

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, 2023

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: 001-38022



MATINAS BIOPHARMA HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

No. 46-3011414
(I.R.S. Employer
Identification No.)

1545 Route 206 South, Suite 302
Bedminster, New Jersey 07921
(Address of principal executive offices) (Zip Code)

908-484-8805
(Registrant's telephone number, including area code)

(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

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	MTNB	NYSE American

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 type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of November 3, 2023, there were 217,264,526 shares of the registrant's common stock, \$0.0001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.



MATINAS BIOPHARMA HOLDINGS, INC.

Form 10-Q

Quarter Ended September 30, 2023

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PART - I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Matinas BioPharma Holdings, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except for share data)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(Unaudited)	(Audited)
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 6,407	\$ 6,830
Marketable debt securities	11,809	21,933
Restricted cash – security deposit	50	50
Prepaid expenses and other current assets	1,723	5,719
Total current assets	<u>19,989</u>	<u>34,532</u>
Non-current assets:		
Leasehold improvements and equipment – net	2,021	2,091
Operating lease right-of-use assets – net	3,206	3,613
Finance lease right-of-use assets – net	22	30
In-process research and development	3,017	3,017
Goodwill	1,336	1,336
Restricted cash – security deposit	200	200
Total non-current assets	<u>9,802</u>	<u>10,287</u>
Total assets	<u>\$ 29,791</u>	<u>\$ 44,819</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 835	\$ 618
Accrued expenses	1,757	3,099
Operating lease liabilities – current	632	562
Financing lease liabilities – current	5	7
Total current liabilities	<u>3,229</u>	<u>4,286</u>
Non-current liabilities:		
Deferred tax liability	341	341
Operating lease liabilities – net of current portion	3,052	3,533
Financing lease liabilities – net of current portion	19	22
Total non-current liabilities	<u>3,412</u>	<u>3,896</u>
Total liabilities	<u>6,641</u>	<u>8,182</u>
Stockholders' equity:		
Common stock par value \$0.0001 per share, 500,000,000 shares authorized at September 30, 2023 and December 31, 2022; 217,264,526 issued and outstanding as of September 30, 2023 and December 31, 2022	22	22
Additional paid-in capital	193,746	190,070
Accumulated deficit	(170,259)	(152,631)
Accumulated other comprehensive loss	(359)	(824)
Total stockholders' equity	<u>23,150</u>	<u>36,637</u>
Total liabilities and stockholders' equity	<u>\$ 29,791</u>	<u>\$ 44,819</u>

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

Matinas BioPharma Holdings, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share data)
Unaudited

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Contract Revenue	\$ —	\$ 1,063	\$ 1,096	\$ 2,125
Costs and expenses:				
Research and development	3,295	3,707	10,824	12,811
General and administrative	2,839	2,818	8,151	8,424
Total costs and expenses	6,134	6,525	18,975	21,235
Loss from operations	(6,134)	(5,462)	(17,879)	(19,110)
Sale of New Jersey net operating losses & tax credits	—	—	—	1,734
Other income, net	79	—	251	13
Net loss	\$ (6,055)	\$ (5,462)	\$ (17,628)	\$ (17,363)
Net loss per share – basic and diluted	\$ (0.03)	\$ (0.03)	\$ (0.08)	\$ (0.08)
Weighted average common shares outstanding:				
Basic and diluted	217,264,526	216,864,526	217,264,526	216,792,083
Other comprehensive gain/(loss), net of tax				
Unrealized gain/(loss) on securities available-for-sale	155	(181)	465	(790)
Other comprehensive gain/(loss), net of tax	155	(181)	465	(790)
Comprehensive loss	\$ (5,900)	\$ (5,643)	\$ (17,163)	\$ (18,153)

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

Matinas BioPharma Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except for share data)
Unaudited

	<u>Common Stock</u>		<u>Additional Paid - in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive (Loss)/Income</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, December 31, 2022	217,264,526	\$ 22	\$ 190,070	\$ (152,631)	\$ (824)	\$ 36,637
Stock-based compensation	—	—	3,676	—	—	3,676
Other comprehensive income	—	—	—	—	465	465
Net loss	—	—	—	(17,628)	—	(17,628)
Balance, September 30, 2023	<u>217,264,526</u>	<u>\$ 22</u>	<u>\$ 193,746</u>	<u>\$ (170,259)</u>	<u>\$ (359)</u>	<u>\$ 23,150</u>

	<u>Common Stock</u>		<u>Additional Paid - in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive (Loss)/Income</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, June 30, 2023	217,264,526	\$ 22	\$ 192,550	\$ (164,204)	\$ (514)	\$ 27,854
Stock-based compensation	—	—	1,196	—	—	1,196
Other comprehensive income	—	—	—	—	155	155
Net loss	—	—	—	(6,055)	—	(6,055)
Balance, September 30, 2023	<u>217,264,526</u>	<u>\$ 22</u>	<u>\$ 193,746</u>	<u>\$ (170,259)</u>	<u>\$ (359)</u>	<u>\$ 23,150</u>

	<u>Common Stock</u>		<u>Additional Paid - in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, December 31, 2021	216,269,450	\$ 22	\$ 184,251	\$ (131,634)	\$ (145)	\$ 52,494
Stock-based compensation	—	—	3,888	—	—	3,888
Issuance of common stock in exchange for Options	195,076	—	99	—	—	99
Issuance of common stock pursuant to license agreement amendment	400,000	—	291	—	—	291
Other comprehensive loss	—	—	—	—	(790)	(790)
Net loss	—	—	—	(17,363)	—	(17,363)
Balance, September 30, 2022	<u>216,864,526</u>	<u>\$ 22</u>	<u>\$ 188,529</u>	<u>\$ (148,997)</u>	<u>\$ (935)</u>	<u>\$ 38,619</u>

	<u>Common Stock</u>		<u>Additional Paid - in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance, June 30, 2022	216,864,526	\$ 22	\$ 187,116	\$ (143,535)	\$ (754)	\$ 42,849
Stock-based compensation	—	—	1,413	—	—	1,413
Other comprehensive loss	—	—	—	—	(181)	(181)
Net loss	—	—	—	(5,462)	—	(5,462)
Balance, September 30, 2022	<u>216,864,526</u>	<u>\$ 22</u>	<u>\$ 188,529</u>	<u>\$ (148,997)</u>	<u>\$ (935)</u>	<u>\$ 38,619</u>

