
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 March 31, 2021

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-

NEXIMMUNE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-2518457
(I.R.S. Employer
Identification No.)

9119 Gaither Road
Gaithersburg, MD
(Address of principal executive offices)

20877
(Zip Code)

Registrant's telephone number, including area code: (301) 825-9810

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	NEXI	The Nasdaq Global Market

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 the 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 March 31, 2021, the registrant had 22,579,219 shares of common stock, \$0.0001 par value per share, outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would,” or the negative of these words or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- our ability to obtain and maintain regulatory approval of NEXI-001 and NEXI-002 and/or our other product candidates;
- our ability to successfully commercialize and market NEXI-001 and NEXI-002 and/or our other product candidates, if approved;
- our ability to contract with third-party suppliers, manufacturers and other service providers and their ability to perform adequately;
- the potential market size, opportunity and growth potential for NEXI-001 and NEXI-002 and/or our other product candidates, if approved;
- our ability to build our own sales and marketing capabilities, or seek collaborative partners, to commercialize NEXI-001 and NEXI-002 and/or our other product candidates, if approved;
- our ability to obtain funding for our operations;
- the initiation, timing, progress and results of our preclinical studies and clinical trials, and our research and development programs;
- the timing of anticipated regulatory filings;
- the timing of availability of data from our clinical trials;
- the impact of the ongoing COVID-19 pandemic and our response to it;
- the accuracy of our estimates regarding expenses, capital requirements and needs for additional financing;
- our ability to retain the continued service of our key professionals and to identify, hire and retain additional qualified professionals;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- our ability to recruit and enroll suitable patients in our clinical trials;
- the timing or likelihood of the accomplishment of various scientific, clinical, regulatory and other product development objectives;
- the pricing and reimbursement of our product candidates, if approved;
- the rate and degree of market acceptance of our product candidates, if approved;
- the implementation of our business model and strategic plans for our business, product candidates and technology;
- the scope of protection we are able to establish and maintain for intellectual property rights covering our product candidates and technology;
- developments relating to our competitors and our industry;
- the accuracy of our estimates regarding expenses, capital requirements and needs for additional financing;
- the development of major public health concerns, including the novel coronavirus outbreak or other pandemics arising globally, and the future impact of it and COVID-19 on our clinical trials, business operations and funding requirements; and
- our financial performance.

These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the “Risk Factors” section and elsewhere in this Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

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You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable as of the date of this Form 10-Q, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Form 10-Q to conform these statements to new information, actual results or to changes in our expectations, except as required by law.

You should read this Form 10-Q and the documents that we reference in this Form 10-Q and have filed with the Securities and Exchange Commission, or SEC, as exhibits to this Form 10-Q with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

NEXIMMUNE, INC.

BALANCE SHEETS

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	<u>(unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 118,102,945	\$ 5,031,079
Restricted cash	67,500	67,500
Prepaid expenses and other current assets	4,788,019	3,293,858
Total current assets	<u>122,958,464</u>	<u>8,392,437</u>
Property and equipment, net	3,584,412	2,885,260
Other non-current assets	23,373	23,373
Total assets	<u>\$ 126,566,249</u>	<u>\$ 11,301,070</u>
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,406,537	\$ 2,760,129
Accrued expenses	2,842,998	2,603,027
Derivative liability	—	1,702,359
Other current liabilities	843,619	843,619
Convertible notes issued to related parties	—	7,324,267
Convertible notes	—	11,793,397
Total current liabilities	<u>6,093,154</u>	<u>27,026,798</u>
Deferred rent, net of current portion	11,764	23,529
Other non-current liabilities	—	4,935
Total liabilities	<u>6,104,918</u>	<u>27,055,262</u>
Commitments and contingencies		
Redeemable convertible preferred stock		
Series A Redeemable Convertible Preferred Stock, \$0.0001 par value, no shares outstanding as of March 31, 2021 and 121,735,303 shares authorized, issued and outstanding as of December 31, 2020. Liquidation value of \$42,314,789 as of December 31, 2020.	—	35,047,435
Series A-2 Redeemable Convertible Preferred Stock, \$0.0001 par value, no shares outstanding as of March 31, 2021 and 28,384,899 shares authorized, 22,047,361 shares issued and outstanding as of December 31, 2020. Liquidation value of \$8,683,746 as of December 31, 2020.	—	7,685,865
Series A-3 Redeemable Convertible Preferred Stock, \$0.0001 par value, no shares outstanding as of March 31, 2021 and 34,061,879 shares authorized, 31,209,734 shares issued and outstanding as of December 31, 2020. Liquidation value of \$11,699,176 as of December 31, 2020.	—	10,887,449
Total redeemable convertible preferred stock	<u>—</u>	<u>53,620,749</u>
Stockholders' deficit		
Common Stock, \$0.0001 par value, 250,000,000 shares authorized, 22,579,219 issued and outstanding as of March 31, 2021 and 1,256,609 shares issued and outstanding as of December 31, 2020.	2,258	126
Additional paid-in-capital	<u>205,847,571</u>	<u>8,206,938</u>
Accumulated deficit	<u>(85,388,498)</u>	<u>(77,582,005)</u>
Total stockholders' deficit	<u>120,461,331</u>	<u>(69,374,941)</u>
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	<u>\$ 126,566,249</u>	<u>\$ 11,301,070</u>

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

NEXIMMUNE, INC.

STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Revenue	\$ —	\$ —
Operating expenses:		
Research and development	6,012,608	4,272,167
General and administrative	4,057,592	2,088,401
Total operating expenses	10,070,200	6,360,568
Loss from operations	(10,070,200)	(6,360,568)
Other (expense) income:		
Interest income	3,613	18,684
Interest expense	(904,119)	(989)
Change in fair value of derivative liability	2,424,877	—
Other income (expense)	(722)	27,365
Other income (expense)	1,523,649	45,060
Net loss	\$ (8,546,551)	\$ (6,315,508)
Accumulated dividends on Redeemable Convertible Preferred Stock	(377,562)	(815,516)
Net loss available to common stockholders'	\$ (8,924,113)	\$ (7,131,024)
Basic and diluted net loss available to common stockholders per common share	\$ (0.71)	\$ (5.68)
Basic and diluted weighted-average number of common shares outstanding	12,633,123	1,254,681

STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)

	For the Three Months Ended March 31,	
	2021	2020
Net loss	\$ (8,546,551)	\$ (6,315,508)
Other comprehensive loss:		
Unrealized (loss) gain on available-for-sale marketable securities, net of tax	—	(506)
Comprehensive loss	\$ (8,546,551)	\$ (6,316,014)

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

STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
Three Months Ended March 31, 2021 and 2020

	Redeemable Convertible Preferred Stock						Stockholders' Deficit					
	Series A		Series A-2		Series A-3		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/ (Loss)	Total Stockholders Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at January 1, 2021	121,735,303	\$ 35,047,435	22,047,361	\$ 7,685,865	31,209,734	\$ 10,887,449	1,256,609	\$ 126	\$ 8,206,938	\$ (77,582,005)	\$ —	\$ (69,374,941)
Cumulative effect of adoption of accounting standard	—	—	—	—	—	—	—	—	(2,277,332)	740,058	—	(1,537,274)
Issuance of Series A redeemable preferred stock upon exercise of warrants	145,000	1,450	—	—	—	—	—	—	—	—	—	—
Conversion of preferred stock into common stock	(121,880,303)	(35,048,885)	(22,047,361)	(7,685,865)	(31,209,734)	(10,887,449)	10,144,052	1,014	53,621,185	—	—	53,622,199
Conversion of convertible debt into common stock	—	—	—	—	—	—	3,669,010	367	30,251,689	—	—	30,252,056
Issuance of common stock in connection with the initial public offering, net of transaction costs	—	—	—	—	—	—	7,441,650	744	114,550,571	—	—	114,551,315
Exercise of stock options	—	—	—	—	—	—	65,013	7	297,076	—	—	297,083
Exercise of warrants	—	—	—	—	—	—	2,896	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	1,197,444	—	—	1,197,444
Net loss	—	—	—	—	—	—	—	—	—	(8,546,551)	—	(8,546,551)
Balance at March 31, 2021	—	\$ —	—	\$ —	—	\$ —	22,579,219	\$ 2,258	\$205,847,571	\$ (85,388,498)	\$ —	\$120,461,331
Balance at January 1, 2020	121,735,303	\$ 35,047,435	22,047,361	\$ 7,685,865	31,209,734	\$ 10,887,449	1,254,681	\$ 126	\$ 4,705,808	\$ (47,716,008)	\$ 506	\$ (43,009,568)
Stock-based compensation	—	—	—	—	—	—	—	—	318,962	—	—	318,962
Change in unrealized gains on marketable available-for-sale securities	—	—	—	—	—	—	—	—	—	—	(506)	(506)
Net loss	—	—	—	—	—	—	—	—	—	(6,315,508)	—	(6,315,508)
Balance at March 31, 2020	121,735,303	\$ 35,047,435	22,047,361	\$ 7,685,865	31,209,734	\$ 10,887,449	1,254,681	\$ 126	\$ 5,024,770	\$ (54,031,516)	—	\$ (49,006,620)

