months ended March 31,		
	2024	2023	Change
(in thousands)			
Occupancy expense	$ 1,901	$ 23	$ 1,878
Payroll-related	532	357	175
Professional fees	1,285	1,935	(650)
Stock-based compensation	236	625	(389)
Insurance	216	533	(317)
Other expenses, net	145	119	26
Total general and administrative expenses	$ 4,315	$ 3,592	$ 723

Our general and administrative expenses increased by approximately $0.6 million $0.7 million for the three months ended September 30, 2023 March 31, 2024 when comp

Our general and administrative expenses decreased by approximately $4.0 million for the nine fair value of stock options expensed during the three months ended Septem

Acquisition of Exacis In-Process Research and Development

As discussed in Note 3 to the unaudited accompanying condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we acquired from Ex

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Impairment of In-Process Research and Development

During the nine months ended September 30, 2022, we received the results from the INSPIRE phase 2 trial of IRX-2. The IRX-2 multi-cytokine biologic immunotherapy rep

Change in Fair Value of Warrant Liabilities

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, we recognized credits to expense related to the change in the fair value of war

Change in Fair Value of Contingent Consideration

On the closing date of the Exacis Acquisition, we recognized a contingent consideration liability of $0.2 million for future payments that may be payable to Exacis, which wa

Loss on Non-Controlling Investment

We account for our 25% non-controlling investment in NoveCite, Inc. ("NoveCite") under the equity method. We have not guaranteed any obligations of NoveCite, nor are

Other Expense, Net Interest (Expense) Income, net

	Three months ended September 30,		
	2023	2022	Change
(in thousands)			
Interest expense, net	(114)	(10)	(104)
Total other expense, net	$ (114)	$ (10)	$ (104)

	Nine months ended September 30,		
	2023	2022	Change
(in thousands)			
PIPE transaction fees	$ -	$ (1,007)	$ 1,007

Liquidated damages	-	(240)	240
SEPA fees	(280)	-	(280)
Interest expense, net	(88)	(24)	(64)
Other income, net	(1)	105	(106)
Total other expense, net	$ (369)	$ (1,166)	$ 797

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For the three months ended September 30, 2023, total other expense, net increased in expense by $0.1 million as a result of We recognized an increase in interest expens

For the nine months ended September 30, 2023, we recognized March 31, 2024 of approximately $0.3 million related $0.8 million primarily due to a stand-by equity purchas

Provision for Income Taxes

During 2023, 2024, we expect to incur state income tax liabilities related to our operations. We have established a full valuation allowance for all deferred tax assets, includ

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Liquidity and Capital Resources

At September 30, 2023 March 31, 2024, we had cash and cash equivalents and restricted cash of approximately $8.6 million $9.2 million, of which approximately $4.6 millio

In October 2022, Currently, our sole source of liquidity is through sales of our common stock under the standby equity purchase agreement (the "SEPA") we entered into a

In February 2023, we entered into the Lineage Agreement, pursuant to which we received a $0.3 million upfront, nonrefundable payment for an option right to obtain a subl

In April 2023, we entered into the SEPA, pursuant to which Lincoln Park committed to purchase up to $10.0 million of our common stock. Such sales of common stock by u

Under applicable Nasdaq listing rules, the aggregate number of shares of common stock condition that we had been able to issue to Lincoln Park under the SEPA could no

Table Based on our current financial condition and forecasts of Contents

On July 14, 2023, available cash, we closed will not have sufficient capital to fund our operations for the July 2023 Financing of $8.7 million in aggregate principal amount o

The Convertible Notes bear interest at 6% per annum, payable quarterly in arrears. At our election, bankruptcy, reorganize, merge with another entity, or cease operations.

At the option of the holders, the Convertible Notes may be converted from time-to-time in whole or in part into shares of common stock at an initial conversion rate of $2.86

Historically, the cash used to fund our operations has come from a variety of sources and predominantly from sales of shares of our common stock and of convertible notes
In addition, equity or debt financings may have a dilutive effect on the holdings of our existing stockholders, and debt financings may subject us to restrictive covenants, op
We prepared the accompanying condensed consolidated financial statements on a going concern basis, which assumes that we will enter into agreements with respect rea

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In addition, while we are not presently pursuing product development, we may do so in the future, and current and potential licensing partners may seek to do so. future. D

In that regard, our future funding requirements will depend on many factors, including:

- the terms and timing of any collaborative, licensing and other agreements that we may establish;
- the cost of filing and potentially prosecuting, defending and enforcing any patent claims and other intellectual property rights;
- the cost and timing of regulatory approvals;
- the cost and delays in product development as a result of any changes in regulatory oversight applicable to our products;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the effect of competition and market developments;
- the scope, rate of progress and cost of clinical trials and other product development activities; and
- future clinical trial results.