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

Matinas BioPharma Holdings, Inc.
Condensed Consolidated Statements of Cash Flow
(in thousands)
Unaudited

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (17,628)	\$ (17,363)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	288	244
Stock based compensation expense	3,676	3,888
Amortization of operating lease right-of-use assets	406	413
Amortization of finance lease right-of-use assets	7	15
Amortization of bond discount	90	158
Stock issued pursuant to license agreement amendment	—	291
Changes in operating assets and liabilities:		
Operating lease liabilities	(411)	(391)
Prepaid expenses and other current assets	3,996	(2,676)
Accounts payable	217	(282)
Accrued expenses and other liabilities	(1,340)	846
Net cash used in operating activities	<u>(10,699)</u>	<u>(14,857)</u>
Cash flows from investing activities:		
Purchase of marketable debt securities	—	(9,481)
Proceeds from maturities of marketable debt securities	10,500	15,250
Purchases of leasehold improvements and equipment	(218)	(850)
Net cash provided by investing activities	<u>10,282</u>	<u>4,919</u>
Cash flows from financing activities:		
Proceeds from exercise of options	—	99
Payments of finance lease liability – principal	(6)	(15)
Net cash (used in)/provided by financing activities	<u>(6)</u>	<u>84</u>
Net decrease in cash, cash equivalents and restricted cash	(423)	(9,854)
Cash, cash equivalents and restricted cash at beginning of period	<u>7,080</u>	<u>21,280</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 6,657</u>	<u>\$ 11,426</u>
Supplemental non-cash financing and investing activities:		
Unrealized gain/(loss) on marketable debt securities	\$ 465	\$ (790)
Right of use asset in exchange from liabilities from operating lease	\$ —	\$ (64)

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

MATINAS BIOPHARMA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Financial Statements
(Tabular dollars and shares in thousands, except per share data)

Note 1 – Description of Business

Matinas BioPharma Holdings Inc. (“Holdings”) is a Delaware corporation formed in 2013. Holdings is the parent company of Matinas BioPharma, Inc. (“BioPharma”), and Matinas BioPharma Nanotechnologies, Inc. (“Nanotechnologies,” formerly known as Aquarius Biotechnologies, Inc.), its operating subsidiaries (“Nanotechnologies”, and together with “Holdings” and “BioPharma”, “the Company”). The Company is a clinical-stage biopharmaceutical company with a focus on identifying and developing novel pharmaceutical products.

Note 2 – Liquidity, Plan of Operations and Going Concern

The Company has experienced net losses and negative cash flows from operations each period since its inception. Through September 30, 2023, the Company had an accumulated deficit of \$170,259. The Company’s net loss was \$17,628 for the nine months ended September 30, 2023.

The Company has been engaged in developing its lipid nanocrystal (“LNC”) platform delivery technology and a pipeline of associated product candidates, including MAT2203 and MAT2501, since 2011. To date, the Company has not obtained regulatory approval for any of its product candidates nor generated any revenue from product sales, and the Company expects to incur significant expenses to complete development of its product candidates. The Company may never be able to obtain regulatory approval for the marketing of any of its product candidates in any indication in the United States or internationally and there can be no assurance that the Company will generate revenues or ever achieve profitability.

If the Company obtains U.S. Food and Drug Administration (“FDA”) approval for one or more of its product candidates, the Company expects that its expenses will continue to increase once the Company reaches commercial launch. The Company also expects that its research and development expenses will continue to increase as it moves forward with additional clinical studies for its current product candidates and development of additional product candidates. As a result, the Company expects to continue to incur substantial losses for the foreseeable future, and that these losses will be increasing.

As of September 30, 2023, the Company had cash and cash equivalents of \$6,407, marketable debt securities of \$11,809 and restricted cash of \$250. The Company believes the cash and cash equivalents and marketable debt securities on hand are sufficient to fund planned operations into the third quarter of 2024, but not beyond. As a result, substantial doubt exists about the Company’s ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon control over its operating expenses, anticipated proceeds from future sales of common stock through the At-The-Market Sales Agreement (“ATM”) with BTIG, LLC. and securing additional financing. While the Company believes in the viability of this strategy and believes the actions presently being taken by the Company provide the opportunity for it to continue as a going concern, there can be no assurance the Company will be successful in its implementation. In particular, utilization of the ATM may not be viable due to market conditions and new financing may not be available on acceptable terms, or at all. These consolidated financial statements do not include any adjustments related to the recoverability and classification of asset amounts or the amounts and classification of liabilities that might be necessary if the Company is unable to continue as a going concern.

Note 3 – Summary of Significant Accounting Policies

Basis of presentation and principles of consolidation

The accompanying unaudited condensed consolidated financial statements include the consolidated accounts of Holdings and its wholly owned subsidiaries, BioPharma, and Nanotechnologies. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) and reflect the operations of the Company and its wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

The Company's significant accounting policies are described in Note 3 within the Company's Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

The Company's management has considered all recent accounting pronouncements issued and believes that these recent pronouncements will not have a material effect on the Company's financial statements.

Note 4 – Cash, Cash Equivalents, Restricted Cash and Marketable Debt Securities

The Company considers all highly liquid financial instruments with original maturities of three months or less when purchased to be cash and cash equivalents and all investments with maturities of greater than three months from date of purchase are classified as marketable debt securities. Cash and cash equivalents consisted of cash in bank checking and savings accounts, money market funds and short-term U.S. treasury bonds that mature within three months of settlement date.