NEXIMMUNE, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities		
Net loss	\$ (8,546,551)	\$(6,315,508)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	174,331	143,518
Gain (loss) on asset disposal	(464)	398
Stock-based compensation	1,197,444	318,962
Non-cash interest expense	903,919	—
Change in fair value of derivative liability	(2,424,877)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(2,446,793)	(929,007)
Accounts payable	(645,847)	(191,877)
Accrued expenses, deferred rent and other	633,307	463,090
Net cash used in operating activities	<u>(11,155,532)</u>	<u>(6,510,424)</u>
Cash flows from investing activities		
Purchase of property and equipment	(581,228)	(241,519)
Proceeds from disposal of equipment	464	550
Employee advances	—	(494)
Proceeds from maturities and sales of available-for-sale marketable securities	—	999,780
Net cash provided by (used in) investing activities	<u>(580,764)</u>	<u>758,317</u>
Cash flows from financing activities		
Proceeds from initial public offering, net of transaction costs	115,503,948	—
Proceeds from the exercise of stock options	297,083	—
Proceeds from the exercise of warrants	1,450	—
Principal payments on capital leases	(5,212)	(4,832)
Proceeds from the issuance of convertible notes from related parties	56,500	—
Proceeds from the issuance of convertible notes	8,974,980	—
Issuance costs associated with convertible notes	(20,587)	—
Net cash provided by (used in) financing activities	<u>124,808,162</u>	<u>(4,832)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	113,071,866	(4,097,908)
Net cash, cash equivalents and restricted cash at beginning of period	5,098,579	9,196,487
Net cash, cash equivalents and restricted cash at end of period	<u>\$ 118,170,445</u>	<u>\$ 5,098,579</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 200</u>	<u>\$ 1,999</u>
Supplemental disclosure of noncash investing and financing activities:		
Property and equipment purchases included in accounts payable and accrued expenses	\$ 292,255	\$ 7,887

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

NEXIMMUNE, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. Nature of the business and basis of presentation

NexImmune, Inc. (the “Company” or “NexImmune”), a Delaware corporation headquartered in Gaithersburg, Maryland, was incorporated on June 7, 2011. The Company is an emerging biopharmaceutical company advancing a new generation of immunotherapies based on its proprietary Artificial Immune Modulation (AIM) technology. The AIM nanotechnology platform, originally developed at Johns Hopkins University, is the foundation for an innovative approach to immunotherapy in which the body’s own immune system is stimulated to orchestrate a targeted T cell response against a disease. Central to the AIM technology are AIM nanoparticles, which act as synthetic dendritic cells. These AIM nanoparticles can be programmed to present specific antigens and co-stimulatory signals to specific T cells, generating an immune response that can be directed toward any foreign substance or cell type in a patient’s body. The Company’s first two products, both for the treatment of different types of cancer, entered clinical trials in 2020.

2. Basis of Presentation

Basis of Presentation

The accompanying unaudited financial statements were prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information required by U.S. generally accepted accounting principles (“GAAP”) for complete financial statements. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASU”) of the Financial Accounting Standards Board (“FASB”). These financial statements should be read in conjunction with our audited financial statements and the accompanying notes to our financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 31, 2021.

In our management’s opinion, the accompanying financial statements contain all adjustments, including normal, recurring adjustments, necessary to fairly present our financial position as of March 31, 2021 and December 31, 2020, and our statements of operations and comprehensive loss, changes in redeemable convertible preferred stock and stockholders’ deficit, and cash flows for the three month periods ended March 31, 2021 and 2020. Interim results are not necessarily indicative of results for an entire year.

Recent accounting standards and pronouncements

Recently Adopted

In August 2020, the FASB issued ASU 2020-06, an update to ASC Topic 470, Subtopic - 20, *Debt - Debt with Conversion and Other Options*, and ASC Topic 815, Subtopic - 4, *Derivatives and Hedging - Contracts in Entity’s Own Equity*. ASU 2020-06 simplifies the guidance for certain financial instruments with characteristics of liability and equity, including convertible instruments and contracts on an entity’s own equity by reducing the number of accounting models for convertible instruments and amends guidance in ASC Topic 260, Earnings Per Share, relating to the computation of earnings per share for convertible instruments and contracts on an entity’s own equity. ASU 2020-06 is effective for interim and annual reporting periods in fiscal years that begin after December 15, 2021, with early adoption permitted for fiscal years that begin after December 15, 2020. The Company early adopted this standard effective January 1, 2021 using the modified retrospective method. Under this standard, only conversion features embedded in the debt instrument that are accounted for as derivatives in accordance with ASC 815 or under the substantial premium model in ASC 470, require separate accounting. Prior to the adoption of this standard, the Company had recorded a beneficial conversion feature as a discount to convertible notes issued. Upon adoption of this standard, the beneficial conversion feature is no longer separately bifurcated. As a result of applying the modified retrospective method, the Company recognized a transition adjustment of \$0.7 million recorded in accumulated deficit, a reduction of additional paid-in capital of \$2.2 million and an increase to the carrying value of the convertible notes of \$1.5 million on January 1, 2021.

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Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance requires lessees to recognize assets and liabilities related to long-term leases on the balance sheet and expands disclosure requirements regarding leasing arrangements. In July 2018, the FASB issued additional guidance, which offers a transition option to entities adopting the new lease standards, and a package of practical expedients an entity can elect to utilize to reduce the level of effort required for adoption. Under the transition option, entities can elect to apply the new guidance using a modified retrospective approach at the beginning of the year in which the new lease standard is adopted, rather than to the earliest comparative period presented in their financial statements. In November 2019, the FASB issued ASU 2019-10 deferring the effective date for private entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. In June 2020, the FASB issued ASU 2020-05 which further defers the effective date for private entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The Company is currently reviewing its leases and other contracts to determine the impact the adoption of this guidance will have on the financial statements. The Company currently expects that the adoption of this guidance will change the way it accounts for its operating leases, and will result in recording right-of-use assets and lease liabilities in the balance sheets, and result in additional lease-related disclosures in the footnotes to the financial statements. The Company expects that it will adopt this guidance utilizing the modified retrospective approach and elect the package of practical expedients.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which modifies the measurement of expected credit losses on certain financial instruments. In addition, for available-for-sale debt securities, the standard eliminates the concept of other-than-temporary impairment and requires the recognition of an allowance for credit losses rather than reductions in the amortized cost of the securities. The standard is effective for fiscal year beginning after December 15, 2022, and interim periods beginning after December 15, 2022 and requires a modified-retrospective approach with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period. Early adoption is permitted. Based on the composition of the Company’s investment portfolio, current market conditions and historical credit loss activity, the adoption of ASU 2016-13 is not expected to have a material impact on its financial position, results of operations or the related disclosures.

3. Cash and Cash Equivalents and Restricted cash

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the balance sheet that sum to the total of the same amounts shown in the statement of cash flows.

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Cash and cash equivalents	\$ 118,102,945	\$ 5,031,079
Restricted cash	67,500	67,500
Total	<u>\$ 118,170,445</u>	<u>\$ 5,098,579</u>

Cash and cash equivalents consist of investment in money market funds with commercial banks and financial institutions. The Company considers all investments in highly liquid financial instruments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at amortized cost, plus accrued interest, which approximates fair value.

Amounts included in restricted cash represent those required as collateral on corporate credit cards.

4. Fair Value Measurements

The Company’s financial instruments include cash and cash equivalents, accounts payable, accrued expenses, convertible notes and derivative liabilities. The fair values of the cash and cash equivalents, accounts payable and accrued expenses approximated their carrying values as of March 31, 2021 and December 31, 2020 due to their short-term maturities. The Convertible Notes as discussed in Note 10 contain embedded derivative features that are required to be bifurcated and remeasured to fair value at each reporting period.

The Company accounts for recurring and nonrecurring fair value measurements in accordance with ASC 820, Fair Value Measurements (“ASC 820”). ASC 820 defines fair value, establishes a fair value hierarchy for assets and liabilities measured at fair value, and requires expanded disclosures about fair value measurements. The ASC hierarchy ranks the quality of reliability of inputs, or assumptions, used in the determination of fair value, and requires assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 - Fair value is determined by using unadjusted quoted prices that are available in active markets for identical assets and liabilities.
- Level 2 - Fair value is determined by using inputs, other than Level 1 quoted prices that are directly and indirectly observable. Inputs can include quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets and liabilities in inactive markets. Related inputs can also include those used in valuation or other pricing models that can be corroborated by observable market data.

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Level 3 - Fair value is determined by inputs that are unobservable and not corroborated by market data. Use of these inputs involves significant judgments to be made by a reporting entity.

In instances where the determination of the fair value measurement is based on inputs from different levels of fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety. The Company periodically evaluates financial assets and liabilities subject to fair value measurements to determine the appropriate level at which to classify them each reporting period. This determination requires the Company to make judgments as to the significance of inputs used in determining fair value and where such inputs lie within the ASC 820 hierarchy.

The Company's derivative liability related to certain features embedded within the Company's Convertible Notes as discussed in Note 10. The derivative is accounted for as a liability and remeasured to fair value as of each balance sheet date until the Convertible Note is settled or cancelled. The Convertible Notes were converted into shares of common stock upon the Company's completion of the Initial Public Offering ("IPO") on February 11, 2021. The related remeasurement adjustments are recognized in the accompanying statements of operations.

During the period ended March 31, 2021 and December 31, 2020 the Company did not have any transfers between levels. There were no Level 3 recurring fair value measurements as of March 31, 2021. The following table presents activity related to the Company's fair value measurements categorized as Level 3 of the valuation hierarchy, valued on a recurring basis:

Balance as of December 31, 2020	\$ 1,702,359
Fair value of derivative liabilities issued	722,518
Reduction in expense related to fair value changes in derivative liabilities	(2,424,877)
Balance as of March 31, 2021	<u>\$ —</u>

The fair value of the derivative liability was determined using a binomial lattice model by calculating and comparing the fair value of the Convertible Notes with and without the embedded features.

