

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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

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: 001-40045

NEXIMMUNE, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

42-2518457
(IRS Employer
Identification No.)

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 7(a)(2)(B) of the Securities Act.

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

As of November 1, 2022, the registrant had 26,078,451 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 execute successfully on our strategic realignment announced in November 2022, including with respect to our realigned focus on the development of the AIM INJ platform;
- our ability to obtain and maintain regulatory approval of our potential product candidates, including any potential product candidates developed using our AIM INJ platform or any of NEXI-001, NEXI-002 or NEXI-003;
- our ability to successfully commercialize and market our potential product candidates, including any potential product candidates developed using our AIM INJ platform or any of NEXI-001, NEXI-002 or NEXI-003, in each case 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 our potential product candidates, including any potential product candidates developed using our AIM INJ platform or any of NEXI-001, NEXI-002, and NEXI-003, in each case if approved;
- our ability to build our own sales and marketing capabilities, or seek collaborative partners, to commercialize our potential product candidates, including any potential product candidates developed using our AIM INJ platform or any of NEXI-001, NEXI-002 or NEXI-003, in each case 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.

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

	September 30, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 45,860,454	\$ 30,326,352
Marketable securities	—	51,491,942
Restricted cash	105,000	67,500
Prepaid expenses and other current assets	6,034,874	4,394,916
Total current assets	52,000,328	86,280,710
Property and equipment, net	4,506,566	4,427,307
Operating lease right-of-use assets	1,095,475	—
Other non-current assets	72,079	324,099
Total assets	\$ 57,674,448	\$ 91,032,116
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,260,511	\$ 1,045,159
Accrued expenses	7,539,235	6,170,709
Operating lease liabilities, current	594,664	—
Total current liabilities	9,394,410	7,215,868
Operating lease liabilities, net of current portion	564,505	—
Deferred rent, net of current portion	—	55,581
Total liabilities	9,958,915	7,271,449
Commitments and contingencies		
Stockholders' equity		
Common Stock, \$0.0001 par value, 250,000,000 shares authorized as of September 30, 2022 and December 31, 2021; 26,078,451 and 22,828,904 shares issued and outstanding as of September 30, 2022 and December 31, 2021	2,608	2,283
Additional paid-in-capital	221,069,554	211,498,827
Accumulated other comprehensive (loss) income	—	3,012
Accumulated deficit	(173,356,629)	(127,743,455)
Total stockholders' equity	47,715,533	83,760,667
Total liabilities and stockholders' equity	\$ 57,674,448	\$ 91,032,116

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

NEXIMMUNE, INC.
STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$ —	\$ —	\$ —	\$ —
Operating expenses:				
Research and development	11,136,500	11,331,189	33,422,862	25,468,770
General and administrative	3,719,601	4,159,196	12,412,725	12,254,838
Total operating expenses	14,856,101	15,490,385	45,835,587	37,723,608
Loss from operations	(14,856,101)	(15,490,385)	(45,835,587)	(37,723,608)
Other income (expense):				
Interest income	226,752	19,855	344,066	30,319
Change in fair value of derivative liability	—	—	—	2,424,877
Gain on extinguishment of debt	—	843,619	—	843,619
Interest expense	—	(1,106)	—	(905,326)
Other expense	(100,031)	(19,095)	(121,653)	(45,791)
Other income	126,721	843,273	222,413	2,347,698
Net loss	\$ (14,729,380)	\$ (14,647,112)	\$ (45,613,174)	\$ (35,375,910)
Accumulated dividends on Redeemable Convertible Preferred Stock	—	—	—	(377,562)
Net loss attributable to common stockholders	\$ (14,729,380)	\$ (14,647,112)	\$ (45,613,174)	\$ (35,753,472)
Basic and diluted net loss attributable to common stockholders per common share	\$ (0.60)	\$ (0.65)	\$ (1.95)	\$ (1.85)
Basic and diluted weighted-average number of common shares outstanding	24,410,334	22,653,410	23,380,613	19,335,170

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

NEXIMMUNE, INC.
STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (14,729,380)	\$ (14,647,112)	\$ (45,613,174)	\$ (35,375,910)
Other comprehensive loss:				
Unrealized gain (loss) on available-for-sale marketable securities, net of tax	9,335	3,619	(3,012)	702
Comprehensive loss	<u>\$ (14,720,045)</u>	<u>\$ (14,643,493)</u>	<u>\$ (45,616,186)</u>	<u>\$ (35,375,208)</u>

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

STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
For the Three Months Ended September 30, 2022 and 2021 (unaudited)

	Redeemable Convertible Preferred Stock						Stockholders' Equity								
	Series A		Series A-2		Series A-3		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/ (Loss)	Total Stockholders Equity			
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount							
Balance at July 1, 2022	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	22,893,551	\$ 2,289	\$ 214,486,976	\$ (158,627,249)	\$ (9,335)	\$ 55,852,681
Issuance of common stock from "at-the-market" offering facility, net of transaction costs	—	—	—	—	—	—	3,184,900	319	5,145,090	—	—	—	—	—	5,145,409
Stock-based compensation	—	—	—	—	—	—	—	—	1,437,488	—	—	—	—	—	1,437,488
Change in unrealized gain on marketable available-for-sale securities	—	—	—	—	—	—	—	—	—	—	—	—	—	9,335	9,335
Net loss	—	—	—	—	—	—	—	—	—	—	—	(14,729,380)	—	—	(14,729,380)
Balance at September 30, 2022	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	26,078,451	\$ 2,608	\$ 221,069,554	\$ (173,356,629)	\$ —	\$ 47,715,533
Balance at July 1, 2021	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	22,628,007	\$ 2,263	\$ 207,480,819	\$ (97,570,745)	\$ (2,917)	\$ 109,909,420
Exercise of stock options	—	—	—	—	—	—	83,240	8	214,794	—	—	—	—	—	214,802
Stock-based compensation	—	—	—	—	—	—	—	—	1,628,431	—	—	—	—	—	1,628,431
Change in unrealized gain available-for-sale securities	—	—	—	—	—	—	—	—	—	—	—	—	—	3,619	3,619
Net loss	—	—	—	—	—	—	—	—	—	—	—	(14,647,112)	—	—	(14,647,112)
Balance at September 30, 2021	—	\$ —	—	\$ —	—	\$ —	—	\$ —	—	22,711,247	\$ 2,271	\$ 209,324,044	\$ (112,217,857)	702	\$ 97,109,160

STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY
For the Nine Months Ended September 30, 2022 and 2021 (unaudited)

	Redeemable Convertible Preferred Stock						Stockholders' Equity						
	Series A		Series A-2		Series A-3		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/ (Loss)	Total Stockholders Equity	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at January 1, 2022	—	\$ —	—	\$ —	—	\$ —	—	22,828,904	\$ 2,283	\$ 211,498,827	\$(127,743,455)	\$ 3,012	\$ 83,760,667
Issuance of common stock from "at-the-market" offering facility, net of transaction costs	—	—	—	—	—	—	3,184,900	319	5,145,090	—	—	—	5,145,409
Exercise of stock options	—	—	—	—	—	—	12,890	1	33,254	—	—	—	33,255
Cashless exercise of options for common stock	—	—	—	—	—	—	51,757	5	(5)	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	4,392,388	—	—	—	4,392,388
Change in unrealized loss on marketable available-for-sale securities	—	—	—	—	—	—	—	—	—	—	—	(3,012)	(3,012)
Net loss	—	—	—	—	—	—	—	—	—	—	(45,613,174)	—	(45,613,174)
Balance at September 30, 2022	—	\$ —	—	\$ —	—	\$ —	—	26,078,451	\$ 2,608	\$ 221,069,554	\$(173,356,629)	—	\$ 47,715,533
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)	10,144,041	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	—	—	—	—	—	—	197,041	20	661,637	—	—	—	661,657
Exercise of warrants	—	—	—	—	—	—	2,896	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	—	—	4,309,356	—	—	—	4,309,356
Change in unrealized gain on marketable available-for-sale securities	—	—	—	—	—	—	—	—	—	—	—	702	702
Net loss	—	—	—	—	—	—	—	—	—	—	(35,375,910)	—	(35,375,910)
Balance at September 30, 2021	—	\$ —	—	\$ —	—	\$ —	—	22,711,247	\$ 2,271	\$ 209,324,044	\$(112,217,857)	\$ 702	\$ 97,109,160