Cash, Cash Equivalents and Restricted Cash

The Company presents restricted cash with cash and cash equivalents in the Condensed Consolidated Statements of Cash Flows. Restricted cash at both September 30, 2023 and December 31, 2022 of \$250 represents funds the Company is required to set aside as collateral, primarily for one of the Company's operating leases and other purposes.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Condensed Consolidated Balance Sheets to the total of the amounts in the Condensed Consolidated Statements of Cash Flows as of September 30, 2023, December 31, 2022, September 30, 2022 and December 31, 2021:

	September 30, 2023	December 31, 2022	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 6,407	\$ 6,830	\$ 11,176	\$ 21,030
Restricted cash included in current/non-current assets	250	250	250	250
Cash, cash equivalents and restricted cash in the statement of cash flows	<u>\$ 6,657</u>	<u>\$ 7,080</u>	<u>\$ 11,426</u>	<u>\$ 21,280</u>

Marketable Debt Securities

The Company has classified its investments in marketable debt securities as available-for-sale and as a current asset. The Company's investments in marketable debt securities are carried at fair value, with unrealized gains and losses included as a separate component of stockholders' equity. Unrealized losses and gains are classified as other comprehensive (loss)/income and costs are determined on a specific identification basis. Realized gains and losses from our marketable debt securities are recorded in other income, net. For the three and nine months ended September 30, 2023, the Company recorded unrealized gains of \$155 and \$465, respectively. For the three and nine months ended September 30, 2022, the Company recorded unrealized losses of \$181 and \$790, respectively. As of September 30, 2023 and December 31, 2022, the Company had net accumulated unrealized losses of \$359 and \$824, respectively.

The following tables summarize the Company's marketable debt securities as of September 30, 2023:

	Amortized Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
U.S. Treasury Bonds	\$ 998	\$ —	\$ (13)	\$ 985
U.S. Government Notes	11,170	—	(346)	10,824
Total marketable debt securities	<u>\$ 12,168</u>	<u>\$ —</u>	<u>\$ (359)</u>	<u>\$ 11,809</u>

Maturities of debt securities classified as available-for-sale were as follows at September 30, 2023:

	Fair Value
Due within one year	\$ 11,809

The following tables summarize the Company's marketable debt securities as of December 31, 2022:

	Amortized Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
U.S. Treasury Bonds	\$ 993	\$ —	\$ (34)	\$ 959
U.S. Government Notes	16,324	—	(721)	15,603
Corporate Debt Securities	5,440	—	(69)	5,371
Total marketable debt securities	<u>\$ 22,757</u>	<u>\$ —</u>	<u>\$ (824)</u>	<u>\$ 21,933</u>

Maturities of debt securities classified as available-for-sale were as follows at December 31, 2022:

	Fair Value
Due within one year	\$ 13,240
Due after one year through five years	8,693
	<u>\$ 21,933</u>

Note 5 - Fair Value Measurements

The Company uses the fair value hierarchy to measure the value of its financial instruments. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions. The basis for fair value measurements for each level within the hierarchy is described below:

- Level 1 – Quoted prices for identical assets or liabilities in active markets.
- Level 2 – Quoted prices for identical or similar assets and liabilities in markets that are not active; or other model-derived valuations whose inputs are directly or indirectly observable or whose significant value drivers are observable.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs to the valuation model are unobservable and for which assumptions are used based on management estimates.

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

The carrying amounts of cash equivalents, current portion of restricted cash, prepaid expenses and other current assets, accounts payable, current portion of lease liabilities and accrued expenses approximate fair value due to the short-term nature of these instruments.

A summary of the assets and liabilities carried at fair value in accordance with the hierarchy defined above is as follows:

September 30, 2023	Total	Fair Value Hierarchy		
		(Level 1)	(Level 2)	(Level 3)
Assets				
Marketable Debt Securities:				
U.S. Treasury Bonds	\$ 985	\$ 985	\$ —	\$ —
U.S. Government Notes	10,824	—	10,824	—
Total	\$ 11,809	\$ 985	\$ 10,824	\$ —

December 31, 2022	Total	Fair Value Hierarchy		
		(Level 1)	(Level 2)	(Level 3)
Assets				
Marketable Debt Securities:				
U.S. Treasury Bonds	\$ 959	\$ 959	\$ —	\$ —
U.S. Government Notes	15,603	—	15,603	—
Corporate Debt Securities	5,371	—	5,371	—
Total	\$ 21,933	\$ 959	\$ 20,974	\$ —

U.S. treasury bonds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices for identical assets in active markets. Marketable debt securities consisting of U.S. government notes and corporate debt securities are classified as Level 2 and are valued using quoted market prices in markets that are not active.

Note 6 – Leasehold Improvements and Equipment

Leasehold improvements and equipment, summarized by major category, consist of the following as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Equipment	\$ 2,523	\$ 2,305
Leasehold improvements	1,155	1,155
Total	3,678	3,460
Less: accumulated depreciation and amortization	1,657	1,369
Leasehold improvements and equipment, net	\$ 2,021	\$ 2,091

Depreciation and amortization expense for the three and nine months ended September 30, 2023 was \$98 and \$288, respectively, and the three and nine months ended September 30, 2022 was \$89 and \$244, respectively. During the nine month period ended September 30, 2023, the Company purchased equipment of \$218, and no leasehold improvements. During the nine month period ended September 30, 2022, the Company purchased equipment of \$629, and leasehold improvements of \$221.

Note 7 – Accrued Expenses and Other Liabilities

Accrued Expenses, summarized by major category, as of September 30, 2023 and December 31, 2022 consist of the following:

	September 30, 2023	December 31, 2022
Payroll and incentives	\$ 1,290	\$ 1,705
General and administrative expenses	407	455
Research and development expenses	60	130
Deferred revenue *	—	721
Other deferred liabilities **	—	88
Total	\$ 1,757	\$ 3,099

* At December 31, 2022, the balance included \$688 related to an exclusive research collaboration with BioNTech SE (the “BioNTech Agreement”) and \$33 related to a feasibility study agreement with Genentech, Inc. (the “Genentech Agreement”). (See Note 9 – Revenue Recognition, Collaboration Agreements and Other).

** At December 31, 2022, the balances of \$88 related to an award agreement with the Cystic Fibrosis Foundation (the “CFF Agreement”). (See Note 9 – Revenue Recognition, Collaboration Agreements and Other).

Note 8 – Leases

The Company has various lease agreements, including leases of office space, a laboratory and manufacturing facility, and various equipment. Some leases include purchase, termination or extension options for one or more years. These options are included in the lease term when it is reasonably certain that the option will be exercised.

The assets and liabilities from operating and finance leases are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term using the Company's incremental borrowing rates or implicit rates, when readily determinable. Short-term leases, which have an initial term of 12 months or less, are not recorded on the balance sheet. The Company's operating leases do not provide implicit rates, therefore the Company utilized a discount rate based on its incremental borrowing rate to record the lease obligations. The Company's finance leases provide readily determinable implicit rates.