Key inputs into this valuation model are (1) the probability of various events which result in conversion prior to the maturity of the Convertible Notes; (2) the estimated timing of conversion; (3) time period to maturity; (4) the fair value of the Company's stock underlying the Convertible Notes within each scenario; (5) the expected volatility of the Company's stock through the various events resulting in conversion; (6) the risk-adjusted discount rate; and (7) the Company's stock dividend yield.

The recurring Level 3 fair value measurements of the embedded features of the Convertible Notes issued in January 2021 include the following significant unobservable inputs:

<u>Unobservable Input</u>	<u>Assumptions</u>
Probabilities of conversion provisions	5%-50%
Estimated timing of conversion (years)	0.13-0.31
Time period to maturity (years)	0.31
Fair value of the Company's stock	\$0.45-\$0.56
Stock price volatility	76-90%
Risk-adjusted discount rate	25.56%
Dividend yield	0%

Significant changes to these assumptions would result in increases or decreases to the fair value of the derivative liability. There were no Convertible Notes issued after January 2021. Immediately before the conversion of the Convertible Notes on February 11, 2021, the derivative liability was remeasured to fair value which the Company concluded was immaterial. The derivative liability was remeasured to zero. All derivative instruments were eliminated following the conversion of the Convertible Notes on February 11, 2021.

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at March 31, 2021 and December 31, 2020:

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	March 31, 2021	December 31, 2020
Prepaid research and development expenses	\$ 1,922,643	\$ 1,894,785
Prepaid maintenance agreements	113,059	144,575
Prepaid insurance	2,608,493	98,421
Prepaid other	143,824	124,929
Deferred financing costs	—	952,633
Other current assets	—	78,515
	<u>\$ 4,788,019</u>	<u>\$ 3,293,858</u>

6. Property and Equipment

Property and equipment consist of the following at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Laboratory equipment	\$ 4,631,962	\$ 3,801,545
Computer equipment and software	336,524	305,214
Furniture and fixtures	47,877	47,877
Leasehold improvements	167,972	153,965
	<u>5,184,335</u>	<u>4,308,601</u>
Less accumulated depreciation and amortization	<u>(1,599,923)</u>	<u>(1,423,341)</u>
Property and equipment, net	<u>\$ 3,584,412</u>	<u>\$ 2,885,260</u>

Depreciation and amortization expense was \$174,331 and \$141,178 for the three months ended March 31, 2021 and 2020, respectively.

7. Accrued Expenses

A summary of the components of accrued expenses is as follows as of March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Accrued professional fees	\$ 135,033	\$ 135,033
Accrued salaries, benefits and related expenses	2,567,071	1,924,405
Accrued severance	—	26,724
Accrued interest	3,491	408,315
Other accrued expenses	137,403	108,550
	<u>\$ 2,842,998</u>	<u>\$ 2,603,027</u>

8. Commitments and Contingencies

Maryland Biotechnology Center Grant

The Company entered into a Translational Research Award Agreement effective May 23, 2012 with the Department of Business & Economic Development with the State of Maryland, Maryland Biotechnology Center (“MBC”). The mission of MBC is to integrate entrepreneurial strategies to stimulate the transformation of scientific discovery and intellectual assets into capital formation and business development. Under the agreement, MBC provided \$200,000 to NexImmune for research on its artificial aAPC for cancer immunotherapy. In 2013, an amendment increased the amount by \$125,000 for a total grant of \$325,000. This grant was recorded as income in 2012 and 2013, as the Company incurred the expenses which qualified it for the grant.

The Company must repay the funds through annual payments calculated at 3% of annual revenues for the preceding year. Payments shall continue for 10 years after the first payment date and may total up to 200% of the total grant amount. The end date of the agreement is defined as January 31, 2024, or when any and all repayments due to MBC have been made. If the Company does not earn any revenue, the grant does not need to be repaid. Through March 31, 2021, no revenue has been recorded, therefore, no payments to MBC are due.

Johns Hopkins University Exclusive License Agreement

The Company entered into an Exclusive License Agreement with Johns Hopkins University (“JHU”) effective June 2011, which was amended and restated in January 2017, under which there are license fees, royalties, and milestone payments. As part of the agreement, the Company acquired a perpetual, exclusive license from JHU covering its invention related to Antigen Specific T cells. In consideration for the Exclusive License Agreement, the Company made an upfront payment of \$155,000 and issued 26,918 shares of Common Stock.

JHU was also entitled to milestone fees of \$75,000 in connection with clinical trial milestones. For the first licensed product or licensed service in the therapeutic field, the Company may be required to pay JHU additional aggregate milestone fees of \$1.6 million for clinical and regulatory milestone fees. The Company may be required to pay JHU reduced milestone fees for the second and third licensed products or licensed services in the therapeutic field in connection with clinical and regulatory milestones. In the diagnostic field, the Company may be required to pay JHU aggregate milestone fees of \$400,000 for the first licensed product or licensed service and reduced milestone fees for the second and third licensed products or licensed services in connection with regulatory and commercial milestones. The Company may be required to pay JHU aggregate milestone fees of \$100,000 for commercial milestones for the first licensed product or licensed service in the non-clinical field. In the aggregate, the Company may be required to pay JHU additional milestone fees of up to \$4.2 million for all clinical, regulatory and commercial milestones for all licensed products or licensed services in the therapeutic field, the diagnostic field and the non-clinical field. The Company may also be required to pay royalties in the low to upper mid-single digits on net sales of therapeutic products, diagnostic products and non-clinical products. The Company is required to make minimum annual royalty payments of \$100,000 to JHU under the A&R JHU License Agreement through the term of the agreement. The Company may also be required to pay JHU a low double digit percentage of any non-royalty sublicense consideration we receive.

The Company will record a liability when such events become probable. The Company has not reached any of the milestones or transacted its first commercial sale as of March 31, 2021.

The Company must make minimum royalty payments, which began upon the 4th anniversary of the agreement and upon every anniversary thereafter during the term of the agreement, which offset future royalties per above owed to JHU. The Company has incurred \$350,000 in cumulative minimum royalties from inception. Future annual minimum royalties consist of \$100,000 due each year during the remaining term of the agreement. The Company records milestones, royalties and minimum royalties at the time when payments become probable. During the three months ended March 31, 2021 and 2020, the Company incurred \$25,000 each quarter, related to minimum royalties owed, included in research and development expenses on the accompanying statement of operations. The Company has accrued royalties of \$75,000 as of March 31, 2021 and 2020.

Paycheck Protection Program Loan

On April 23, 2020, the Company applied for an unsecured \$843,619 loan under the Paycheck Protection Program (the “PPP Loan”). The Paycheck Protection Program (or “PPP”) was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). On May 1, 2020, the PPP loan was approved and funded. The Company entered into a promissory note of \$843,619, which is recorded within other current liabilities in the accompanying balance sheet. The Company treats the PPP loan as debt under ASC 470. The use of loan proceeds must be for payroll costs, payment of interest on covered mortgage obligations, rent and utility costs over either an eight-week or 24-week period, at the Company’s option.

The PPP Loan has a maturity date of April 23, 2022 and accrues interest at an annual rate of 0.98%. Interest and principal payments are deferred for the first six months of the loan. Thereafter, monthly interest and principal payments are due until the loan is fully satisfied. The promissory note evidencing the PPP Loan contains customary events of default resulting from, among other things, default in the payments.

The PPP Loan indebtedness may be forgiven in whole or in part upon request and the Company must provide documentation in accordance with the SBA requirements and the Company must certify that the amounts requested to be forgiven qualify under those requirements. The SBA may approve or deny the Company’s loan forgiveness application, in whole or part. The amount of potential loan forgiveness may be reduced if NexImmune fails to maintain employee and salary levels during the applicable eight-week or 24-week period following receipt of the loan proceeds. The Company submitted the PPP Loan forgiveness application in March 2021. The Company cannot provide any objective assurance that it will obtain forgiveness in whole or in part.

Contingencies

From time to time, the Company may be subject to various litigation and related matters arising in the ordinary course of business. The Company records a provision for a liability when it believes that it is both probable that a liability has been incurred and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. As of March 31, 2021 and December 31, 2020, the Company was not involved in any material legal proceedings.

9. Convertible Notes

During April 2020, the Company authorized the sale of up to \$15,000,000 6% Convertible Notes (“Agreement”). The Agreement specified an initial closing date of April 23, 2020 and allowed additional closings within 90 days of the initial closing. The Convertible Notes had a scheduled maturity date of April 23, 2021.

The terms of the Convertible Notes required a mandatory conversion upon certain qualified financing events (“Mandatory Conversion”) and allowed for conversion at the option of the holder upon certain non-qualified financing events (“Optional Conversion 1”). Upon Mandatory Conversion and Optional Conversion 1, the outstanding principal amount and all accrued and unpaid interest would automatically convert into the Company’s preferred stock of the same series issued in such equity financing and would be equal to the number of preferred stock obtained by dividing (a) all principal and accrued but unpaid interest under such Convertible Note by (b) the price per share paid by the other purchasers of the preferred stock sold in such equity financing multiplied by 80%.