NEXIMMUNE, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (45,613,174)	\$ (35,375,910)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	730,701	627,043
Accretion income on available-for-sale marketable securities, net	(1,131)	—
Loss on asset disposal	94,803	7,877
Stock-based compensation	4,392,388	4,309,356
Non-cash lease expense	372,110	—
Non-cash interest expense	—	903,919
Change in fair value of derivative liability	—	(2,424,877)
Gain on extinguishment of debt	—	(843,619)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,387,936)	(4,549,572)
Accounts payable	264,716	1,522,406
Accrued expenses, deferred rent and other	1,445,551	1,476,699
Operating lease liabilities	(363,997)	—
Net cash used in operating activities	(40,065,969)	(34,346,678)
Cash flows from investing activities		
Purchase of property and equipment	(1,031,153)	(1,834,709)
Proceeds from disposal of equipment	—	464
Purchase of marketable securities	(21,509,940)	(55,976,987)
Proceeds from maturities of available-for-sale marketable securities	71,500,000	—
Proceeds from redemption of available-for-sale marketable securities	1,500,000	—
Net cash provided by (used in) investing activities	50,458,907	(57,811,232)
Cash flows from financing activities		
Proceeds from initial public offering, net of transaction costs	—	114,721,518
Proceeds from "at-the-market" offering facility	5,145,409	—
Proceeds from the exercise of stock options	33,255	661,657
Proceeds from the exercise of warrants	—	1,450
Principal payments on capital leases	—	(12,260)
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 financing activities	5,178,664	124,383,258
Net increase in cash, cash equivalents and restricted cash	15,571,602	32,225,348
Net cash, cash equivalents and restricted cash at beginning of period	30,393,852	5,098,579
Net cash, cash equivalents and restricted cash at end of period	\$ 45,965,454	\$ 37,323,927
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ —	\$ 457
Supplemental disclosure of noncash investing and financing activities:		
Gain on extinguishment of debt from PPP loan forgiveness	\$ —	\$ 843,619
Property and equipment purchases included in accounts payable and accrued expenses	\$ 5,478	\$ 272,844

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

NEXIMMUNE, INC.

NOTES TO UNAUDITED FINANCIAL STATEMENTS

1. Nature of the Business

NexImmune, Inc. ("Company", "we", "us" 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, or AIMTM, 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. Following a strategic review of the Company's corporate strategy, including with respect to its adoptive cell therapy programs, the Company will be pausing investments in our cell therapy studies, NEXI-001, NEXI-002, and NEXI-003. The Company is exploring several external opportunities to continue to advance these programs. As a result, the Company will focus its existing resources on its injectable platform in oncology and autoimmune diseases.

Going Concern

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 205-40, *Presentation of Financial Statements - Going Concern* ("ASC 205-40"), requires management to assess the Company's ability to continue as a going concern for one year after the date the financial statements are issued. Under ASC 205-40, management has the responsibility to evaluate whether conditions and/or events raise substantial doubt about the Company's ability to meet future financial obligations as they become due within one year after the date that the financial statements are issued. As required by this standard, management's evaluation shall initially not take into consideration the potential mitigating effects of management's plans that have not been fully implemented as of the date the financial statements are issued.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred recurring operating losses and negative cash flows from operations. The financial statements do not include any adjustments relating to the realization of the carrying value of assets or the amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

As of September 30, 2022, the Company had an accumulated deficit of \$173.4 million, negative cash flows from operating activities for the period ended September 30, 2022, and significant ongoing research and development expenses. While we have no outstanding debt and \$45.9 million in cash, cash equivalents, and marketable securities as of September 30, 2022, the Company expects its negative cash flows from operating activities to continue and thus has determined that its losses and negative cash flows from operations and uncertainty in generating sufficient cash to meet our obligations and sustain our operations raise substantial doubt about the Company's ability to continue as a going concern for at least one year from the issuance date of these financial statements.

As our research and development activities mature and develop over the next year, the Company will likely require substantial funds to continue such activities, depending upon events that are difficult to predict at this time. In this regard, management plans to raise additional capital through financing activities that may include public offerings and private placements of our common stock, preferred stock offerings, collaborations and licensing arrangements and issuances of debt and convertible debt instruments. In the absence of additional capital, the Company plans to strategically manage its uncommitted spend, execute its priorities and implement cost saving measures to reduce research and development and general and administrative expenditures which could include minimizing staff costs and delaying or terminating manufacturing and clinical trial costs (see Subsequent Event footnote 16). There are inherent uncertainties associated with fundraising activities and activities to manage our uncommitted spending and the successful execution of these activities may not be within the Company's control. There are no assurances that such additional funding will be obtained and that the Company will succeed in its future operations. If the Company cannot successfully raise additional capital and implement its strategic development plan, its liquidity, financial condition and business prospects will be materially and adversely affected. The Company is continually looking into further capital planning and the evaluation of strategic alternatives. There is substantial doubt about the Company's ability to continue as a going concern.

2. 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 ASC and Accounting Standards Updates ("ASU") of the 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, 2021, as filed with the SEC on March 9, 2022.

In management's opinion, the accompanying financial statements contain all adjustments, including normal, recurring adjustments, necessary to fairly present our financial position as of September 30, 2022 and December 31, 2021, and our statements of operations and comprehensive loss, statements of changes in redeemable convertible preferred stock and stockholders' equity (deficit), and statements of cash flows for the three and nine month periods ended September 30, 2022 and 2021. Interim results are not necessarily indicative of results for an entire year.

Recent Accounting Standards and Pronouncements

Recently Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, as subsequently amended (collectively "ASC 842"). The guidance amends the existing accounting standards for lease accounting, including requirements for lessees to recognize assets and liabilities related to long-term leases on the balance sheet and expanding disclosure requirements regarding leasing arrangements. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. In July 2018, the FASB issued additional guidance, which offers a transition option to entities adopting ASC 842 in which 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. 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.

As an emerging growth company ("EGC"), the Company adopted the new leasing guidance effective January 1, 2022 utilizing the modified retrospective approach that uses the effective date as the initial date of application whereby financial information for prior periods presented before the ASC 842 effective date will not be updated. ASC 842 provides a number of optional practical expedients in transition. By applying the 'package of practical expedients' permitted under the transition guidance, the Company is not required to reassess i) whether existing or expired arrangements contain a lease, ii) the lease classification of existing or expired leases, or iii) whether previous initial direct costs would qualify for capitalization under the new lease standard. The Company completed its evaluation and recognized \$1.5 million in operating right-of-use assets and \$0.6 million and \$1.0 million in operating lease liabilities, current and non-current, respectively, on January 1, 2022. The Adoption of ASC 842 did not have a material impact on the Company's Statements of Operations and Statements of Cash Flows.

Not Yet Adopted

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 ("ASU 2016-13"). 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, Restricted Cash, and Marketable Securities

The following table presents the Company's cash, cash equivalents and restricted cash as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021	Recurring Fair Value Measurement
Cash and cash equivalents:			
Cash	\$ 3,487,322	\$ 2,702,393	
Money market funds	25,428,100	22,124,003	Level 1
Fixed income debt securities	16,945,032	5,499,956	Level 2
Total cash and cash equivalents	45,860,454	30,326,352	
Restricted cash	105,000	67,500	
Total cash, cash equivalents, and restricted cash	\$ 45,965,454	\$ 30,393,852	

The Company considers all investments in highly liquid financial instruments with an original maturity of ninety days 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.