Operating lease obligations

The Company incurred lease expense for its operating leases of \$225 and \$194 for each of the three month periods ended September 30, 2023 and 2022, respectively, and \$677 and \$646 for each of the nine month periods ended September 30, 2023 and 2022, respectively. The Company incurred amortization expense on its operating lease right-of-use assets of \$139 and \$406 for the three and nine months ended September 30, 2023, respectively, and \$138 and \$413 for the three and nine months ended September 30, 2022, respectively.

Finance Leases

The Company incurred interest expense on its finance leases of \$0 and \$2 for the three and nine months ended September 30, 2023, respectively, and \$0 and \$1 for the three and nine months ended September 30, 2022, respectively. The Company incurred amortization expense on its finance lease right-of-use assets of \$2 and \$7 for the three and nine months ended September 30, 2023, respectively, and \$3 and \$15 for the three and nine months ended September 30, 2022, respectively.

The following table presents information about the amount and timing of liabilities arising from the Company's operating leases and finance leases as of September 30, 2023:

Maturity of Lease Liabilities	Operating Lease Liabilities	Finance Lease Liabilities
Remainder of 2023	\$ 235	\$ 2
2024	956	7
2025	998	7
2026	1,040	7
2027	944	7
Thereafter	411	—
Total undiscounted operating lease payments	\$ 4,584	\$ 30
Less: Imputed interest	900	6
Present value of operating lease liabilities	\$ 3,684	\$ 24
Weighted average remaining lease term in years	4.6	4.2
Weighted average discount rate	9.2%	11.6%

The following table presents information about the amount and timing of liabilities arising from the Company's operating leases and finance leases as of December 31, 2022:

Maturity of Lease Liabilities	Operating Lease Liabilities	Finance Lease Liabilities
2023	\$ 916	\$ 10
2024	956	7
2025	998	7
2026	1,040	7
2027	944	7
Thereafter	411	—
Total undiscounted operating lease payments	\$ 5,265	\$ 38
Less: Imputed interest	1,170	9
Present value of operating lease liabilities	<u>\$ 4,095</u>	<u>\$ 29</u>
Weighted average remaining lease term in years	5.3	4.5
Weighted average discount rate	9.2%	11.1%

Note 9 – Revenue Recognition, Collaboration Agreements and Other

BioNTech Research Collaboration

On April 8, 2022, the Company entered into the BioNTech Agreement to evaluate the combination of mRNA formats utilizing the Company's proprietary LNC platform delivery technology. Under the terms of the BioNTech Agreement, the Company received an exclusivity fee in the amount of \$2,750, and BioNTech SE funded certain of the Company's research expenses that were incurred under the agreement. The term of the agreement began on the effective date and expired on April 8, 2023.

The \$2,750 license fee was recorded as deferred revenue and was recognized over the term of the contract performance obligation period, which the Company concluded to be 12 months after the execution of the contract. The clinical research services were invoiced as service revenue was earned on a monthly basis during the term of the contract.

During the first quarter of 2023, \$688 of the contract research revenue was recognized from the license fee and \$375 was earned from the monthly clinical research services performed by the Company. As of March 31, 2023, the Company had recognized all of contract research revenue from the BioNTech Agreement.

Cystic Fibrosis Foundation Therapeutics Development Award

On November 19, 2020, the Company entered into the CFF Agreement with the Cystic Fibrosis Foundation ("CFF"), pursuant to which it received a Therapeutics Development Award of up to \$4.2 million (the "Award") (of which \$484 had been previously received) to support the preclinical development (the "Development Program") of the Company's MAT2501 product candidate. On November 19, 2021, the Company and CFF entered into an Amendment to the CFF Agreement which added an additional milestone payment in the amount of \$321, which was received in the fourth quarter of 2021.

As of September 30, 2023, the Company has received approximately \$3.6 million of the \$4.5 million Award, including the Amendment's additional milestone payment, and a related deferred liability balance of \$0 and \$88 is included in accrued expenses at September 30, 2023 and December 31, 2022, respectively. During the fourth quarter of 2022, for financial and technical reasons, the Company determined that it was not commercially reasonable to continue the development of MAT2501 and instead elected to focus existing resources on other initiatives. As a result, the Company will not receive the balance of the Award and has no further obligations to CFF.

On December 12, 2019, the Company entered into the Genentech Agreement which involves the development of oral formulations using the Company’s LNC platform delivery technology. Under the terms of the Genentech Agreement, Genentech paid the Company a total of \$100 for the development of three molecules, or \$33 per molecule, which is being recognized upon the Company fulfilling its obligations for each molecule under the Genentech Agreement. The Company recorded the upfront consideration as deferred revenue, which is included in accrued expenses on the consolidated balance sheets. As of December 31, 2022, the Company completed its obligations related to the first and second of the three molecules. During the three months ended March 31, 2023, the Company completed its obligations related to the remaining molecule.

Note 10 – Income Taxes

Sale of net operating losses (NOLs) & tax credits

The Company recognized \$0 and \$1,734 for the nine month periods ended September 30, 2023 and 2022, respectively, in connection with the sale of certain state net operating losses (“NOLs”) and research and development tax credits to a third party under the New Jersey Technology Business Tax Certificate Transfer Program.

Note 11 – Stockholders’ Equity

Common Stock

On February 8, 2022, the Company issued 400,000 unregistered shares of its common stock to Rutgers, The State University of New Jersey (“Rutgers”), as partial consideration pursuant to the Second Amended and Restated Exclusive License Agreement between the Company and Rutgers. The agreement provides for (1) royalties on a tiered basis between low single digits and the mid-single digits of net sales of products using such licensed technology, (2) a one-time sales milestone fee of \$100 when and if sales of products using the licensed technology reach the specified sales threshold and (3) an annual license fee of \$50 over the term of the license agreement. There was also a reduction in the consideration paid to Rutgers in the event of a sublicense to a third party of the exclusive patent rights granted pursuant to the Agreement. The Company recorded a \$291 research and development expense related to the issuance of the 400,000 shares based on the closing price of the Company’s common stock of \$0.728 on the date of issuance.

For the nine months ended September 30, 2023 and 2022, the Company did not sell any shares of its common stock under its At-The-Market Sales Agreement with BTIG, LLC.