If the Mandatory Conversion and Optional Conversion 1 did not occur by the maturity date, the outstanding principal amount plus all accrued and unpaid interest would be converted at the option of the holder into Company’s common stock at the price per share obtained by dividing \$85 million by the Company’s fully-diluted capitalization (“Optional Conversion 2”).

If the Company (i) consummates a change in control or (ii) the Company’s common stock becomes publicly listed on a stock exchange, the outstanding principal amount plus all accrued and unpaid interest would automatically convert into shares of the Company’s most senior series of capital stock outstanding at the time of such change in control or public listing, at a price equal to the lower of (a) 90% of the price per share paid by the purchasers of such stock in such a transaction and (b) the price per share obtained by dividing \$125 million by the Company’s fully-diluted capitalization (“Change in Control”).

The Agreement was amended in July 2020 to allow the sale of up to \$50,000,000 convertible notes and to allow for additional closings within 150 days of the initial closing date. The Agreement was amended in September 2020 to allow for additional closings within 190 days of the initial closing date. In addition, the provisions of Mandatory Conversion and Optional Conversion 1 were amended to allow for conversion upon an equity financing at a price equal to the lower of (a) 80% of the price per share paid by the purchasers of such stock in such a transaction and (b) the price per share obtained by dividing \$125,000,000 by the Company’s fully-diluted capitalization. The Company evaluated the amendments and concluded that the amendments represented a debt modification.

In October 2020, the Agreement was further amended to allow additional closings through December 31, 2020, and in January 2021 it was amended again to allow closings through January 31, 2021. In January 2021, the Company issued convertible notes with a principal amount of \$9,031,480.

The Company evaluated the Convertible Notes and determined that the Mandatory Conversion feature, Optional Conversion 1 feature and Change in Control meet the definition of an embedded derivative liability that is required to be bifurcated from the host instrument and measured at fair value. The fair value of the derivative liability for the convertible notes issued in January 2021 was \$722,518.

The Company amortized the debt issuance costs of \$256,212 and the debt discount from of the initial value of the derivative liability of \$1,982,594 over the term of the Convertible Notes using the effective interest method. The debt issuance costs and debt discount amortization expense for the three months ended March 31, 2021 was \$613,770 and is included in interest expense in the accompanying statements of operations. The interest expense at 6% of the Convertible Notes’ principal amount for the three months ended March 31, 2021 was \$217,593. The effective interest rate during the three months ended March 31, 2021 was 25%. The unamortized debt issuance costs and debt discount on the Convertible Notes as of December 31, 2020, were \$116,636 and \$2,383,986, respectively.

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The Company completed an IPO on February 11, 2021 which triggered the mandatory conversion of all the outstanding Convertible Notes principal plus accrued interest into shares of common stock (Note 10). Upon conversion of the Convertible Notes, the outstanding Convertible Notes principal plus accrued interest thereon, net of unamortized debt discounts totaling \$30,252,056 was derecognized into stockholders' deficit.

10. Series A Redeemable Convertible Preferred Stock and Stockholders' Deficit

Issuances of Common Stock

On February 11, 2021, the Company completed its IPO, pursuant to which it issued and sold 7,441,650 shares of its common stock at a public offering price of \$17.00 per share, resulting in net proceeds of \$115,191,259, after deducting underwriting discounts and commissions and other offering expenses. Upon the closing of the IPO, all of the 175,137,398 outstanding shares of the Company's Redeemable Convertible Preferred Stock automatically converted into 10,144,052 shares of common stock after giving effect to the reverse stock split, and all of the outstanding Convertible Notes principal and accrued but unpaid interest thereon of \$31,272,224 converted to 3,669,010 shares of common stock. Upon completion of the offering on February 11, 2021, the Company's authorized capital stock consists of 250,000,000 shares of common stock, par value \$0.0001 per share, and 10,000,000 shares of preferred stock, par value \$0.0001 per share, all of which shares of preferred stock are undesignated.

In January 2021, 145,000 warrants were exercised at an exercise price of \$0.01 and 145,000 shares of Series A redeemable convertible stock were issued and then converted into common stock upon the closing of the IPO. The remaining outstanding warrants outstanding as of December 31, 2020 were exercised and settled in January 2021 with 2,896 shares of common stock issued in a cashless exercise.

11. Stock-Based Compensation

During January 2017, the Company adopted the 2017 Equity Incentive Plan (the "2017 Plan"), which provides for granting of restricted stock, options to purchase shares of common stock and other awards to employees, directors and consultants. In March 2017, the Company amended the 2017 Plan to increase the number of available shares to 660,838. In June 2018, the Company adopted the 2018 Equity Incentive Plan (the "2018 Plan") which provides for granting of restricted stock, options to purchase shares of common stock, and other awards to employees, directors and consultants, and reserved 1,741,770 shares for this purpose. The 2018 Plan was amended in July 2018 to increase the number of available shares to 1,809,143. In February 2021, the Company adopted the 2021 Equity Incentive Plan (the "2021 Plan") and reserved 2,757,556 shares under the plan. No further shares will be issued under the 2017 and 2018 plans. There are 1,586,365 shares available for issuance under the 2021 plan.

The number of options to be granted under the 2021 Plan, the option exercise prices, and other terms of the options are determined by the Board of Directors in accordance with the terms of the 2021 Plan. Generally, stock options are granted at fair value, become exercisable over a period of one to four years, expire in ten years or less and are subject to the employee's continued employment.

Stock-based compensation expense was recorded in the following financial statement line items within the statement of operations for the years ended March 31, 2021 and 2020:

	2021	2020
Research and development expenses	\$ 204,330	\$ 82,743
General and administrative expenses	993,114	236,219
Total stock-based compensation expense	<u>\$1,197,444</u>	<u>\$ 318,962</u>

The following is a summary of option activity under the Company's Stock Option Plans:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (millions)
Outstanding as of January 1, 2021	2,233,185	\$ 3.52		
Granted	1,170,891	17.00		
Exercised	(65,013)	4.56		
Cancelled	(772)	4.31		
Forfeited	(192,243)	4.83		
Outstanding as of March 31, 2021	<u>3,146,048</u>	<u>\$ 8.44</u>	<u>7.98</u>	<u>\$ 33.5</u>
Vested or expected to vest as of March 31, 2021	3,146,048	\$ 8.44	7.98	\$ 33.5
Exercisable as of March 31, 2021	1,730,292	\$ 3.18	6.64	\$ 27.5
Shares unvested as of March 31, 2021	1,415,786	\$ 14.86	9.63	\$ 6.0

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The weighted average fair value of the options granted during the three months ended March 31, 2021 and 2020 was \$11.64 and \$4.04, respectively. The options were valued using the Black-Scholes option-pricing model for the three months ended March 31, 2021 and 2020 with the following assumptions:

	<u>2021</u>	<u>2020</u>
Expected volatility	79.8% to 81.0%	100%
Risk-free interest rate	0.6% to 0.7%	0.7% to 0.74%
Expected dividend yield	0%	0%
Expected term	5.5 to 6.0 years	5.3 to 6.0 years

The total fair value of stock options vested during the three months ended March 31, 2021 and 2020 was approximately \$0.8 million, and \$0.4 million, respectively. The intrinsic value of stock options exercised for the three months ended March 31, 2021 and 2020 was approximately \$232,268 and \$0, respectively.

As of March 31, 2021, there was \$15.3 million of total unrecognized compensation expense related to unvested options that will be recognized over a weighted average period of 3.38 years.

12. Net Loss Per Share Attributable to Common Stockholders

Basic net loss per common share is determined by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration of common stock equivalents. Diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of common stock and common stock equivalents outstanding for the period. The Company adjusts net loss to arrive at the net loss attributable to common stockholders to reflect the amount of dividends accumulated during the period on the Company's redeemable convertible preferred stock. Such dividends are only payable if and when declared by the Board of Directors. The treasury stock method is used to determine the dilutive effect of the Company's stock option grants and warrants and the if-converted method is used to determine the dilutive effect of the Company's redeemable convertible preferred stock and Convertible Notes. For the three months ended March 31, 2021 and 2020, the Company had a net loss attributable to common stockholders, and as such, all outstanding stock options and shares of redeemable convertible preferred stock were excluded from the calculation of diluted loss per share. Under the if converted method, convertible instruments that are in the money, are assumed to have been converted as of the beginning of the period or when issued, if later. Additionally, the effects of any interest expense and changes in fair value of bifurcated derivatives is added back to the numerator of the diluted net loss per share calculation if the conversion of the Convertible Notes is dilutive. The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2021 and 2020:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Net loss	\$ (8,546,551)	\$ (6,315,508)
Accumulated dividends on Redeemable Convertible Preferred Stock	(377,562)	(815,516)
Net loss attributable to common stockholders	<u>\$ (8,924,113)</u>	<u>\$ (7,131,024)</u>
Basic and diluted net loss per common share	\$ (0.71)	\$ (5.68)
Basic and diluted weighted average common shares outstanding	12,633,123	1,254,681

The following potentially dilutive securities outstanding at March 31, 2021 and 2020 have been excluded from the computation of diluted weighted average common shares outstanding, as the effect would be anti-dilutive:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Stock options	3,146,048	2,242,145
Redeemable convertible preferred stock	4,733,929	10,135,735
Convertible debt	2,059,100	—
Warrants	611	14,480
Total	9,939,688	14,374,460

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Shares of redeemable convertible preferred stock also participate in dividends with shares of common stock (if and when declared) and therefore are deemed participating securities. The holders of redeemable convertible preferred stock do not contractually share in losses and therefore no additional net loss per share has been disclosed under the two-class method.