Marketable Securities

Marketable securities consist of fixed-income debt securities with an original maturity in excess of ninety days. These investments are classified as available-for-sale and are carried at fair value. Unrealized gains and losses, net of taxes, are reported as a component of other comprehensive income or loss. Realized gains and losses are reported as other income (expense) within the statement of operations. The specific identification method is used to determine the cost basis of the marketable securities sold. There were no realized gains or losses on the sale of marketable securities for the three and nine month ended periods ended September 30, 2022 and 2021. The Company regularly monitors and evaluates the fair value of its investments to identify other-than-temporary declines in value. The Company determined that any decline in fair value of these investments is temporary as the Company does not intend to sell these securities and it is not likely that the Company will be required to sell the securities before the recovery of their amortized cost basis.

The Company has no marketable securities as of September 30, 2022. As of December 31, 2021, the Company's marketable securities consisted of only fixed-income securities were scheduled to mature within one year. The amortized cost and estimated fair value of these securities amounted to \$51.5 million as of December 31, 2021, respectively. The gross unrealized gains and losses on these marketable securities were not material as of December 31, 2021. All marketable securities are measured as Level 2 investments.

4. Fair Value Measurements

The Company's financial instruments include cash, cash equivalents, marketable securities, accounts payable, accrued expenses, convertible notes and derivative liabilities. The fair values of the cash, cash equivalents, accounts payable and accrued expenses approximated their carrying values as of September 30, 2022 and December 31, 2021 due to their short-term maturities. The Convertible Notes as discussed in Note 9 contained embedded derivative features that were required to be bifurcated and remeasured to fair value at each reporting period while those instruments were outstanding.

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.
- 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.

There were no Level 3 recurring fair value measurements as of September 30, 2022 and December 31, 2021.

The following table represents the Company's fair value hierarchy for its financial assets measured at fair value on a recurring basis:

	September 30, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Money market funds	\$ 25,428,100	\$ —	\$ —	\$ 22,124,003	\$ —	\$ —
Fixed income debt securities	—	16,945,032	—	—	56,991,897	—
	\$ 25,428,100	\$ 16,945,032	\$ —	\$ 22,124,003	\$ 56,991,897	\$ —

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Prepaid research and development expenses	\$ 4,064,189	\$ 3,375,388
Prepaid maintenance agreements	487,386	132,104
Prepaid insurance	1,156,329	479,393
Prepaid other	285,579	308,842
Other current assets	41,391	99,189
Total prepaid expenses and other current assets	\$ 6,034,874	\$ 4,394,916

6. Property and Equipment

Property and equipment consist of the following at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Laboratory equipment	\$ 6,626,751	\$ 5,943,501
Computer equipment and software	516,974	486,822
Furniture and fixtures	47,877	47,877
Leasehold improvements	290,616	230,148
	<u>7,482,218</u>	<u>6,708,348</u>
Less accumulated depreciation and amortization	(2,975,652)	(2,281,041)
Total Property and equipment, net	<u>\$ 4,506,566</u>	<u>\$ 4,427,307</u>

Depreciation and amortization expense was \$0.3 million and \$0.2 million for the three months ended September 30, 2022 and 2021, and \$0.7 million and \$0.6 million for the nine months ended September 30, 2022 and 2021, respectively.

7. Accrued Expenses

A summary of the components of accrued expenses is as follows as of September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Accrued research and development costs	\$ 4,191,938	\$ 2,611,380
Accrued salaries, benefits and related expenses	2,974,571	3,143,602
Accrued professional fees	218,099	384,254
Other accrued expenses	154,627	31,473
Total accrued expenses	<u>\$ 7,539,235</u>	<u>\$ 6,170,709</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 and as amended in 2013, MBC provided \$325,000 to NexImmune for research on its artificial Antigen Presenting Cell ("aAPC") for cancer immunotherapy.

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 September 30, 2022, 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, referred to as the A&R JHU License Agreement, 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.

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 \$0.4 million 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 may also be required to pay royalties in the low to upper single digits on net sales of licensed services in 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. The Company may also be required to pay JHU a low double digit percentage not to exceed 15%, of any non-royalty sublicense consideration the Company receives.

The Company will record a liability when such events become probable of occurring. The Company has not reached any of the milestones or transacted its first commercial sale as of September 30, 2022.

The Company must make minimum royalty payments, which began upon the fourth 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 \$500,000 in cumulative minimum royalties from inception. Future annual minimum royalties consist of \$100,000 due each year during the remaining term of the A&R JHU License Agreement. The Company records milestones, royalties and minimum royalties at the time when payments become probable. During the three and nine months ended September 30, 2022 and 2021, the Company incurred \$25,000 and \$75,000, respectively, related to minimum royalties owed, included in research and development expenses on the accompanying statement of operations. The Company has accrued royalties of \$25,000 as of September 30, 2022 and \$50,000 as of December 31, 2021.

Paycheck Protection Program Loan

On April 23, 2020, the Company applied for an unsecured \$843,619 loan under the Paycheck Protection Program (“PPP Loan”). The Paycheck Protection Program (or “PPP”) was established under the Coronavirus Aid, Relief, and Economic Security Act (“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 was recorded within other current liabilities in the accompanying balance sheet. The Company treated the PPP Loan as debt under ASC 470. The use of loan proceeds was required to be used 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 Company submitted the PPP Loan forgiveness application to the SBA in March 2021 and received full forgiveness of the \$843,619 PPP Loan in July 2021. The Company did not carry a PPP loan balance as of September 30, 2022 and December 31, 2021.

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 September 30, 2022 and December 31, 2021, the Company was not involved in any material legal proceedings.

9. Convertible Notes

In April 2020, the Company entered into Convertible Note Purchase Agreement (“Agreement”) for the sale of up to \$15,000,000 of convertible promissory notes with 6% interest rate (“Convertible Notes”). 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 were scheduled to mature on April 23, 2021.

The terms of the Convertible Notes require 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 will 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 \$85.0 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 \$125.0 million by the Company's fully-diluted capitalization ("Change in Control").

The Agreement was amended in July 2020 to increase the aggregate principal amount 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 \$9.0 million.

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 \$0.7 million.

The Company amortized the debt issuance costs of \$0.3 million and debt discount of \$4.2 million, comprising of the initial value of the derivative liability of \$2.0 million and the BCF of \$2.2 million, prior to the adoption of ASU 2020-06, over the term of the Convertible Notes using the effective interest method. Upon adoption of this standard, the beneficial conversion feature was no longer separately accounted. 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 \$2.3 million and an increase to the carrying value of the convertible notes of \$1.5 million on January 1, 2021.

The debt issuance costs and debt discount amortization expense for the three and nine months ended September 30, 2021 was \$0.6 million 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 and nine months ended September 30, 2021 was \$0.2 million. The effective interest rate during the three and nine months ended September 30, 2021 was 25%.

The Company completed an initial public offering ("IPO") on February 11, 2021, which triggered the mandatory conversion of all the outstanding Convertible Notes plus accrued interest into 3,669,010 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 \$30.3 million was reclassified to stockholders' equity (deficit).

10. Redeemable Convertible Preferred Stock and Stockholders' Equity (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 \$114,551,315, 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 debt 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 were exercised and settled in January 2021 with 2,896 shares of common stock issued in a cashless exercise.