Warrants

As of September 30, 2023, the Company did not have any outstanding warrants to purchase shares of the Company’s common stock. The following table summarizes the changes in warrants outstanding during 2022 and for the nine months ended September 30, 2023:

	Shares
Outstanding at December 31, 2021	988
Issued	—
Exercised	(400)
Expired	(350)
Outstanding at December 31, 2022	238
Issued	—
Exercised	—
Expired	(238)
Outstanding at September 30, 2023	—

Basic and diluted net loss per common share

During the three and nine months ended September 30, 2023 and 2022, diluted loss per common share is the same as basic loss per common share because, as the Company incurred a net loss during each period presented, the potentially dilutive securities from the assumed exercise of all outstanding stock options and warrants, would have an anti-dilutive effect. The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive as of September 30, 2023 and 2022:

	As of September 30,	
	2023	2022
Stock options	33,234	27,729
Warrants	—	988
Total	33,234	28,717

Note 12 – Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss by component during the nine months ended September 30, 2023 and 2022:

	Net Unrealized Gain/(Loss) on Available-for-Sale Securities	Accumulated Other Comprehensive Loss
Balance, December 31, 2022	\$ (824)	\$ (824)
Net unrealized gain on securities available-for-sale	465	465
Balance, September 30, 2023	\$ (359)	\$ (359)
Balance, December 31, 2021	\$ (145)	\$ (145)
Net unrealized loss on securities available-for-sale	(790)	(790)
Balance, September 30, 2022	\$ (935)	\$ (935)

All components of accumulated other comprehensive income are net of tax.

Note 13 – Stock-based Compensation

The Company's Amended and Restated 2013 Equity Compensation Plan (the "Plan") provides for the granting of incentive stock options, nonqualified stock options, restricted stock units, performance units, and stock purchase rights. There were no significant modifications to the Plan during the nine month periods ended September 30, 2023 and 2022. The term of the Plan is for 10 years and will expire on May 7, 2024, if not amended before then.

The following table contains information about the Company's stock plan at September 30, 2023:

	Awards Reserved for Issuance	Awards Issued & Exercised	Awards Available for Grant
2013 Equity Compensation Plan	54,294*	37,915**	16,379

* Increased by 8,691 on January 1, 2023, representing 4% of the total number of shares of common stock outstanding on December 31, 2022.

** Includes both restricted stock grants and option grants

The Company recognized stock-based compensation expense (options and restricted share grants) in its condensed consolidated statements of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and Development	\$ 507	\$ 554	\$ 1,576	\$ 1,660
General and Administrative	689	859	2,100	2,228
Total	<u>\$ 1,196</u>	<u>\$ 1,413</u>	<u>\$ 3,676</u>	<u>\$ 3,888</u>

As of September 30, 2023, total compensation costs related to unvested awards not yet recognized was \$6,204 and the weighted-average periods over which the awards are expected to be recognized was 2.2 years.

Stock Options

The following table summarizes the activity for Company's stock options for the nine months ended September 30, 2023:

	Stock Options
Outstanding at December 31, 2022	34,739
Granted	105
Exercised	—
Forfeited	(296)
Expired	(1,314)
Outstanding at September 30, 2023	<u>33,234</u>

Note 14 – Subsequent Events

On November 1, 2023, at a Special Meeting of the Company's stockholders, a proposal for an amendment to the Company's Certificate of Incorporation to effect a reverse stock split of its common stock at a ratio in the range of 1-for-2 to 1-for-50, with such reverse stock split to be effected at a ratio, time and date, if at all, as determined by the Company's Board of Directors in its sole discretion. The Board may choose to exercise its discretion at any time prior to November 1, 2024, which is the first anniversary of its approval by stockholders.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with our financial statements and the related notes and the other financial information included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2022 and in other reports we file with the Securities and Exchange Commission, particularly those under "Risk Factors." Dollars in tabular format are presented in thousands, except per share data, or otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, including risks and uncertainties related to the impact of COVID-19, and which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "can," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "seek," "estimate," "continue," "plan," "point to," "project," "predict," "could," "intend," "target," "potential" and other similar words and expressions of the future.

There are a number of important factors that could cause the actual results to differ materially from those expressed in any forward-looking statement made by us. These factors include, but are not limited to:

- our ability to raise additional capital to fund our operations and to develop our product candidates;
- our anticipated timing for preclinical development, regulatory submissions, commencement and completion of clinical trials and product approvals;
- our history of operating losses in each year since inception and the expectation that we will continue to incur operating losses for the foreseeable future;
- our dependence on product candidates which are still in an early development stage;
- our reliance on our proprietary lipid nanocrystal (LNC) platform delivery technology, which is licensed to us by Rutgers University;
- our ability to manufacture GMP batches of our product candidates which are required for preclinical and clinical trials and, subsequently, if regulatory approval is obtained for any of our products, our ability to manufacture commercial quantities;
- our ability to complete required clinical trials for our lead product candidate and other product candidates and obtain approval from the FDA or other regulatory agents in different jurisdictions;
- our dependence on third parties, including third parties to manufacture our intermediates and final product formulations and third-party contract research organizations to conduct our clinical trials;
- our ability to maintain or protect the validity of our patents and other intellectual property;
- our ability to retain and recruit key personnel;

- our ability to internally develop new inventions and intellectual property;
- interpretations of current laws and the passages of future laws;
- our lack of a sales and marketing organization and our ability to commercialize products, if we obtain regulatory approval, whether alone or through potential future collaborators;
- our ability to successfully commercialize, and our expectations regarding future therapeutic and commercial potential with respect to, our product candidates;
- the accuracy of our estimates regarding expenses, ongoing losses, future revenue, capital requirements and our needs for or ability to obtain additional financing;
- developments and projections relating to our competitors or our industry;
- our operations, business and financial results may be adversely impacted by COVID-19; and
- the factors listed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, elsewhere in this report and other reports that we file with the Securities and Exchange Commission.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this report or the date of the document incorporated by reference into this report. We have no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. We have expressed our expectations, beliefs and projections in good faith, and we believe they have a reasonable basis. However, we cannot assure you that our expectations, beliefs or projections will result or be achieved or accomplished.