13. Income Taxes

The Company has not recorded any tax provision or benefit for the three months ended March 31, 2021. The Company has provided a valuation allowance for the full amount of its net deferred tax assets since realization of any future benefit from deductible temporary differences, net operating loss carryforwards, and research and development credits is not more-likely-than-not to be realized at March 31, 2021 and December 31, 2021. The effective tax rate for the three months ended March 31, 2021 and 2020 is 0%.

The Company has not recorded any accruals related to uncertain tax positions as of March 31, 2021 and December 31, 2020. We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The 2016 through 2019 tax years remain subject to examination by federal and state tax authorities.

14. Employee Benefit Plan

The Company has a defined contribution plan under the Internal Revenue Code Section 401(k). The plan covers all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company may contribute a matching contribution at its discretion. During the three months ended March 31, 2021 and 2020, the Company made contributions of \$40,233 and \$32,749, respectively, to the plan.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our final prospectus for our initial public offering filed pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, or the Securities Act, on February 11, 2021 (the "Prospectus"). Some of the information contained in this discussion and analysis or set forth elsewhere in this Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Form 10-Q, our actual results could differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Investors and others should note that we routinely use the Investor Relations section of our website to announce material information to investors and the marketplace. While not all of the information that we post on the Investor Relations section of our website is of a material nature, some information could be deemed to be material. Accordingly, we encourage investors, the media, and others interested in us to review the information that it shares on the Investor Relations section of our website, www.neximmune.com.

Overview

We are a clinical-stage biotechnology company developing a novel approach to immunotherapy designed to employ the body's own T cells to generate a specific, potent and durable immune response that mimics natural biology. Our mission is to create therapies with curative potential for patients with cancer and other life-threatening immune-mediated diseases. Currently, we have two product candidates in human trials: NEXI-001 in acute myeloid leukemia, or AML, and NEXI-002 in multiple myeloma, or MM.

We were incorporated under the laws of the State of Delaware on June 7, 2011. In June 2011, we exclusively licensed the core AIM technology from The Johns Hopkins University, or Johns Hopkins. See "Business—Johns Hopkins License Agreement" for information about this license.

To date, we have devoted substantially all of our resources to organizing and staffing our company, business planning, raising capital, identifying and developing product candidates, enhancing our intellectual property portfolio, undertaking research, conducting preclinical studies and clinical trials, and securing manufacturing for our development programs. We do not have any products approved for sale and have not generated any revenue from product sales.

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To date, we have funded our operations primarily with proceeds from private placement of convertible preferred stock, our convertible promissory notes and the IPO. In February 2021, we completed the IPO and issued and sold an aggregate 7,441,650 shares of common stock, which included 970,650 shares of our common stock issued pursuant to the underwriters' option to purchase additional shares, at a public offering price of \$17.00 per share, for net proceeds of \$114.6 million after deducting underwriting discounts and commissions and other offering costs.

We have incurred significant operating losses since our inception, which are mainly attributed to research and development costs and employee payroll expense included in general and administrative expenses. As of March 31, 2021, we had an accumulated deficit of \$85.2 million. Our operating losses may fluctuate significantly from quarter-to-quarter and year-to-year as a result of several factors, including the timing of our preclinical studies and clinical trials and our expenditures related to other research and development activities. We expect to continue to incur operating losses for the foreseeable future. We anticipate these losses will increase substantially as we advance our product candidates through preclinical and clinical development, develop additional product candidates and seek regulatory approvals for our product candidates. We do not expect to generate any revenues from product sales unless and until we successfully complete development and obtain regulatory approval for one or more product candidates. In addition, if we obtain marketing approval for any product candidate, we expect to incur pre-commercialization expenses and significant commercialization expenses related to marketing, sales, manufacturing and distribution. We may also incur expenses in connection with the in-licensing of additional product candidates. Furthermore, we expect to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations, compliance and other expenses that we did not incur as a private company.

As a result, we will need substantial additional funding to support our continuing operations and pursue our growth strategy. Until such time as we can generate significant revenue from sales of our product candidates, if ever, we expect to finance our cash needs through public or private equity offerings, debt financings, collaborations and licensing arrangements or other capital sources. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements as and when needed would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market our product candidates that we would otherwise prefer to develop and market ourselves.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate product sales, we may not become profitable. If we fail to become profitable or are unable to sustain profitability on a continuing basis, we may be unable to continue our operations at planned levels and be forced to reduce or terminate our operations.

As of March 31, 2021, we had cash and cash equivalents of \$118.1 million.

Components of our Results of Operations

Revenue

We have not generated any revenue since our inception and do not expect to generate any revenue from the sale of products in the near future, if at all.

Research and Development Expenses

To date, our research and development expenses, have related primarily to development of NEXI-001 and NEXI-002, preclinical studies and other preclinical activities related to our portfolio. Research and development expenses are recognized as incurred and payments made prior to the receipt of goods or services to be used in research and development are capitalized until the goods or services are received. Research and development expenses also include the accrual of minimum royalties under our Johns Hopkins license.

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Research and development expenses include:

- salaries, payroll taxes, employee benefits and stock-based compensation charges for those individuals involved in research and development efforts;
- external research and development expenses incurred under agreements with contract research organizations, or CROs, and consultants to conduct our preclinical, toxicology and other preclinical studies;
- laboratory supplies;
- costs related to manufacturing product candidates, including fees paid to third-party manufacturers and raw material suppliers;
- license fees and research funding; and
- facilities, depreciation and other allocated expenses, which include direct and allocated expenses for rent, maintenance of facilities, insurance, equipment and other supplies.

Clinical trial costs are a significant component of research and development expenses and include costs associated with third-party contractors. We outsource a substantial portion of our clinical trial activities, utilizing external entities such as CROs, independent clinical investigators and other third-party service providers to assist us with the execution of our clinical trials. We also expect to incur additional expenses related to milestone and royalty payments payable to Johns Hopkins.

We plan to substantially increase our research and development expenses for the foreseeable future as we continue the development of our product candidates and seek to discover and develop new product candidates. Due to the inherently unpredictable nature of preclinical and clinical development, we cannot determine with certainty the timing of the initiation, duration or costs of future clinical trials and preclinical studies of product candidates. Clinical and preclinical development timelines, the probability of success and the amount of development costs can differ materially from expectations. We anticipate that we will make determinations as to which product candidates and development programs to pursue and how much funding to direct to each product candidate or program on an ongoing basis in response to the results of ongoing and future preclinical studies and clinical trials, regulatory developments and our ongoing assessments as to each product candidate's commercial potential. In addition, we cannot forecast which product candidates may be subject to future collaborations, when such arrangements will be secured, if at all, and to what degree such arrangements would affect our development plans and capital requirements.

Our future clinical development costs may vary significantly based on factors such as:

- per-patient trial costs;
- the number of trials required for regulatory approval;
- the number of sites included in the trials;
- the countries in which the trials are conducted;
- the length of time required to enroll eligible patients;
- the number of patients that participate in the trials;
- the number of doses that patients receive;
- the drop-out or discontinuation rates of patients;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the phase of development of the product candidate; and
- the efficacy and safety profile of the product candidate.

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General and Administrative Expenses

General and administrative expenses consist primarily of salaries and employee-related costs, including stock-based compensation, for personnel in our executive, finance and other administrative functions. Other significant costs include facility related costs, legal fees relating to intellectual property and corporate matters, professional fees for accounting and consulting services and insurance costs. We anticipate that our general and administrative expenses will increase in the future to support our continued research and development activities, pre-commercialization and, if any product candidates receive marketing approval, commercialization activities. We also anticipate increased expenses related to audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums and investor relations costs associated with operating as a public company.

Interest Income

Interest income consists of interest earned on our cash equivalents during the period.

Interest Expense

Interest expense consists of interest accrued on the convertible notes and interest recognized upon the amortization of the beneficial conversion feature, debt issuance costs and bifurcated derivative liability.

Change in Fair Value of Derivative Liability

The change in fair value of derivative liability consists entirely of the mark-to-market adjustment of the bifurcated derivative liability related to the convertible notes. As a result of our IPO, the derivative liability was settled.

Results of Operations

Comparison of the Three Months Ended March 31, 2021 and 2020

The following table summarizes our results of operations for the three months ended March 31, 2021 and 2020:

	For the three months ended March 31,		Change
	2021	2020	
	(in thousands)		
Operating expenses			
Research and development	\$ 6,013	\$ 4,272	\$ 1,741
General and administrative	4,057	2,089	1,969
Total operating expenses	10,070	6,361	3,709
Loss from operations	(10,070)	(6,361)	(3,709)
Other expense (income):			
Interest income	4	19	(15)
Interest expense	(904)	(1)	(903)
Change in fair value of derivative liability	2,425	—	2,425
Other income (expense)	(1)	27	(28)
Other expense (income)	1,524	45	1,479
Net loss	\$ (8,546)	\$ (6,316)	\$ (2,230)

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Research and Development Expenses. Research and development expenses were \$6.0 and \$4.3 million for the three months ended March 31, 2021 and 2020, respectively. The increase of \$1.7 million was due primarily to increases of \$1.1 million for clinical trial expenses and increases to salary and benefits of \$0.5 million resulting from increased headcount. We have not historically tracked internal research and development expenses by product candidate.