In June 2022, the Company entered into a Controlled Equity Offering Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co. and BTIG, LLC (together, the "Agents"), pursuant to which the Company may offer and sell shares of its common stock, \$0.0001 par value per share, having an aggregate offering price of up to \$50.0 million (the "Shares") from time to time through the Agents (the "Offering"). Subject to the terms and conditions of the Sales Agreement, any such sales made through the Agents can be made, based upon the Company's instructions, by methods deemed an "at-the-market" offering as defined in Rule 415(a)(4) promulgated under the Securities Act. The Company agreed to pay the Agents a commission of 3.0% of the gross proceeds of any sales of shares sold pursuant to the Sales Agreement. During the three and nine months ended September 30, 2022, the Company sold an aggregate of 3,184,900 shares through our "at-the-market" offering facility resulting in net proceeds of \$5.1 million.

11. Stock-Based Compensation

During January 2017, the Company adopted the 2017 Equity Incentive Plan ("2017 Plan"), which provides for the 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 September 2018, the Company adopted the 2018 Equity Incentive Plan ("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 ("2021 Plan") and has reserved a total of 3,898,701 shares under the plan. No further shares will be issued under the 2017 and 2018 plans. There are 1,588,802 shares available for issuance under the 2021 plan as of September 30, 2022.

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 periods ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Research and development expenses	\$ 894,191	\$ 719,768	\$ 2,898,260	\$ 1,572,882
General and administrative expenses	543,297	908,662	1,494,128	2,736,474
Total stock-based compensation expense	\$ 1,437,488	\$ 1,628,430	\$ 4,392,388	\$ 4,309,356

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 (in millions)
Outstanding as of January 1, 2022	3,305,291	\$ 9.62	7.7	\$ 2.3
Granted	1,614,065	3.52		
Exercised	(362,886)	2.52		
Cancelled	(251,415)	7.88		
Forfeited	(338,379)	15.28		
Outstanding as of September 30, 2022	3,966,676	\$ 7.41	8.2	—
Vested or expected to vest as of September 30, 2022	3,966,676	\$ 7.41	8.2	—
Exercisable as of September 30, 2022	1,726,101	\$ 8.26	6.9	—
Shares unvested as of September 30, 2022	2,240,575	\$ 6.76	9.2	\$ —

The weighted average fair value of the options granted during the nine months ended September 30, 2022 and 2021 was \$2.44 and \$11.40, respectively. The options were valued using the Black-Scholes option-pricing model for the nine months ended September 30, 2022 and 2021 with the following assumptions:

	2022	2021
Expected volatility	78.6% to 82.6%	79.5% to 81.1%
Risk-free interest rate	1.5% to 3.6%	0.6% to 1.1%
Expected dividend yield	0 %	0 %
Expected term	5.5 to 6.1 years	5.5 to 6.0 years

The total fair value of stock options vested during the nine months ended September 30, 2022 and 2021 was approximately \$8.0 million, and \$1.2 million, respectively. The intrinsic value of stock options exercised for the nine months ended September 30, 2022 and 2021 was \$0.2 million and \$2.0 million, respectively.

As of September 30, 2022, there was \$9.5 million of total unrecognized compensation expense related to unvested options that will be recognized over a weighted average period of 2.6 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 and nine months ended September 30, 2022 and 2021, the Company had a net loss attributable to common stockholders, and as such, all outstanding stock options, shares of redeemable convertible preferred stock, and warrants 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 and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (14,729,380)	\$ (14,647,112)	\$ (45,613,174)	\$ (35,375,910)
Accumulated dividends on Redeemable Convertible Preferred Stock	—	—	—	(377,562)
Net loss attributable to common stockholders	\$ (14,729,380)	\$ (14,647,112)	\$ (45,613,174)	\$ (35,753,472)
Basic and diluted net loss per common share	\$ (0.60)	\$ (0.65)	\$ (1.95)	\$ (1.85)
Basic and diluted weighted average common shares outstanding	24,410,334	22,653,410	23,380,613	19,335,170

The following potentially dilutive securities have been excluded from the computation of diluted weighted average common shares outstanding at September 30, 2022 and 2021 as the effect would be anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options	3,966,676	3,292,367	3,966,676	3,340,627
Redeemable convertible preferred stock	—	—	—	1,560,635
Convertible debt	—	—	—	679,404
Warrants	—	—	—	201
Total	3,966,676	3,292,367	3,966,676	5,580,867

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. Related Party Transaction

On March 16, 2022, the Company and Zephyr AI, Inc. (“Zephyr”) entered into a Joint Research Agreement (the “JRA”) focused on the joint collaboration, identification and validation of certain targets in order to facilitate further research, development and potential commercialization of immunotherapies. Zephyr is owned by a holding company with multiple Board members from the Company. The JRA term is two years unless mutually extended.

Pursuant to the JRA, Zephyr will identify suitable antigens or combinations thereof for validation and testing by NexImmune. The Joint Steering Committee (the “JSC”) provided for by the JRA will then determine which identified candidates shall be subject to further analysis. NexImmune will validate which, if any, of the identified antigens are suitable for T-cell engagement and killing function (the “Final Candidates”). The JSC will make a good-faith determination as to whether the data supports the further IND-targeted development by NexImmune of any of the Final Candidates. The Company and Zephyr will jointly own any Final Candidates, including the intellectual property related thereto. Each of the Company and Zephyr shall be responsible for payment of their own respective costs and expenses in connection with the performance of their respective obligations under the JRA. If a Final Candidate is to be further developed, then the Company and Zephyr shall engage in good-faith negotiations to agree on the terms and conditions of an agreement with respect to the further development and commercialization of such Final Candidate. If such an agreement is not executed within the prescribed negotiation period, then neither the Company nor Zephyr may further develop such Final Candidate. The expenses related to the JRA for the three and nine months ended September 30, 2022 were not material.

14. Leases

The Company leases certain office space and laboratory space. At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. The Company does not recognize right-of-use assets or lease liabilities for leases determined to have a term of 12 months or less. Options to extend a lease are not included in the Company’s assessment unless there is reasonable certainty that the Company will either renew or not cancel, respectively.

At the lease commencement date, the operating lease liability is recorded at the present value of future lease payments over the expected remaining lease term using the discount rate implicit in the lease, if it is readily determinable, or the

Company's incremental borrowing rate. The right-of-use asset is measured as the lease liability and adjusted for prepaid rent, initial direct costs, and incentives. The Company's leases contain variable non-lease components such as maintenance, taxes, insurance, and similar costs for the spaces it occupies. For new and amended leases beginning in 2022 and after, the Company has elected the practical expedient not to separate these non-lease components of leases for classes of all underlying assets and instead account for them as a single lease component for all leases. The Company recognizes the net fixed payments of operating leases on a straight-line basis over the lease term. Variable executory costs, as it relates to net leases, are to be excluded from the calculation of the lease liability and the Company expenses the variable lease payments in the period in which it incurs the obligation to pay such variable amounts and will be included in variable lease costs in the leases footnote disclosure.

Variable lease payments are not included in the Company's calculation of its right-of-use assets or lease liabilities. Variable lease costs were immaterial for the three-month period ending September 30, 2022. The components of lease cost under ASC 842 for the nine months ended September 30, 2022 are as follows:

<u>Lease costs</u>	<u>Statement of Operations Classification</u>		<u>September 30, 2022</u>
Operating lease cost	Operating expenses: research and development	\$	277,454
Operating lease cost	Operating expenses: general and administrative		162,576
		\$	<u>440,030</u>

Supplemental disclosure of cash flow information and weighted average remaining lease term and discount rate related to leases were as follows:

<u>Other information</u>		<u>September 30, 2022</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	(431,859)
Weighted-average remaining lease term — operating leases		2.1 years
Weighted-average discount rate — operating leases		6.8 %

Future fixed lease payments for operating leases in effect as of June 30, 2022, are payable as follows:

<u>Maturity of lease liabilities for the years ending December 31,</u>		<u>Operating Leases</u>
2022 (for the remaining three months of the year ending December 31, 2022)	\$	152,570
2023		617,999
2024		469,939
2025		—
2026		—
Thereafter		—
Total lease payment	\$	1,240,508
Less: imputed interest		(81,339)
Present value of lease liabilities	\$	<u>1,159,169</u>

15. Income Taxes

The Company has not recorded any tax provision or benefit for the three and nine months ended September 30, 2022 and 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 September 30, 2022 and December 31, 2022. The effective tax rate for the three and nine months ended September 30, 2022 and 2021 is 0%.