Overview

We are a clinical-stage biopharmaceutical company focused on delivering groundbreaking therapies using our lipid nanocrystal (LNC) platform delivery technology (LNC Platform) to maximize global clinical impact and patient access. The Company is developing an internal portfolio of products and strives to be the partner of choice for leading pharmaceutical companies seeking to develop novel formulations that capitalize on the unique characteristics of the LNC Platform to facilitate, enhance and optimize the delivery of complex nucleic acids. Our current internal pipeline consists of MAT2203 (oral amphotericin B), a highly potent antifungal drug which we have successfully made oral, safe, and well-tolerated for patients. We also have internal discovery programs ongoing in the formulation and delivery of small oligonucleotides, namely antisense oligonucleotides (ASOs) and silencing or short interfering RNAs (siRNAs). We are also intent on expanding the application of our LNC Platform through collaborations with well-respected pharmaceutical companies whose molecules and compounds benefit from the unique capabilities of our delivery technology, which can provide oral bioavailability and facilitate non-toxic and efficient intracellular delivery of nucleic acids, particularly in the fields of mRNA and DNA.

Key elements of our strategy include:

- Advancing our LNC Platform and expanding the utilization of this promising technology into areas of innovative medicine beyond small molecules, including nucleic acids (e.g., mRNA, DNA, ASOs) and proteins.
- Positioning MAT2203 for an NDA filing for various indications for the treatment of serious IFIs, including cryptococcal meningitis. We are seeking non-dilutive funds from prospective third-party pharmaceutical partners and various governmental sources of capital, such as the Biomedical Advanced Research and Development Authority (BARDA) and the NIH to continue the development of MAT2203 into Phase 3. We are also seeking the input and guidance of the FDA for an additional Phase 3 study of various IFIs.

- Building an external pipeline of collaborations focused on our LNC Platform with leading pharmaceutical companies like Genentech and National Resilience to provide delivery solutions for their complex nucleic acid drug products.

For the nine month periods ended September 30, 2023 and 2022, our net loss was \$17,628 and \$17,363, respectively. We have incurred losses for each period from our inception and expect to incur additional losses for the foreseeable future. We believe the cash, cash equivalents and marketable debt securities on hand are sufficient to fund planned operations into the third quarter of 2024, but not beyond. We will seek to fund our operations through public or private equity offerings, debt financing, government or other third-party funding, collaborations and licensing arrangements. These financing alternatives may not be available to us on acceptable terms, or at all. As a result, substantial doubt exists about our ability to continue as a going concern.

Financial Operations Overview

Revenue

During the three and nine months ended September 30, 2023, we generated \$0 and \$1,096, respectively, in contract research revenue resulting from the research collaborations with BioNTech SE and Genentech Inc., and \$1,063 and \$2,125 during the three and nine months ended September 30, 2022, respectively, from the research collaboration with BioNTech SE. Our ability to generate product revenue, which we do not expect to occur for many years, if ever, will depend heavily on the successful development and eventual commercialization of our early-stage product candidates.

Research and Development Expenses

Research and development expenses consist of costs incurred for the development of product candidate MAT2203 and advancement of our LNC platform delivery technology, which include:

- the cost of conducting pre-clinical work;
- the cost of acquiring, developing and manufacturing pre-clinical and human clinical trial materials;
- costs for consultants and contractors associated with Chemistry and Manufacturing Controls (CMC), pre-clinical and clinical activities and regulatory operations;
- expenses incurred under agreements with contract research organizations, or CROs, including the National Institutes of Health (NIH), that conduct our pre-clinical or clinical trials; and
- employee-related expenses, including salaries and stock-based compensation expense for those employees involved in the research and development process.

The table below summarizes our direct research and development expenses for our product candidates and development platform for the three and nine months ended September 30, 2023 and 2022. Our direct research and development expenses consist principally of external costs, such as fees paid to contractors, consultants, analytical laboratories and CROs and/or the NIH, in connection with our development work. We typically use our employee and infrastructure resources for manufacturing clinical trial materials, conducting product analysis, study protocol development and overseeing outside vendors. Included in “Internal staffing, overhead and other” below is the cost of laboratory space, supplies, research and development (R&D) employee costs (including stock-based compensation), travel and medical education.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Direct research and development expenses:				
Manufacturing process development	\$ 349	\$ 417	\$ 942	\$ 1,988
Preclinical trials	101	86	350	711
Clinical development	314	492	1,183	1,702
Regulatory	133	160	463	562
Internal staffing, overhead and other	2,398	2,552	7,886	7,848
Total research and development	\$ 3,295	\$ 3,707	\$ 10,824	\$ 12,811

Research and development activities are central to our business model. We expect our research and development expenses to increase over time because product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage human trials. However, we anticipate that our research and development expenses during 2023 will be lower than expenses incurred in 2022 as we pause the development of MAT2501 to focus our existing resources on MAT2203 and advancement of our LNC platform delivery technology.

General and Administrative Expenses

General and administrative expense for the three and nine months ended September 30, 2023 were \$2,839 and \$8,151, respectively, and for the three and nine months ended September 30, 2022 were \$2,818 and \$8,424, respectively. General and administrative expenses consist principally of salaries and related costs for personnel in executive and finance functions. Other general and administrative expenses include facility costs, insurance, investor relations expenses, professional fees for legal, patent review, consulting and accounting/audit services. We anticipate that our general and administrative expenses during 2023 will remain relatively consistent with expenses incurred during 2022.

Sale of Net Operating Losses (NOLs) & Tax Credits

Income obtained from selling unused net operating losses (NOLs) and research and development tax credits under the New Jersey Technology Business Tax Certificate Transfer Program was \$0 and \$1,734 for the nine month periods ended September 30, 2023 and 2022, respectively.

Other Income, net

Other income, net is largely comprised of interest income/(expense) and dividends.

Application of Critical Accounting Policies and Accounting Estimates

A critical accounting policy is one that is both important to the portrayal of our financial condition and results of operation and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

For a description of our significant accounting policies, refer to "Note 3 – *Summary of Significant Accounting Policies*" in our 2022 Form 10-K. Of these policies, the following are considered critical to an understanding of our Unaudited Condensed Consolidated Financial Statements as they require the application of the most difficult, subjective and complex judgments: (i) Stock-based compensation, (ii) Fair value measurements, (iii) Research and development costs, and (iv) Goodwill and other intangible assets.