General and Administrative Expenses. General and administrative expenses were \$4.1 and \$2.1 million for the three months ended March 31, 2021 and 2020, respectively. The increase of \$2.0 was due primarily to increases of \$0.8 million in stock compensation expense following the IPO, an increase of \$0.8 million in professional fees and an increase in insurance of \$0.4 million for Directors and Officers insurance.

Interest Expense. Interest expense was \$0.9 million and \$0.0 million for the three months ended March 31, 2021 and 2020, respectively. The increase is due to the issuance of convertible debt during the period from April 2020 into January 2021.

Change in Fair Value of Derivative Liability. The change in fair value of derivative liability was \$2.4 and \$0.0 million for the three months ended March 31, 2021 and 2020, respectively. The increase reflected the remeasurement of the derivative liability immediately before the conversion of the convertible notes into shares of common stock upon the completion of the IPO in February 2021. Following the IPO there are no derivative instruments.

Liquidity and Capital Resources

We have incurred net losses and negative cash flows from operations since our inception and anticipate we will continue to incur net losses for the foreseeable future. As of March 31, 2021, we had cash and cash equivalents of \$118.1 million.

Sources of Liquidity

To date, we have financed our operations principally through private placements of our redeemable convertible preferred stock, our convertible promissory notes and the IPO.

Series A Preferred Stock Financing

In December 2017 through August 2018, we issued an aggregate of 121,735,303 shares of our Series A Redeemable Convertible Preferred Stock at a purchase price of \$0.2951 per share for aggregate consideration of \$25.0 million plus conversion of convertible notes.

In January 2019 and February 2019, we issued an aggregate of 22,047,361 shares of our Series A-2 Preferred Stock at a purchase price of \$0.3523 per share for aggregate consideration of \$7.8 million.

In November 2019 and December 2019, we issued an aggregate of 31,209,734 shares of our Series A-3 Preferred Stock at a purchase price of \$0.3523 per share for aggregate consideration of \$11.0 million.

Convertible Note Financing

From April 2020 through December 31, 2020, we issued \$21,618,286 aggregate principal amount of convertible notes, which bore interest at the rate of 6% per annum and had a scheduled maturity date in April 2021.

In January 2021, we issued an additional \$9,031,480 aggregate principal amount of convertible notes, which bore interest at the rate of 6% per annum and had a scheduled maturity date in April 2021.

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Paycheck Protection Program Loan

On April 23, 2020, we entered into an unsecured loan agreement with JPMorgan Chase Bank, or Chase, under the terms of which Chase loaned us \$843,619, or the PPP Loan, pursuant to the Paycheck Protection Program, or PPP, under the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act. In accordance with the requirements of the CARES Act, we have used the proceeds primarily for payroll costs and other eligible expenses. The PPP Loan has a maturity date of April 23, 2022 and accrues interest at an annual rate of 0.98%. Interest and principal payments are deferred for the first six months of the loan. Thereafter, monthly interest and principal payments are due until the loan is fully satisfied. The promissory note evidencing the PPP Loan contains customary events of default resulting from, among other things, default in the payments. The use of loan proceeds must be for payroll costs, payment of interest on covered mortgage obligations, rent and utility costs over either an eight-week or 24-week period, at our option, following our receipt of the loan proceeds. We elected to use the proceeds over a 24-week period. We treat the PPP loan as debt under ASC 470, Debt. The CARES Act and the PPP provide a mechanism for forgiveness of up to the full amount borrowed. We submitted the PPP Loan forgiveness application in March 2021. Although we believe it is probable that the PPP Loan will be forgiven, we cannot provide any objective assurance that we will obtain forgiveness in whole or in part.

Initial Public Offering

In February 2021, we completed the IPO and issued and sold an aggregate 7,441,650 shares of common stock, which included 970,650 shares of our common stock issued pursuant to the underwriters' option to purchase additional shares, at a public offering price of \$17.00 per share, for net proceeds of \$114.6 million after deducting underwriting discounts and commissions and other offering costs.

Cash Flows

The following table sets forth a summary of the net cash flow activity for the three months ended March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	(in thousands)	
Net cash provided by (used in):		
Operating activities	\$ (11,155)	\$ (6,510)
Investing activities	(581)	758
Financing activities	124,808	(5)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>\$ 113,072</u>	<u>\$ 5,757</u>

Operating Activities

Net cash used in operating activities was \$11.2 million and \$6.5 million for the three months ended March 31, 2021 and 2020, respectively. The net cash used in operating activities for the three months ended March 31, 2021 was primarily due to our net loss of \$8.5 million, resulting from R&D expenditures of \$6.0 million as we ramp up our clinical program and \$4.1 million of administrative expenses for public company expenses, salary and related expenses and professional fees. In addition, there were decreases of \$2.5 million in working capital changes.

The net cash used in operating activities for the three months ended March 31, 2020 was primarily due to our net loss of \$6.3 million, consisting of \$4.2 million for R&D expenses primarily in pre-clinical research expenses and manufacturing as we prepared for our clinical program, and \$2.1 million in administrative expenses for salary and related expenses and professional fees. In addition, there were decreases of \$0.7 million in working capital changes.

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Investing Activities

Net cash used in investing activities was \$0.6 million for the three months ended March 31, 2021 resulting from purchases of property and equipment. Net cash provided by investing activities of \$0.8 million for the three months ended March 31, 2020 was primarily due to maturities of available-for-sale marketable securities of \$1.0 million, partially offset by the purchase of property and equipment for \$0.2 million.

Financing Activities

Net cash provided by financing activities was \$124.8 million for the three months ended March 31, 2021 primarily due to the net proceeds of \$115.5 million from the IPO and \$9.0 million from the issuance of convertible debt.

Funding Requirements

We believe that our existing cash and cash equivalents, will be sufficient to meet our anticipated cash requirements through the second quarter of 2022. However, our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary materially. We have based this estimate on assumptions that may prove to be wrong, and we could deplete our capital resources sooner than we expect.

Our future capital requirements will depend on many factors, including:

- the initiation, progress, timing, costs and results of drug discovery, preclinical studies and clinical trials of NEXI-001 and NEXI-002 and any other future product candidates;
- the number and characteristics of product candidates that we pursue;
- the outcome, timing and costs of seeking regulatory approvals;
- the cost of manufacturing NEXI-001 and NEXI-002 and future product candidates for clinical trials in preparation for marketing approval and in preparation for commercialization;
- the costs associated with hiring additional personnel and consultants as our preclinical and clinical activities increase;
- the emergence of competing therapies and other adverse market developments;
- the ability to establish and maintain strategic licensing or other arrangements and the financial terms of such agreements;
- the costs involved in preparing, filing, prosecuting, maintaining, expanding, defending and enforcing patent claims, including litigation costs and the outcome of such litigation;
- the extent to which we in-license or acquire other products and technologies; and
- the costs of operating as a public company.

Until such time, if ever, as we can generate substantial product revenues to support our capital requirements, we expect to finance our cash needs through a combination of public or private equity offerings, debt financings, collaborations and licensing arrangements or other capital sources. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing and equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise funds through collaborations, or other similar arrangements with third parties, we may need to relinquish valuable rights to our product candidates, future revenue streams or research programs or may have to grant licenses on terms that may not be favorable to us and/or may reduce the value of our common stock. If we are unable to raise additional funds through equity or debt financings as and when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market our product candidates even if we would otherwise prefer to develop and market such product candidates ourselves.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and events, and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 3, "Summary of significant accounting policies", and in our Form 10K for the year ended December 31, 2020, we believe the following accounting policies and estimates to be most critical to the preparation of our financial statements.

Stock-Based Compensation Expense

Stock-based compensation expense represents the cost of the grant date fair value of equity awards recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis. We estimate the fair value of equity awards using the Black-Scholes option pricing model and recognize forfeitures as they occur. Estimating the fair value of equity awards as of the grant date using valuation models, such as the Black-Scholes option pricing model, is affected by assumptions regarding a number of variables, including the risk-free interest rate, the expected stock price volatility, the expected term of stock options, the expected dividend yield and the fair value of the underlying common stock on the date of grant. Changes in the assumptions can materially affect the fair value and ultimately how much stock-based compensation expense is recognized. These inputs are subjective and generally require significant analysis and judgment to develop. See Note 3, "Summary of significant accounting policies" for information concerning certain of the specific assumptions we used in applying the Black-Scholes option pricing model to determine the estimated fair value of our stock options granted for the three months ended March 31, 2021 and 2020.

Common stock valuations

We are required to estimate the fair value of the common stock underlying our equity awards when performing fair value calculations. The fair value of the common stock underlying our equity awards was determined on each grant date by our board of directors, taking into account input from management and independent third-party valuation analyses. All options to purchase shares of our common stock are intended to be granted with an exercise price per share no less than the fair value per share of our common stock underlying those options on the date of grant, based on the information known to us on the date of grant. In the absence of a public trading market for our common stock, on each grant date we develop an estimate of the fair value of our common stock in order to determine an exercise price for the option grants. Our determinations of the fair value of our common stock were made using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Accounting and Valuation Guide: Valuation of Privately Held Company Equity Securities Issued as Compensation, or the Practice Aid.