The Inflation Reduction Act signed into law on Aug. 16, 2022 and includes several provisions, including the largest investment in combating climate change in U.S. history, lowers the cost of prescription drugs and raises taxes on corporations. The effects of the bill were considered and based on the Company's taxable loss position, there is no tax impact to the provision

The Company has not recorded any accruals related to uncertain tax positions as of September 30, 2022 and December 31, 2021. Income tax returns are filed in federal and state jurisdictions and generally subject to a three-year statute of limitations. The years that are subject to examination by tax authorities are tax years 2018 through 2021, although tax years dating back to 2015 remain open to the tax attribute amounts carried forward for future use.

16. Subsequent Event

On November 14, 2022, the Company announced that, following a strategic review of its pipeline, indications, timelines and cash position, it is implementing a strategic realignment initiative, which is designed to reduce costs and reallocate resources towards its Artificial Immune Modulation, or AIM™ INJ preclinical development programs. As part of this strategy, the Company will initiate a workforce reduction plan to reduce headcount by approximately 30%, primarily affecting the clinical development, manufacturing and administrative staff that had been needed to support the AIM ACT adoptive cell therapy clinical programs. This plan will reduce the Company's workforce from 74 full-time employees as of September 30, 2022 to approximately 50 full-time employees. The Company estimates that it will incur approximately \$0.7 million of costs in connection with the reduction in workforce related to severance pay and other related termination benefits. The Company may incur one-time cash costs associated with the termination of certain contracts under the Restructuring, and is in the process of assessing the estimated impact. The Company communicated the workforce reduction on November 14, 2022 and expects the majority of the costs associated with the Restructuring to be incurred during the fourth quarter ending December 31, 2022.

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 Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on March 9, 2022. 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 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.

In November 2022, we announced that, following a strategic review of our pipeline, indications, timelines and cash position, we are implementing a strategic realignment initiative, which is designed to reduce costs and reallocate resources towards our AIM INJ preclinical development programs. As part of this strategy, we will focus on developing AIM INJ nanoparticle constructs and modalities for potential clinical evaluation in oncology and autoimmune disorders. We will also pause development of our current adoptive cell therapy, or AIM ACT, products candidates, NEXI-001 and NEXI-003. As previously disclosed, the NEXI-002 trial in Multiple Myeloma will remain paused. We intend to explore external opportunities that may permit us to continue to advance these clinical programs.

The backbone of our approach is our proprietary Artificial Immune Modulation, or AIM™. One of the critical advantages of the AIM technology platform is the ability to rapidly customize it for new therapeutics, in a modular, Lego-like manner. NexImmune has developed protein conjugation techniques so that nanoparticles can be customized quickly for different antigens, HLA alleles and Signal 2 messages. It is even possible to add additional signals or homing proteins. This gives the platform tremendous flexibility and application in oncology and infectious disease (where up-regulatory messages are

delivered to targeted T cells) but also autoimmune disorders (where down-regulatory or apoptotic messages are delivered to targeted T cells). These conjugation techniques also apply to both the ex vivo adoptive cell therapy modality, called AIM ACT, and the in vivo directly-injectable modality, called AIM INJ.

The AIM INJ modality is designed to enable AIM nanoparticles to engage CD8+ T cells directly inside the body without the need for ex vivo expansion and manufacturing, which we believe will result in a greater ease of administration and a less complex and less expensive manufacturing process. We have completed substantial non-clinical work to advance the AIM INJ modality towards a potential investigational new drug application, or IND, filing, including preparing appropriate IND-enabling experiments in support of a planned clinical program focusing on solid tumors.

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.

To date, we have funded our operations primarily with proceeds from private placement of convertible preferred stock, our convertible promissory notes, the IPO, and an “at-the-market” offering facility. 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. In the three months ended September 30, 2022, we sold an aggregate of 3,184,900 shares through our “at-the-market” offering facility resulting in net proceeds of \$5.1 million.

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 September 30, 2022, we had an accumulated deficit of \$173.4 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 continue incurring costs associated with operating as a public company, including legal, accounting, investor relations, compliance and other expenses.

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. The Company is continually looking into further capital planning and the evaluation of strategic alternatives. There is substantial doubt about the Company’s ability to continue as a going concern.

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 part of our updated corporate strategy announced in November 2022, we are initiating a workforce reduction plan to reduce headcount by approximately 30%, primarily affecting the clinical development, manufacturing and administrative staff

that had been needed to support the AIM ACT adoptive cell therapy clinical programs. This plan will reduce the Company's workforce from 74 full-time employees as of September 30, 2022 to approximately 50 full-time employees. The Company estimates that it will incur approximately \$0.7 million of costs in connection with the reduction in workforce related to severance pay and other related termination benefits. The Company may incur one-time cash costs associated with the termination of certain contracts under the strategic realignment, and is in the process of assessing the estimated impact. The Company communicated the workforce reduction on November 14, 2022 and expects the majority of the costs associated with the strategic realignment to be incurred during the fourth quarter ending December 31, 2022.

As of September 30, 2022, we had cash, cash equivalents, and marketable securities of \$45.9 million.

Nasdaq Delisting Notification

On October 25, 2022, we received a deficiency letter from the Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market LLC ("Nasdaq") notifying us that, for the last 30 consecutive business days, the bid price for our common stock had closed below the \$1.00 per share minimum bid price requirement for continued inclusion on the Nasdaq Global Select Market pursuant to Nasdaq Listing Rule 5450(a)(1) (the "Minimum Bid Price Requirement"). The Nasdaq deficiency letter has no immediate effect on the listing of our common stock, and our common stock will continue to trade on the Nasdaq Global Select Market under the symbol "NEXI" at this time.

In accordance with Nasdaq Listing Rule 5810(c)(3)(A) (the "Compliance Period Rule"), we have been provided a period of 180 calendar days, or until April 24, 2023 (the "Compliance Date"), to regain compliance with the Minimum Bid Price Requirement. If, at any time ending April 24, 2023, the bid price for our common stock closes at \$1.00 or more for a minimum of ten consecutive business days, as required under the Compliance Period Rule, the Staff will provide written notification to us that we have regained compliance with the Minimum Bid Price Requirement and our common stock will continue to be eligible for listing on the Nasdaq Global Select Market, unless the Staff exercises its discretion to extend this ten-day period pursuant to Nasdaq Listing Rule 5810(c)(3)(H).

If we do not regain compliance with the Minimum Bid Price Requirement by the Compliance Date, we may be eligible for an additional 180 calendar day compliance period. To qualify, we would need to transfer the listing of our common stock to The Nasdaq Capital Market, provided that we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and would need to provide written notice to Nasdaq of our intention to cure the deficiency during the additional compliance period. To effect such a transfer, we would also need to pay an application fee to Nasdaq and provide written notice to the Staff of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split if necessary. As part of its review process, the Staff will make a determination of whether it believes we will be able to cure the deficiency. Should the Staff conclude that we will not be able to cure the deficiency, the Staff will provide written notification to us that our common stock will be subject to delisting. At that time, we may appeal the Staff's delisting determination to a Nasdaq Listing and Hearing Review Panel. However, there can be no assurance that, if we receive a delisting notice and appeal the delisting determination by the Staff to the panel, such appeal would be successful.