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We plan to raise additional funds to support our product development activities and working capital requirements through public or private equity offerings, debt financings,

Further, to the extent that we raise additional funds through collaborative arrangements, it may be necessary to relinquish some rights to our technologies or grant sublicen

Cash Flows

Cash flows from operating, investing and financing activities, as reflected in the accompanying condensed consolidated statements of cash flows, are summarized as follov

(in thousands)	For the nine months e September 30, 2023	
Cash (used in) provided by:		
Operating activities	$ (15,747)	$
Investing activities	-	
Financing activities	8,852	
Net decrease in cash and cash equivalents	$ (6,895)	$

(in thousands)	20
Cash (used in) provided by:	
Operating activities	$
Investing activities	
Financing activities	
Net decrease in cash and cash equivalents	$

Net Cash Used in Operating Activities

The increase There was a decrease of approximately $0.2 million $2.3 million in cash used in operating activities for the nine three months ended September 30, 2023, as M

Net Cash Used in Investing Activities

The decrease
We used approximately $0.1 million to pay for the purchases of $0.2 million in cash used in property and equipment during the three months ended March 31, 2024. There

Net Cash Provided by Financing Activities

Net cash provided by financing activities for the nine three months ended September 30, 2023 March 31, 2024 includes approximately $8.5 million $1.4 million of proceeds
Material Cash Requirements
Somerville Sublease
In October 2022, we entered into a sublease for approximately 45,500 square feet of office and laboratory space in Somerville, Massachusetts. The term of the sublease is
On May 3, 2024, we received a notice from the sublessor regarding past due rent payments of approximately $2.3 million, including our share of amounts related to propert
If an event of default exists under the sublease, beyond applicable notice and cure periods, the sublessor may draw down the letter of credit and use, apply or retain such p

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Convertible Notes
As of the date of this report, the aggregate amount outstanding under our convertible notes, including accrued interest that has been paid in-kind, is $18.5 million, of which

Critical Accounting Estimates

There were no significant changes in our critical accounting estimates during the three and nine months ended September 30, 2023 March 31, 2024 from those described i

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Contingent Consideration

Contingent consideration from an asset acquisition that is indexed to or settled in shares of our common stock and that is classified as a liability is initially measured at fair v

Recent Accounting Pronouncements

There have been no recent No new Accounting Standards Updates (“ASUs”) have been issued by the Financial Accounting Standards Board since January 1, 2024 that wo

In October 2023 the FASB issued ASU No. 2023-06, *Disclosure Improvements – Codification Amendment in Response to the SEC’s Disclosure Update and Simplification I*

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Under the rules and regulations of the SEC, as a smaller reporting company we are not required to provide the information otherwise required by this item.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, designed to ensure that informatior

In designing and evaluating the disclosure controls and procedures, we recognized that any controls and procedures, no matter how well designed and operated, can provi

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Based on that evaluation, our Chief Executive Officer and Senior Vice President of Finance concluded that our disclosure controls and procedures were not effective as of t

Management’s Plan for Remediation of Material Weakness in Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process

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We were unable to timely file our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 with the SEC due to identifying errors in our financial stater

Management is implementing has implemented measures designed to ensure that the deficiencies contributing to the ineffectiveness of our internal control over financial re

- enhancing the business process controls related to reviews over technical, complex, and non-recurring transactions;
- providing additional training to accounting personnel; and
- consulting with using an external accounting advisor for to review management’s conclusions on technical, complex and non-recurring matters, with whom we have enga

The material weakness cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, thro

We are committed to developing a strong internal control environment, and we believe the remediation efforts that we have implemented and will implement will result in sig

Changes in Internal Control over Financial Reporting

Except for the actions intended to remediate the material weakness as described above, there was no change in our internal control over financial reporting during the mos

Item 1. Legal Proceedings.

This The information is set forth under “Note 11— 10—Commitments and Contingencies—Legal Matters” to the accompanying condensed consolidated financial statement

From time to time we may become involved in legal proceedings arising in the ordinary course of business. Except as described above, we do not believe there is any litiga

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Item 1A. Risk Factors.