Our board of directors considered various objective and subjective factors, along with input from management, to determine the fair value of our common stock, including:

- valuations of our common stock performed with the assistance of independent third-party valuation specialists;
- current and potential strategic relationships and licenses;
- our stage of development and business strategy, including the status of research and development efforts of our product candidates, and the material risks related to our business and industry;
- our results of operations and financial position, including our levels of available capital resources;

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- the valuation of publicly traded companies in the life sciences and biotechnology sectors, as well as recently completed mergers and acquisitions of peer companies;
- the lack of marketability of our common stock as a private company;
- the prices of preferred stock sold to investors in arm's length transactions and the rights, preferences and privileges of our preferred stock relative to those of our common stock;
- the likelihood of achieving a liquidity event for the holders of our common stock, such as an initial public offering or a sale of our company, given prevailing market conditions;
- trends and developments in our industry; and
- external market conditions affecting the life sciences and biotechnology industry sectors.

The Practice Aid prescribes several valuation approaches for setting the value of an enterprise, such as the cost, income and market approaches, and various methodologies for allocating the value of an enterprise to its common stock. The cost approach establishes the value of an enterprise based on the cost of reproducing or replacing the property less depreciation and functional or economic obsolescence, if present. The income approach establishes the value of an enterprise based on the present value of future cash flows that are reasonably reflective of our future operations, discounting to the present value with an appropriate risk-adjusted discount rate or capitalization rate. The market approach is based on the assumption that the value of an asset is equal to the value of a substitute asset with the same characteristics. Each valuation methodology was considered in our valuations.

The various methods for allocating the enterprise value across our classes and series of capital stock to determine the fair value of our common stock in accordance with the Practice Aid include the following:

Option Pricing Method, or OPM. Under the OPM, shares are valued by creating a series of call options with exercise prices based on the liquidation preferences and conversion terms of each equity class. The values of the preferred and common stock are inferred by analyzing these options.

Probability-Weighted Expected Return Method, or PWERM. The PWERM is a scenario-based analysis that estimates the value per share based on the probability-weighted present value of expected future investment returns, considering each of the possible outcomes available to us, as well as the economic and control rights of each equity class.

In determining the fair value of our common stock underlying stock option grants for the years ended December 31, 2020 and 2019, we estimated the enterprise value of our business using the back-solve method and the OPM to allocate enterprise value. The back-solve method is a market approach that assigns an implied enterprise value based on the most recent round of funding or investment and allows for the incorporation of the implied future benefits and risks of the investment decision assigned by an outside investor. We believed the OPM was the most appropriate method given the expectation of various potential liquidity outcomes and the difficulty of selecting and supporting appropriate enterprise values given our early stage of development.

The determination of the fair value of our common stock after our IPO on February 11, 2021 is determined by the closing price our common stock on the date of grant.

Other Company Information

Net Operating Loss and Research and Development Carryforwards and Other Income Tax Information

At December 31, 2020, we had federal and state net operating loss carryforwards of \$69.1 million. As of December 31, 2020, we also had federal research credit carryforwards of \$0.3 million. Approximately \$10.5 million of the federal NOL was generated prior to 2018 and will expire in increments through 2037 beginning in 2035, while the remaining \$58.6 million will be carried forward indefinitely. The state NOL will expire in increments through 2037, beginning expiring in 2035. The federal research and development tax credit carryforwards, if not utilized, will expire beginning in 2037.

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We believe that it is more likely than not that we will not realize the benefits of the deferred tax assets. Accordingly, a full valuation allowance has been established against the net deferred tax assets as of December 31, 2020. Management reevaluates the positive and negative evidence at each reporting period.

We have not completed a Section 382 study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since our formation due to the complexity and cost associated with such a study and the fact that there may be additional such ownership changes in the future. Pursuant to Sections 382 and 383 of the Internal Revenue Code, annual use of our net operating loss and research and development tax credit carryforwards may be limited in the event a cumulative change in ownership of more than 50% occurs within a three-year period.

Emerging Growth Company and Smaller Reporting Company Status

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. We will remain an emerging growth company until the earlier of (1) December 31, 2026, (2) the last day of the fiscal year in which we have total annual gross revenues of at least \$1.07 billion, (3) the date on which we are deemed to be a “large accelerated filer” as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, or (4) the date on which we have issued more than \$1.0 billion in non-convertible debt securities during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company,

- we may present only two years of audited financial statements, plus unaudited condensed financial statements for any interim period, and related Management’s Discussion and Analysis of Financial Condition and Results of Operations in this filing.
- we may avail ourselves of the exemption from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act;
- we may provide reduced disclosure about our executive compensation arrangements; and
- we may not require stockholder non-binding advisory votes on executive compensation or golden parachute arrangements.

We have elected to take advantage of certain of the reduced disclosure obligations in the registration statement of which this filing is a part and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies, which may make our financial statements less comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates. Until the date that we are no longer an emerging growth company or affirmatively and irrevocably opt out of the exemption provided by Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, upon issuance of a new or revised accounting standard that applies to our financial statements and that has a different effective date for public and private companies, we will disclose the date on which we will adopt the recently issued accounting standard.

We are also a “smaller reporting company,” meaning that the market value of our stock held by non-affiliates plus the proposed aggregate amount of gross proceeds to us as a result of the IPO was less than \$700.0 million and our annual revenue is less than \$100.0 million during the most recently completed fiscal year. After the IPO we may continue to be a smaller reporting company if either (1) the market value of our stock held by non-affiliates is less than \$250.0 million or (2) our annual revenue is less than \$100.0 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than \$700.0 million. If we are a smaller reporting company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Quarterly Report on Form 10-Q and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

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Recently Issued and Adopted Accounting Pronouncements

A description of recently issued and adopted accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 3, “Summary of significant accounting policies”.

Off-Balance Sheet Arrangements

During the periods presented we did not have, nor do we currently have, any off-balance sheet arrangements as defined under SEC rules.

Item 3. Quantitative and qualitative disclosures about market risk.

Not applicable

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer), evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2021. Based on the evaluation of our disclosure controls and procedures as of March 31, 2021, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Previously Identified Material Weakness

In preparation for our initial public offering, we identified a material weakness in our internal control over financial reporting related to our control environment. Specifically, we have determined that we have not maintained adequate formal accounting policies, processes and controls related to complex transactions as a result of a lack of finance and accounting staff with the appropriate GAAP technical expertise needed to identify, evaluate and account for complex and non-routine transactions. We also determined that we have not maintained sufficient staffing or written policies and procedures for accounting and financial reporting, which contributed to the lack of a formalized process or controls for management’s timely review and approval of financial information. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented, or detected and corrected on a timely basis.

More specifically, we have determined that our financial statement close process includes significant control gaps mainly driven by the small size of our accounting and finance staff and, as a result, a significant lack of appropriate segregation of duties. We also determined that we have not maintained sufficient staffing or written policies and procedures for accounting and financial reporting, which contributed to the lack of a formalized process or controls for management’s timely review and approval of financial information.

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The process of designing and implementing an effective accounting and financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain an accounting and financial reporting system that is adequate to satisfy our reporting obligations. As we continue to evaluate and take actions to improve our internal control over financial reporting, we may determine to take additional actions to address control deficiencies or determine to modify certain of the remediation measures described above. We cannot assure you that the measures we have taken to date, or any measures we may take in the future, will be sufficient to remediate the material weakness we have identified or avoid potential future material weaknesses.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the period covered by this filing that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

Not applicable.

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

Set forth below is information regarding shares of equity securities sold, and options granted, by us during the three months ended March 31, 2021 that were not registered under the Securities Act.

Recent Sales of Unregistered Equity Securities

During the period between January 1, 2021 and March 31, 2021, we issued to certain of our employees, consultants and directors, options to purchase an aggregate of 1,170,891 shares of our common stock at a weighted-average exercise price of \$17 per share. We deemed these issuances to be exempt from registration under the Securities Act either in reliance on Rule 701 of the Securities Act as sales and offers under compensatory benefit plans and contracts relating to compensation in compliance with Rule 701, or in reliance on Section 4(a)(2), as transactions by an issuer not involving a public offering. All recipients either received adequate information about our company or had access, through employment or other relationships, to such information. No underwriters were involved in the foregoing issuances of securities. We filed a registration statement on Form S-8 under the Securities Act on February 25, 2021 to register all of the shares of our common stock subject to outstanding options and all shares of our common stock otherwise issuable pursuant to our equity compensation plan.

In January 2021, we issued \$9,031,480 aggregate principal amount of convertible notes to certain investors. We deemed this transaction to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) as a transaction by an issuer not involving a public offering.

Use of Proceeds from Initial Public Offering

In February 2021, we completed the IPO and issued and sold an aggregate 7,441,650 shares of common stock, which included 970,650 shares of our common stock issued pursuant to the underwriters' option to purchase additional shares, at a public offering price of \$17.00 per share, for net proceeds of \$114.8 million after deducting underwriting discounts and commissions and other offering costs.

The offer and sale of all of the shares of our common stock in our initial public offering of common stock, or the IPO, was effected through a Registration Statement on Form S-1 (File No. 333- 252220) that was declared effective by the SEC on February 11, 2021.

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None of the underwriting discounts and commissions or offering expenses were incurred or paid to directors or officers of ours or their associates or to persons owning 10% or more of our common stock or to any of our affiliates. We have invested the net proceeds from the IPO in a money market fund. There has been no material change in our planned use of the net proceeds from the IPO as described in our final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on February 11, 2021.