We intend to monitor the closing bid price of our common stock and may, if appropriate, consider available options to regain compliance with the Minimum Bid Price Requirement, which could include seeking to effect a reverse stock split. However, there can be no assurance that we will be able to regain compliance with the Minimum Bid Price Requirement, secure a second period of 180 days to regain compliance, or maintain compliance with any of the other Nasdaq continued listing requirements.

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.

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 and preclinical study 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.

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 and marketable securities 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. No further interest expense was recognized after the convertible notes were converted into shares of common stock upon the completion of the IPO in February 2021.

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 September 30, 2022 and 2021

The following table summarizes our results of operations for the three months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Change
	2022	2021	
	(in thousands)		
Operating expenses:			
Research and development	\$ 11,137	\$ 11,331	\$ (195)
General and administrative	3,720	4,159	(440)
Total operating expenses	14,856	15,490	(634)
Loss from operations	(14,856)	(15,490)	634
Other income (expense):			
Interest income	227	20	207
Gain on extinguishment of debt	—	844	(844)
Other expense	(100)	(20)	(80)
Other income (expense)	127	843	(717)
Net loss	\$ (14,729)	\$ (14,647)	\$ (82)

Research and Development Expenses. Research and development expenses were \$11.1 million and \$11.3 million for the three months ended September 30, 2022 and 2021, respectively. The slight decrease of \$0.2 million was due primarily to a decrease of \$2.0 million for process development research offset by an \$0.8 million increase in manufacturing and clinical trial expenses, increases to salary and benefits of \$0.8 million resulting from increased headcount, and \$0.2 million in stock compensation expense. We have not historically tracked internal research and development expenses by product candidate.

General and Administrative Expenses. General and administrative expenses were \$3.7 million and \$4.2 million for the three months ended September 30, 2022 and 2021, respectively. The decrease of \$0.4 million was due primarily to decreases of \$0.6 million in salary, benefits, and stock compensation expense offset by an increase of \$0.2 million in license and other administrative fees.

Gain on Extinguishment of Debt. The gain on extinguishment of debt was \$0.8 million for the three months ended September 30, 2021 due to the PPP Loan forgiveness. There was no debt extinguishment for the nine months ended September 30, 2022.

Comparison of the Nine Months Ended September 30, 2022 and 2021

The following table summarizes our results of operations for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,		Change
	2022	2021	
	(in thousands)		
Operating expenses:			
Research and development	\$ 33,423	25,469	\$ 7,954
General and administrative	12,413	12,255	158
Total operating expenses	45,836	37,724	8,112
Loss from operations	(45,836)	(37,724)	(8,112)
Other income (expense):			
Interest income	344	30	314
Change in fair value of derivative liability	—	2,425	(2,425)
Gain on extinguishment of debt	—	844	(844)
Interest expense	—	(905)	905
Other expense	(122)	(46)	(76)
Other income	222	2,348	(2,125)
Net loss	\$ (45,613)	\$ (35,376)	\$ (10,237)

Research and Development Expenses. Research and development expenses were \$33.4 million and \$25.5 million for the nine months ended September 30, 2022 and 2021, respectively. The increase of \$8.0 million was due primarily to increases of \$7.1 million for manufacturing, increases to salary and benefits of \$3.3 million resulting from increased headcount, and \$1.3 million in additional stock compensation expense. These increases were partially offset by a reduction of \$3.7 million in process development research. We have not historically tracked internal research and development expenses by product candidate.

General and Administrative Expenses. General and administrative expenses were \$12.4 million and \$12.3 million for the nine months ended September 30, 2022 and 2021, respectively. The increase of \$0.2 million was due primarily to increases of \$1.3 million in professional fees, an increase to salary and benefits of \$0.1 million from increased headcount, offset by a reduction of \$1.2 million in stock compensation expense.

Change in Fair Value of Derivative Liability. The change in fair value of derivative liability was \$0 and \$2.4 million for the nine months ended September 30, 2022 and 2021, respectively. The decrease 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.

Gain on Extinguishment of Debt. The gain on extinguishment of debt was \$0.8 million for the nine months ended September 30, 2021 due to the PPP Loan forgiveness. There was no debt extinguishment for the nine months ended September 30, 2022.

Interest Expense. Interest expense was \$0 and \$0.9 million for the nine months ended September 30, 2022 and 2021, respectively. The increase is due to the issuance of convertible debt during the period from April 2020 into January 2021. The convertible notes were converted into shares of common stock upon the completion of the IPO in February 2021.

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 September 30, 2022, we had cash, cash equivalents, and marketable securities of \$45.9 million. We expect our negative cash flows from operating activities to continue and thus have determined that the losses and negative cash flows from operations and uncertainty in generating sufficient cash to meet our obligations and sustain our operations raise substantial doubt about our ability to continue as a going concern for at least one year from the issuance date of these Financial Statements.

We believe that our existing cash and cash equivalents will be sufficient to fund our activities through the third quarter of 2023.

As our research and development activities mature and develop over the next year, we will likely require substantial funds to continue such activities, depending upon events that are difficult to predict at this time. In this regard, management plans to raise additional capital through financing activities that may include public offerings and private placements of our common stock, preferred stock offerings, collaborations and licensing arrangements and issuances of debt and convertible debt instruments. In the absence of additional capital, the Company plans to strategically manage its uncommitted spend, execute its priorities and implement cost saving measures to reduce research and development and general and administrative expenditures which could include minimizing staff costs and delaying or terminating manufacturing and clinical trial costs. There are inherent uncertainties associated with fundraising activities and activities to manage our uncommitted spending and the successful execution of these activities may not be within our control. There are no assurances that such additional funding will be obtained and that the Company will succeed in its future operations. If we cannot successfully raise additional capital and implement our strategic development plan, our liquidity, financial condition and business prospects will be materially and adversely affected. We are continually looking into further capital planning and the evaluation of strategic alternatives. There is substantial doubt about our ability to continue as a going concern.

Sources of Liquidity

To date, we have financed our operations principally through private placements of our redeemable convertible preferred stock, our convertible promissory notes, the IPO, and an "at-the-market" offering facility.

Series A Preferred Stock Financing

From 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 bear interest at the rate of 6% per annum and mature 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.

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 used the proceeds primarily for payroll costs and other eligible expenses. The PPP Loan had a maturity date of April 23, 2022 and accrued interest at an annual rate of 0.98%. Interest and principal payments were deferred for the first six months of the loan. Thereafter, monthly interest and principal payments were due until the loan is fully satisfied. The promissory note evidencing the PPP Loan contained 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. The Company submitted the PPP Loan forgiveness application in March 2021 and received full forgiveness from the \$843,619 loan under the PPP in July 2021.

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.

"At-the-market" offering facility

In the three and nine months ended September 30, 2022, we sold an aggregate of 3,184,900 shares through our "at-the-market" offering facility resulting in net proceeds of \$5.1 million.

Nasdaq Delisting Notification

On October 25, 2022, we received a deficiency letter from the Listing Qualifications Department (the "Staff") of The Nasdaq Stock Market LLC ("Nasdaq") notifying us that, for the last 30 consecutive business days, the bid price for our common stock had closed below the \$1.00 per share minimum bid price requirement for continued inclusion on the Nasdaq Global Select Market pursuant to Nasdaq Listing Rule 5450(a)(1) (the "Minimum Bid Price Requirement"). The Nasdaq deficiency letter has no immediate effect on the listing of our common stock, and our common stock will continue to trade on the Nasdaq Global Select Market under the symbol "NEXI" at this time.