During An investment in our common stock involves a high degree of risk. You should carefully consider the reporting period covered by risks and uncertainties described in

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Our failure to meet the continued listing requirements of Nasdaq could result in a delisting of our common stock.
As previously reported, we received a notice (the “Notice”) from the Listing Qualifications Staff (“Staff”) of The Nasdaq Stock Market LLC (“Nasdaq”) stating that we are not

We submitted a plan to the Staff advising of actions we have taken or will take to regain compliance with Nasdaq Listing Rule 5550(b)(1). If the Staff determines to accept
We can provide no assurance that our plan to regain compliance with Nasdaq Listing Rule 5550(b)(1) will be accepted by Nasdaq, or if accepted, that we will be able to reg
If our common stock is delisted by Nasdaq, and we are not able to list our securities on another national securities exchange, we expect our securities could be quoted on a
The National Securities Markets Improvement Act of 1996, which is a federal statute, prevents or preempts the states from regulating the sale of certain securities, which a
Our monthly rent payment obligations under our sublease are significant and we currently owe approximately $2.3 million in past due rent. An event of default
The remaining term of our sublease for office and laboratory space in Somerville, Massachusetts is approximately 9.6 years, and our base rent obligations over the remaini
Under the sublease, an event of default exists if we fail to pay any installment of rent or other charge or money obligation when due and such default continues for five busi
On May 3, 2024, we received a notice, dated May 2, 2024, from the sublessor stating that we have past due rent payments of approximately $2.3 million, including our sha

The Convertible Notes contain a number of restrictive covenants that, include, among other things, generally limit the ability deferment of rent payments and/or a reduction
As part of capital stock and make payments on subordinated debt, incur indebtedness, or enter into transactions with affiliates.

Our ability to comply with these covenants may be adversely affected the sublease, we delivered a security deposit in the form of a letter of credit in the amount of $4.1 mill

The requirement that we redeem the Convertible Notes in cash could adversely affect our business plan, liquidity, financial condition, and results

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If we default, beyond applicable notice and cure periods, with respect to any provision of the sublease, including the provisions relating to the payment of rent, the sublesso
If we seek to terminate the sublease, we may nonetheless be required to redeem some or all perform our obligations under the sublease including, among other things, pay
As mentioned above, we have been, and continue to be, in discussions with the Convertible Notes for cash sublessor to remedy the existing event of default under certain c

- limit our flexibility in planning for, the sublease and to renegotiate the terms of the sublease, which may include, among other things, deferment of rent and/or reacting to
- increase our vulnerability to general adverse economic and industry conditions; and place us at a competitive disadvantage compared to our competitors.

No lease term, square footage, and/or base rent. However, no assurances can be given that we will be successful succeed in making remedying the required payments exis

- the holders of the Convertible Notes thereof may require us to repurchase some redeem all or all any portion of their Convertible Notes at a price equal to 100% convertib
- the holders date of the Convertible Notes could foreclose against filing of this report, the aggregate amount outstanding under our assets; convertible notes, including acc
- our convertible notes, we could be forced into have to file for bankruptcy or liquidation. cease operations. See the risk factor titled, “We will require substantial additional

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None.

Item 4. *Mine Safety Disclosures.*

Not Applicable.

Item 5. *Other Information*.

None (a) None.
(b) None.
(c) During the quarter covered by this report, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any Rule 10b5-1

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Item 6. *Exhibits*

Exhibit

10.1 10.1*

10.2*

10.2

10.3
10.4

10.5 10.3*

31.1

31.2

32.1

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32.2

101.INS

101.SCH

101.CAL

101.DEF

101.LAB

101.PRE

104

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* Indicates management contract or compensatory plan.

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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 h

Date: November 13, 2023 May 14, 2024

Date: November 13, 2023 May 14, 2024

I, Matthew Angel, Sanjeev Luther, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Eterna Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in l

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, resu

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material inf

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonal

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has mat

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors ar

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect t

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2024

I, Sandra Gurrola, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Eterna Therapeutics Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in l

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, resu

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(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect t

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: November 13, 2023

I, Sandra Gurrola, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Eterna Therapeutics Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in l

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, resu

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(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: November 13, 2023 May 14, 2024

In connection with the Quarterly Report on Form 10-Q of Eterna Therapeutics Inc. for the quarterly period ended September 30, 2023 March 31, 2024, as filed with the Sec

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Eterna Therapeutics Inc. for the period

Date: November 13, 2023 May 14, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

In connection with the Quarterly Report on Form 10-Q of Eterna Therapeutics Inc. for the quarterly period ended September 30, 2023 March 31, 2024, as filed with the Sec

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Eterna Therapeutics Inc. for the period

Date: November 13, 2023 May 14, 2024

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.