Recent Accounting Pronouncements

Refer to "Note 3 – *Summary of Significant Accounting Policies*" in the Notes to Unaudited Condensed Consolidated Financial Statements for a discussion of recently adopted accounting pronouncements and their expected impact on our financial positions and results of operations.

Current Operating Trends

Our current R&D efforts are focused on advancing our lead LNC product candidate, MAT2203, through clinical development toward an initial indication for the treatment of CM and expanding application of our LNC Platform through both internal efforts and collaborations with third parties. Our R&D expenses consist of manufacturing work and the cost of active pharmaceutical ingredients and excipients used in such work, fees paid to consultants for work related to clinical trial design and regulatory activities, fees paid to providers for conducting various clinical studies as well as for the analysis of the results of such studies, and for other medical research addressing the potential efficacy and safety of our drugs. We believe that significant investment in product development is a competitive necessity, and we plan to continue these investments to be in a position to realize the potential of our product candidates and proprietary technologies.

We expect that most of our R&D expenses in the near-term future will be incurred in support of our current and future preclinical and clinical development programs. These expenditures are subject to numerous uncertainties relating to timing and cost to completion. We test compounds in numerous preclinical studies for safety, toxicology, and efficacy. At the appropriate time, subject to the approval of regulatory authorities, we expect to conduct early-stage clinical trials. We anticipate funding these trials ourselves, and possibly with the assistance of federal grants, contracts, or other agreements. As we obtain results from trials, we may elect to discontinue or delay clinical trials for certain products to focus our resources on more promising products. Completion of clinical trials may take several years, and the length of time varies substantially according to the type, complexity, novelty and intended use of a product candidate.

The commencement and completion of clinical trials for our products may be delayed by many factors, including lack of efficacy during clinical trials, unforeseen safety issues, slower than expected participant recruitment, lack of funding or government delays. In addition, we may encounter regulatory delays or rejections as a result of many factors, including results that do not support the intended safety or efficacy of our product candidates, perceived defects in the design of clinical trials and changes in regulatory policy during the period of product development. As a result of these risks and uncertainties, we are unable to accurately estimate the specific timing and costs of our clinical development programs or the timing of material cash inflows, if any, from our product candidates. Our business, financial condition and results of operations may be materially adversely affected by any delays in, or termination of, our clinical trials or a determination by the FDA that the results of our trials are inadequate to justify regulatory approval, insofar as cash in-flows from the relevant drug or program would be delayed or would not occur.

Results of Operations

Comparison of the three months ended September 30, 2023 to the three months ended September 30, 2022

The following tables summarize our revenues and operating expenses for the periods presented:

	Three Months Ended September 30,	
	2023	2022
Revenues	\$ —	\$ 1,063
Expenses:		
Research and development	\$ 3,295	\$ 3,707
General and administrative	2,839	2,818
Operating Expenses	<u>\$ 6,134</u>	<u>\$ 6,525</u>

Revenues. During the three months ended September 30, 2023 and 2022, we generated revenue of \$0 and \$1,063. The amount earned during the prior year resulted from the exclusive research collaborations with BioNTech SE.

Research and Development expenses. Research and Development (R&D) expense for the three months ended September 30, 2023 and 2022 was \$3,295 and \$3,707, respectively. The decrease in R&D expense was primarily attributable to the decrease in manufacturing costs of clinical trial materials, in clinical trial consulting costs and in headcount costs.

General and Administrative expenses. General and administrative expense for the three months ended September 30, 2023 and 2022 was relatively consistent at \$2,839 and \$2,818, respectively, as higher legal fees were offset by lower stock based compensation, insurance premiums and consulting costs.

Comparison of the nine months ended September 30, 2023 to the nine months ended September 30, 2022

The following tables summarize our revenues and operating expenses for the periods presented:

	Nine Months Ended September 30,	
	2023	2022
Revenues	\$ 1,096	\$ 2,125
Expenses:		
Research and development	\$ 10,824	\$ 12,811
General and administrative	8,151	8,424
Operating Expenses	<u>\$ 18,975</u>	<u>\$ 21,235</u>
Sale of New Jersey net operating losses (NOLs) and tax credits	\$ —	\$ 1,734

Revenues. During the nine month periods ended September 30, 2023 and 2022, we generated revenue of \$1,096 and \$2,125. The amount earned during the current year consists of contract research revenue resulting from the research collaboration with BioNTech SE and Genentech Inc., while the amount earned during the prior year resulted from the research collaboration with BioNTech SE.

Research and Development expenses. Research and Development (R&D) expense for the nine month periods ended September 30, 2023 and 2022 was \$10,824 and \$12,811, respectively. The decrease in R&D expense was primarily attributable to decreases in manufacturing costs of clinical trial materials and in clinical trial consulting costs, partially offset by an increase in headcount costs.

General and Administrative expenses. General and administrative expense for the nine month periods ended September 30, 2023 and 2022 was \$8,151 and \$8,424, respectively. The decrease in general and administrative expense between periods was primarily due to decreases in consulting fees, insurance premiums and stock based compensation expense, partially offset by increases in legal fees and headcount costs.

Sale of New Jersey net operating losses (NOLs) & tax credits. The Company recognized \$0 and \$1,734 for the nine month periods ended September 30, 2023 and 2022, respectively, in connection with the sale of state net operating losses and research and development tax credits to third parties under the New Jersey Technology Business Tax Certificate Transfer Program.

Liquidity and capital resources

Sources of Liquidity

We have funded our operations since inception through private placements and public offerings of our equity securities. As of September 30, 2023, we have raised a total of \$156.7 million in gross proceeds and \$143.9 million, net, from sales of our equity securities.

As of September 30, 2023, we had cash, cash equivalents and marketable debt securities totaling \$18,216.

Cash Flows

The following table sets forth the primary sources and uses of cash, cash equivalents and restricted cash for each of the periods set forth below:

	Nine Months Ended September 30,	
	2023	2022
Cash used in operating activities	\$ (10,699)	\$ (14,857)
Cash provided by investing activities	10,282	4,919
Cash (used in)/provided by financing activities	(6)	84
Net decrease in cash and cash equivalents and restricted cash	<u>\$ (423)</u>	<u>\$ (9,854)</u>

Operating Activities

Net cash used in operating activities was \$10,699 and \$14,857 for the nine month periods ended September 30, 2023 and 2022, respectively. Net losses of \$17,628 and \$17,363 for the nine month periods ended September 30, 2023 and 2022, respectively, were partially offset by working capital adjustments due to the timing of receipts and payments in the ordinary course of business.