In accordance with Nasdaq Listing Rule 5810(c)(3)(A) (the "Compliance Period Rule"), we have been provided a period of 180 calendar days, or until April 24, 2023 (the "Compliance Date"), to regain compliance with the Minimum Bid Price Requirement. If, at any time ending April 24, 2023, the bid price for our common stock closes at \$1.00 or more for a minimum of ten consecutive business days, as required under the Compliance Period Rule, the Staff will provide written notification to us that we have regained compliance with the Minimum Bid Price Requirement and our common stock will continue to be eligible for listing on the Nasdaq Global Select Market, unless the Staff exercises its discretion to extend this ten-day period pursuant to Nasdaq Listing Rule 5810(c)(3)(H).

If we do not regain compliance with the Minimum Bid Price Requirement by the Compliance Date, we may be eligible for an additional 180 calendar day compliance period. To qualify, we would need to transfer the listing of our common stock to The Nasdaq Capital Market, provided that we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and would need to provide written notice to Nasdaq of our intention to cure the deficiency during the additional compliance period. To effect such a transfer, we would also need to pay an application fee to Nasdaq and provide written notice to the Staff of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split if necessary. As part of its review process, the Staff will make a determination of whether it believes we will be able to cure the deficiency. Should the Staff conclude that we will not be able to cure the deficiency, the Staff will provide written notification to us that our common stock will be subject to delisting. At that time, we may appeal the Staff's delisting determination to a Nasdaq Listing and Hearing Review Panel. However, there can be no assurance that, if we receive a delisting notice and appeal the delisting determination by the Staff to the panel, such appeal would be successful.

We intend to monitor the closing bid price of our common stock and may, if appropriate, consider available options to regain compliance with the Minimum Bid Price Requirement, which could include seeking to effect a reverse stock split. However, there can be no assurance that we will be able to regain compliance with the Minimum Bid Price Requirement, secure a second period of 180 days to regain compliance, or maintain compliance with any of the other Nasdaq continued listing requirements.

Cash Flows

The following table sets forth a summary of the net cash flow activity for the nine months ended September 30, 2022 and 2021:

	2022	2021
	(in thousands)	
Net cash provided by (used in):		
Operating activities	\$ (40,066)	\$ (34,347)
Investing activities	\$ 50,459	\$ (57,811)
Financing activities	\$ 5,179	\$ 124,383
Net increase in cash, cash equivalents and restricted cash	<u>\$ 15,572</u>	<u>\$ 32,225</u>

Operating Activities

Net cash used in operating activities was \$40.1 million and \$34.3 million for the nine months ended September 30, 2022 and 2021, respectively. The net cash used in operating activities for the nine months ended September 30, 2022 and 2021 was primarily due to our net loss of \$45.6 million, resulting from research and development expenses of \$33.4 million as we continue our clinical programs and preclinical research programs and \$12.4 million of administrative expenses for salary and related expenses and professional fees.

The net cash used in operating activities for the nine months ended September 30, 2021 was primarily due to our net loss of \$35.4 million, consisting of \$25.5 million for research and development expenses primarily in preclinical research expenses and manufacturing as we prepared for our clinical program, and \$12.3 million in administrative expenses for salary and related expenses and professional fees.

Investing Activities

Net cash provided by investing activities was \$50.5 million for the nine months ended September 30, 2022 resulting from the maturities of \$71.5 million and the redemption of \$1.5 million in available-for-sale marketable securities, partially offset by the purchases of \$21.5 million in available-for-sale marketable securities and the purchase of property and equipment of \$1.0 million. Net cash used in investing activities of \$57.8 million for the nine months ended September 30, 2021 was primarily due to the purchase \$56.0 million of in available-for-sale marketable securities and the purchase of \$1.8 million in property and equipment.

Financing Activities

Net cash provided by financing activities was \$5.2 million for the nine months ended September 30, 2022 primarily due to the net proceeds of \$5.1 million from the "at-the-market" offering facility. Net cash provided by financing activities was \$124.4 million for the nine months ended September 30, 2021 primarily due to the net proceeds of \$114.7 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 and marketable securities, together with the net proceeds from our IPO, will be sufficient to meet our anticipated cash requirements through the third quarter of 2023. 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. If we are not able to raise additional funding, we may not be able to enter into successful collaborations under favorable terms. As a result, we may be unable to realize value from our assets and discharge our liabilities in the normal course of business.

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, NEXI-002, NEXI-003 and any other future product candidates;
- the potential to expand the eligible patient population for NEXI-001 to include haplo-identical donor/patients;
- the emerging competition and the potential to evaluate NEXI-002 in earlier lines of therapy or combinations for multiple myeloma patients based on the safety profile and clinical signs observed;
- the consideration of collaborations or strategic partnerships to continue the development of NEXI-002;
- 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, NEXI-002, and NEXI-003 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 agreement;
- 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 cash and cash equivalents and marketable securities on hand and 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", in our Form 10-K for the year ended December 31, 2021, 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" contained in our Annual Report on Form 10-K for the year ended December 31, 2021, 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 and nine months ended September 30, 2022 and 2021.

Accrued Research and Development Expenses

As part of the process of preparing our financial statements, we are required to estimate our accrued expenses as of each balance sheet date. This process involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated cost incurred for the service when we have not yet been invoiced or otherwise notified of the actual cost. We make estimates of our accrued expenses as of each balance sheet date based on facts and circumstances known to us at that time. We periodically confirm the accuracy of our estimates with the service providers and make adjustments, if necessary. The significant estimates in our accrued research and development expenses include the costs incurred for services performed by our vendors in connection with research and development activities for which we have not yet been invoiced.

We base our expenses related to research and development activities on our estimates of the services received and efforts expended pursuant to quotes and contracts with vendors that conduct research and development on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract-to-contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the research and development expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid expense accordingly. Advance payments for goods and services that will be used in future research and development activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made.

Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed, it could result in us reporting amounts that are too high or too low in any particular period. To date, there have been no material differences between our estimates of such expenses and the amounts actually incurred.

Other Company Information

Emerging Growth Company and Smaller Reporting Company Status

We are an emerging growth company ("EGC") as defined in the Jumpstart Our Business Startups Act of 2012, as amended, or the JOBS Act. We will remain an EGC 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 EGC 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 EGC,

- 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, EGCs 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 EGC 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 EGC, 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 EGCs, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

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 2, “Basis of Presentation”.

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.

We are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate risks, foreign currency exchange rate risks and inflation risks. Periodically, we maintain deposits in accredited financial institutions in excess of federally insured limits. We deposit our cash in financial institutions that we believe have high credit quality and have not experienced any significant losses on such accounts and do not believe we are exposed to any unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

Interest Rate Risk

Our cash consists of cash in readily-available checking accounts and short-term money market fund investments. Such interest-earning instruments carry a degree of interest rate risk and the returns from such instruments will vary as short-term interest rates change. While historical fluctuations in interest income have not been significant, in a financial environment with extremely low or negative interest rates, we could experience a significant reduction in the interest earned from such instruments.

Foreign Currency Exchange Risk

All of our employees and our operations are currently located in the United States. We have, from time-to-time, engaged in contracts with contractors or other vendors in a currency other than the U.S. dollar. To date, we have had minimal exposure to fluctuations in foreign currency exchange rates as the time period between the date that transactions are initiated and the date of payment or receipt of payment is generally of short duration. Accordingly, we believe we do not have a material exposure to foreign currency risk.

Effects of Inflation

Inflation generally affects us by increasing our cost of labor and research and development contract costs. We do not believe inflation has had a material effect on our results of operations during the three and nine months ended September 30, 2022 or 2021.

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 September 30, 2022. Based on the evaluation of our disclosure controls and procedures as of September 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

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.

Other than the risk factor provided below, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, "Risk Factors," in our Annual Report.

Pursuant to our recently announced strategic realignment, we have paused clinical trials for our AIM ACT cell therapy product candidates in order to realign our focus on our AIM INJ preclinical programs. If we fail to execute successfully on this realigned strategic focus, our business and prospects may be adversely affected.