We have invested the net proceeds from the IPO in a variety of capital preservation investments in government cash management fund. There has been no material change in our planned use of the net proceeds from the IPO as described in our final prospectus filed pursuant to Rule 424(b)(4) under the Securities Act with the SEC on February 16, 2021.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Form of Sixth Amended and Restated Certificate of Incorporation. (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K (File No. 001-40045) filed with the SEC on February 18, 2021)
3.2	Restated Bylaws of NexImmune, Inc. (incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K (File No. 001-40045) filed with the SEC on February 18, 2021)
10.1	Form of Indemnification Agreement. (incorporated by reference to Exhibit 10.1 of the Registrant's Registration Statement on Form S-1 (File No. 333-252220) filed with the SEC on February 8, 2021)
10.2.1	2017 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.2.1 of the Registrant's Registration Statement on Form S-1 (File No. 333-252220) filed with the SEC on February 8, 2021)
10.2.2	Form of Stock Option Agreement under the 2017 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.2.2 of the Registrant's Registration Statement on Form S-1 (File No. 333-252220) filed with the SEC on February 8, 2021)
10.3.1	2018 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.3.1 of the Registrant's Registration Statement on Form S-1 (File No. 333-252220) filed with the SEC on February 8, 2021)
10.3.2	Form of Stock Option Agreement under the 2018 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.3.2 of the Registrant's Registration Statement on Form S-1 (File No. 333-252220) filed with the SEC on February 8, 2021)
10.4.1	2021 Equity Incentive Plan, (incorporated by reference to Exhibit 10.4.1 of the Registrant's Registration Statement on Form S-1 (File No. 333-252220) filed with the SEC on February 8, 2021)
10.4.2	Form of Stock Option Agreement under the 2021 Equity Incentive Plan, incorporated by reference to Exhibit 10.4.2 of the Registrant's Registration Statement on Form S-1 (File No. 333-252220) filed with the SEC on February 8, 2021)
10.5	Employment Agreement, by and between the Registrant and Scott Carmer, dated February 3, 2021 (incorporated by reference to Exhibit 10.5 of the Registrant's Registration Statement on Form S-1 (File No. 333-252220) filed with the SEC on February 8, 2021)

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- 10.6 [Employment Agreement, by and between the Registrant and John Trainer, dated January 6, 2020 \(incorporated by reference to Exhibit 10.6 of the Registrant's Registration Statement on Form S-1 \(File No. 333-252220\) filed with the SEC on February 8, 2021\)](#)
- 10.7 [Employment Agreement, by and between the Registrant and Jerome Zeldis, M.D., Ph.D., dated January 4, 2021 \(incorporated by reference to Exhibit 10.7 of the Registrant's Registration Statement on Form S-1 \(File No. 333-252220\) filed with the SEC on February 8, 2021\)](#)
- 10.8 [Employment Agreement, by and between the Registrant and Kristi Jones, dated February 27, 2017 \(incorporated by reference to Exhibit 10.8 of the Registrant's Registration Statement on Form S-1 \(File No. 333-252220\) filed with the SEC on February 8, 2021\)](#)
- 10.9 [Employment Agreement, by and between the Registrant and Robert Knight, M.D., dated January 6, 2021 \(incorporated by reference to Exhibit 10.9 of the Registrant's Registration Statement on Form S-1 \(File No. 333-252220\) filed with the SEC on February 8, 2021\)](#)
- 10.10* [Non-Employee Director Compensation Policy](#)
- 31.1* [Certification of Principal Executive Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 31.2* [Certification of Principal Financial Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1* [Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2* [Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

* Filed herewith.

SIGNATURES

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

Company Name

Date: May 17, 2021

By: /s/ John Trainer

John Trainer, M.B.A.

Chief Financial Officer

Date: May 17, 2021

By: /s/ Scott Carmer

Scott Carmer

President and Chief Executive Officer

NexImmune, Inc.
Non-Employee Director Compensation Policy

The Board of Directors of NexImmune, Inc. (the “Company”) has approved the following Non-Employee Director Compensation Policy (this “Policy”). The Policy is apply to all non-employee directors of the Company. In exchange for their service, each director will be eligible for the following annual cash compensation, cash compensation for service on the Committees of the Board of Directors and equity compensation, including an initial equity awards and annual equity awards, as set forth in this Policy:

Application

This Policy shall apply to each director of the Company who is not an employee of, or consultant to, the Company or any Affiliate. “Affiliate” means a corporation which is a direct or indirect parent or subsidiary of the Company, as determined pursuant to Section 424 of the Internal Revenue Code of 1986, as amended.

Annual Cash Compensation

- Each non-employee director will receive an annual cash retainer of \$35,000 per year.
- The non-employee Chair of the board will receive additional annual cash compensation of \$30,000 per year.

Cash Compensation for Committee Service

- The Chair of the Audit Committee will receive additional annual cash compensation of \$15,000 per year. Each member of the Audit Committee will receive additional annual cash compensation of \$7,500 per year.
- The Chair of the Compensation Committee will receive additional annual cash compensation of \$10,000 per year. Each member of the Compensation Committee will receive additional annual cash compensation of \$5,000 per year.
- The Chair of the Nominating and Corporate Governance Committee will receive additional annual cash compensation of \$8,000 per year. Each member of the Nominating and Corporate Governance Committee will receive additional annual cash compensation of \$4,000 per year.
- The Chair of the Science and Technology Committee will receive additional annual cash compensation of \$10,000 per year. Each member of the Science and Technology Committee will receive additional annual cash compensation of \$5,000 per year.
- The Chair of the Technical Operations Committee will receive additional annual cash compensation of \$10,000 per year. Each member of the Technical Operations Committee will receive additional annual cash compensation of \$5,000 per year.

Equity Awards

- On the date of each annual stockholder's meeting, the Company will grant to each director an annual option award with a cash value equal to \$85,400. The annual option award will fully vest on the first anniversary of the grant date.
- When a new director joins the Board of Directors, the Company will grant to the new director an initial option award to acquire shares of the Company's Common Stock with a cash value equal to two times the cash value of the annual award. The Company will award the initial option award at the meeting of the Board of Directors on which the new director first takes their seat. The initial option award will vest in 36 equal monthly installments over the following three-year period. A director that receives an initial option award will not receive an annual option award in the year in which the director joins the Board of Directors.
- The number of shares covered by each option award to a director will be determined as follows: The option value will be determined based on the Black-Scholes value of an option to purchase a share of the Company's Common Stock, calculated using its closing price on the day prior to the grant date and consistent with the calculation method used by the Company to report the value of option awards in its public disclosures. The resulting option value will be divided into the target value of the option award. If the result is not a whole number of shares, the number of shares will be rounded down to the nearest whole share.

Summary Compensation Table

Committee	Chair (Annual)	Member (Annual)	EQUITY
BOARD MEMBER		\$35,000	(ANNUAL GRANT) \$85,400 (1) (APPOINTMENT GRANT) 2X Cash Value of Annual Grant (2)
NON-EMPLOYEE CHAIRMAN OF THE BOARD	\$30,000		
AUDIT	\$15,000	\$7,500	
COMPENSATION	\$10,000	\$5,000	
NOMINATING & GOVERNANCE	\$8,000	\$4,000	
SCIENCE & TECHNOLOGY COMMITTEE	\$10,000	\$5,000	
TECHNICAL OPERATIONS COMMITTEE	\$10,000	\$5,000	

- (1) Annual option award will fully vest on the first anniversary of the grant date.
- (2) Appointment Grant awarded at the BOD meeting on which the new director first takes their seat and will vest in 36 equal monthly installments over the following three-year period. A director that receives an initial option award will not also receive an annual option award in the year in which the director joins the BOD.
- (3) Voluntary Deferral of Cash Compensation – Refer to policy (Pg.3)

Voluntary Deferral of Cash Compensation

- The Company will provide the directors with the ability to receive an option award in lieu of the cash compensation payable in a calendar year. The option award will have a target value equal to the director's annual cash compensation and the number of shares subject to the option award will be determined as set forth above. The Company will make the option award in lieu of cash compensation at the annual stockholder's meeting. The option award will be fully vested on the grant date.
- A director that desires to receive an option award in lieu of the cash compensation payable in a calendar year must deliver to the Company's General Counsel an election in writing on or after October 15 and on or before December 15 of the calendar year **preceding** the calendar year in which the cash compensation is due to be paid. If the Company does not receive a written election during this period, the Company will pay the director the scheduled cash compensation.
- A director must make a new election to receive an option award in lieu of cash compensation for each calendar year. An election to receive an option award in lieu of cash compensation in effect for a prior calendar year will not remain in effect for any subsequent calendar year.

Amendments

The Compensation Committee or the Board of Directors shall review this Policy from time to time to assess whether any amendments in the type and amount of compensation provided herein should be adjusted in order to fulfill the objectives of this Policy.

CERTIFICATION UNDER SECTION 302

I, Scott Carmer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NexImmune, 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 light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
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, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (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 controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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 and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (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 the registrant's ability to record, process, summarize and report financial information; and
 - (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 17, 2021

By: _____ /s/ Scott Carmer
Scott Carmer
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION UNDER SECTION 302

I, John Trainer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of NexImmune, 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 light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
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, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (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 controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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 and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (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 the registrant's ability to record, process, summarize and report financial information; and
 - (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 17, 2021

By: _____
/s/ John Trainer
John Trainer
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of NexImmune, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge that:

The Quarterly Report for the period ended March 31, 2021 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 17, 2021

By: _____ /s/ Scott Carmer
Scott Carmer
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of NexImmune, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge that:

The Quarterly Report for the period ended March 31, 2021 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 17, 2021

By: _____ /s/ John Trainer
John Trainer
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)