In November 2022, we announced that we are pausing our clinical trials for NEXI-001 and NEXI-003, and that our clinical trial for NEXI-002 will remain paused, in order to realign our focus on development of the AIM INJ platform. We believe this realigned strategic focus is the best way to optimize our financial and other resources to advance our business. However, there is no assurance that we will be successful at executing on this strategy, and we cannot currently specify when, if ever, we will be able to resume clinical development of NEXI-001, NEXI-002 or NEXI-003. If we are unable to execute successfully on this realigned strategic focus, our business and prospects may be adversely affected.

Our future success depends on our ability to retain our chief executive officer and certain other key executives and to attract, retain and motivate qualified personnel.

Our industry has experienced a high rate of turnover of management personnel in recent years. We are highly dependent on the experience of Kristi Jones, our President and Chief Executive Officer, as well as certain other principal members of our management, scientific and R&D teams. Although we have formal employment agreements with our executive officers, these agreements do not prevent them from terminating their employment with us at any time.

In November 2022, we implemented a strategic realignment that is expected reduce our workforce by approximately 30%. The uncertainty inherent in this ongoing restructuring may be difficult to manage, may cause concerns from third parties with whom we do business, and may increase the likelihood of turnover of other key officers and employees.

If we lose one or more of our executive officers or key employees, our ability to implement our business strategy successfully could be seriously harmed. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain regulatory approval of and commercialize product candidates successfully.

We are undertaking internal realignment activities that could result in disruptions to our business or otherwise materially harm our results of operations or financial condition.

There can be no assurance that our strategic realignment will achieve the cost savings, operating efficiencies or other benefits that we may initially expect. Realignment activities may also result in a loss of continuity, accumulated knowledge and inefficiency during transitional periods and thereafter. In addition, internal realignments can require a significant amount of time and focus from management and other employees, which may divert attention from operations. Further, our realignment may result in unexpected expenses or liabilities and/or write-offs. If our strategic realignment fails to achieve some or all of the anticipated benefits, our cash resources may not last as long as estimated and our business, results of operations and financial condition could be materially and adversely affected.

We have identified conditions and events that raise substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.

We expect our costs and expenses to increase as we continue to develop our product candidates and progress our current clinical programs and costs associated with being a public company.

We had cash, cash equivalents, and marketable securities of \$45.9 million as of September 30, 2022, which we believe that should be sufficient to fund our operating plan through the third quarter of 2023. We have based this estimate on

assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Pursuant to the requirements of ASC 205-40, *Presentation of Financial Statements - Going Concern*, and as a result of our financial condition and other factors described herein, there is substantial doubt about our ability to continue as a going concern for a period of at least twelve months from the date of the financial statements. Our ability to continue as a going concern will depend on our ability to obtain additional funding, as to which no assurances can be given. Our future success depends on our ability to raise capital and/or execute our current operating plan. However, we cannot be certain that these initiatives or raising additional capital, whether through issuing additional debt or equity securities or obtaining a line of credit or other loan, will be available to us or, if available, will be on terms acceptable to us. If we issue additional securities to raise funds, these securities may have rights, preferences, or privileges senior to those of our common stock, and our current shareholders may experience dilution. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our current development programs, cut operating costs, forego future development and other opportunities or even terminate our operations, which may involve seeking bankruptcy protection.

If we fail to maintain the listing of our common stock with a United States national securities exchange, the liquidity of our common stock could be adversely affected.

On October 25, 2022, we received a deficiency letter from the Listing Qualifications Department (the “Staff”) of The Nasdaq Stock Market LLC (“Nasdaq”) notifying us that, for the last 30 consecutive business days, the bid price for our common stock had closed below the \$1.00 per share minimum bid price requirement for continued inclusion on the Nasdaq Global Select Market pursuant to Nasdaq Listing Rule 5450(a)(1) (the “Minimum Bid Price Requirement”). The Nasdaq deficiency letter has no immediate effect on the listing of our common stock, and our common stock will continue to trade on the Nasdaq Global Select Market under the symbol “NEXI” at this time.

In accordance with Nasdaq Listing Rule 5810(c)(3)(A) (the “Compliance Period Rule”), we have been provided a period of 180 calendar days, or until April 24, 2023 (the “Compliance Date”), to regain compliance with the Minimum Bid Price Requirement. If, at any time ending April 24, 2023, the bid price for our common stock closes at \$1.00 or more for a minimum of ten consecutive business days, as required under the Compliance Period Rule, the Staff will provide written notification to us that we have regained compliance with the Minimum Bid Price Requirement and our common stock will continue to be eligible for listing on the Nasdaq Global Select Market, unless the Staff exercises its discretion to extend this ten-day period pursuant to Nasdaq Listing Rule 5810(c)(3)(H).

If we do not regain compliance with the Minimum Bid Price Requirement by the Compliance Date, we may be eligible for an additional 180 calendar day compliance period. To qualify, we would need to transfer the listing of our common stock to The Nasdaq Capital Market, provided that we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and would need to provide written notice to Nasdaq of our intention to cure the deficiency during the additional compliance period. To effect such a transfer, we would also need to pay an application fee to Nasdaq and provide written notice to the Staff of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split if necessary. As part of its review process, the Staff will make a determination of whether it believes we will be able to cure the deficiency. Should the Staff conclude that we will not be able to cure the deficiency, the Staff will provide written notification to us that our common stock will be subject to delisting. At that time, we may appeal the Staff’s delisting determination to a Nasdaq Listing and Hearing Review Panel. However, there can be no assurance that, if we receive a delisting notice and appeal the delisting determination by the Staff to the panel, such appeal would be successful.

We intend to monitor the closing bid price of our common stock and may, if appropriate, consider available options to regain compliance with the Minimum Bid Price Requirement, which could include seeking to effect a reverse stock split. However, there can be no assurance that we will be able to regain compliance with the Minimum Bid Price Requirement, secure a second period of 180 days to regain compliance, or maintain compliance with any of the other Nasdaq continued listing requirements.

If our common stock is delisted by Nasdaq, our common stock may be eligible to trade on the OTC Bulletin Board or another over-the-counter market. Any such alternative would likely result in it being more difficult for us to raise additional capital through the public or private sale of equity securities and for investors to dispose of, or obtain accurate quotations as to the market value of, our common stock. In addition, there can be no assurance that our common stock would be eligible for trading on any such alternative exchange or markets.

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 and nine months ended September 30, 2022 and 2021 that were not registered under the Securities Act.

Recent Sales of Unregistered Equity Securities

None.

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 \$114.6 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.

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 and available-for-sale marketable securities. 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 cash equivalents and available-for-sale marketable securities. 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.

Table of Contents

Exhibit Number	Description
31.1*	<u>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</u>
31.2*	<u>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</u>
32.1*	<u>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</u>
32.2*	<u>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</u>
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, has been formatted in Inline XBRL.

* Filed herewith.

Certain confidential portions of this Exhibit were omitted by means of marking such portions with brackets (“[***]”) because the identified confidential portions (i) are not material and (ii) would be competitively harmful if publicly disclosed.

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.

NEXIMMUNE, INC.

Date: November 14, 2022

By: /s/ Kristi Jones

Kristi Jones
President and Chief Executive Officer

Date: November 14, 2022

By: /s/ John Trainer

John Trainer
Chief Financial Officer

CERTIFICATION UNDER SECTION 302

I, Kristi Jones, 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: November 14, 2022

By: _____ /s/ Kristi Jones

Kristi Jones
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: November 14, 2022

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 September 30, 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: November 14, 2022

By: _____ /s/ Kristi Jones
Kristi Jones
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 September 30, 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: November 14, 2022

By: _____ /s/ John Trainer

John Trainer
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)