Investing Activities

Net cash provided by investing activities was \$10,282 and 4,919 for the nine month periods ended September 30, 2023 and 2022, respectively. The increase of cash provided by investing activities of \$5,363 was primarily due to the \$9,481 decrease in purchases of marketable debt securities, the \$632 decrease in purchases of leasehold improvements and equipment, offset by the \$4,750 decrease in maturities of marketable debt securities.

Financing Activities

Net cash (used in)/provided by financing activities was (\$6) and \$84 for the nine month periods ended September 30, 2023 and 2022, respectively. The decrease of \$90 is primarily due to the decrease in the receipt of proceeds of \$99 from the exercise of stock options.

Funding Requirements and Other Liquidity Matters

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. We anticipate that our expenses will increase substantially if and as we:

- conduct further preclinical and clinical studies of MAT2203, our lead product candidate, even if such studies are primarily financed with non-dilutive funding from the NIH;
- seek to discover and develop additional product candidates;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- require the manufacture of larger quantities of product candidates for clinical development and potentially commercialization;
- maintain, expand and protect our intellectual property portfolio;
- hire additional clinical, quality control and scientific personnel; and
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts and personnel and infrastructure necessary to help us comply with our obligations as a public company.

We expect that our existing cash, cash equivalents and marketable debt securities will be sufficient to fund our operating expenses and capital expenditures requirements into the third quarter of 2024, but not beyond. As a result, substantial doubt exists about the Company's ability to continue as a going concern.

Until such time, if ever, that we can generate product revenues sufficient to achieve profitability, we expect to finance our cash needs through a combination of private and public equity offerings, debt financings, government or other third-party funding, collaborations, and licensing arrangements. To the extent that we raise additional capital through the sale of common stock, convertible securities or other equity securities, the ownership interest of our stockholders may be materially diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights of our common stockholders. Debt financing and preferred equity financing, if available, would result in increased fixed payment obligations and 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, that could adversely impact our ability to conduct our business. Securing additional financing could require a substantial amount of time and attention from our management and may divert a disproportionate amount of their attention away from day-to-day activities, which may adversely affect our management's ability to oversee the development of our product candidates.

If we raise additional funds through collaborations, strategic alliances or marketing, distribution, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings 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 product candidates that we would otherwise prefer to develop and market ourselves.

Our financial condition and results of operations may also be impacted by other factors we may not be able to control, such as global supply chain disruptions, global trade disputes and/or political instability. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks. Additionally, rising inflation rates may affect us by increasing operating expenses, such as employee-related costs and clinical trial expenses, negatively impacting our results of operations.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Disclosure Controls and Procedures:

As of September 30, 2023, under the supervision and with the participation of our principal executive officer and principal financial officer we have evaluated, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2023.

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that we filed or submitted under the Exchange Act is recorded, processed, summarized and reported within time periods specified by 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 our reports filed under the Exchange Act is accumulated and communicated to our management, including principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the above evaluation that occurred during the third quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART - II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None.

Item 1A. RISK FACTORS

Except as set forth below, there were no material changes from the risk factors set forth under Part I, Item 1A., “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. You should carefully consider the risk factors contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 in addition to the other information set forth in this report which could materially affect our business, financial condition or future results. The risks and uncertainties described in this report and in our Annual Report on Form 10-K for the year ended December 31, 2022, as well as other reports and statements that we file with the SEC, are not the only risks and uncertainties facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, results of operations or cash flows.

We could be delisted from the NYSE American, which could seriously harm the liquidity of our stock and our ability to raise capital.

We are currently having, and may continue to have, difficulty satisfying NYSE American listing requirements for our common stock. We are currently not in compliance with NYSE American listing requirements, specifically the minimum bid price requirement, and must regain compliance prior to March 21, 2024. If we are unable to regain such compliance, we will cease to be eligible to trade on Nasdaq. In such event:

- We may have to pursue trading on a less recognized or accepted market, such as the OTC Bulletin Board or the “pink sheets.”
- Shares of our common stock could be less liquid and marketable, thereby reducing the ability of stockholders to purchase or sell our shares as quickly and as inexpensively as they have done historically. If our stock is traded as a “penny stock,” transactions in our stock would be more difficult and cumbersome.
- We may be unable to access capital on favorable terms or at all, as companies trading on alternative markets may be viewed as less attractive investments with higher associated risks, such that existing or prospective institutional investors may be less interested in, or prohibited from, investing in our common stock. This may also cause the market price of our common stock to decline.

A reverse-stock split of our common stock may not have the intended consequences.

On November 1, 2023, our shareholders approved an amendment to our Certificate of Incorporation to effect a reverse stock split at a ratio in the range of 1-for-2 to 1-for-50, to be determined at the discretion of the Board, and to reduce the total number of authorized shares of common stock from 500,000,000 to 250,000,000, which we refer to as the reverse stock split and authorized share reduction, respectively. We believe that the reverse stock split may result in our regaining compliance with the listing standards of the NYSE American, an increase to the market price of our common stock, enhance the appeal of our common stock to the financial community, improve the trading liquidity of our common stock, make it possible for us to “up-list” our common stock to a higher tier stock exchange, and make us eligible for inclusion on certain biotechnology and pharmaceutical trading indices and exchange-traded funds.

However, we cannot assure you that the reverse stock split, if implemented, will result in any anticipated benefits, including compliance with the NYSE American minimum bid price requirement, an increase of the market price of our common stock in proportion to the reduction in the number of shares of our common stock outstanding. Moreover, a reverse-stock split may have the effect of decreasing our overall market value. There can be no assurance that the reverse stock split will result in a per share price that will attract institutional investors or investment funds or that such share price will satisfy the investing guidelines of institutional investors or investment funds or improve the trading liquidity of our common stock.

Moreover, the number of shares of our common stock available for issuance following the implementation of the reverse stock split would increase to the extent the reverse stock split reduces the number of outstanding shares of our common stock relative to the number of authorized shares. Such available shares may be used for future corporate purposes, including future acquisitions, investment opportunities, the establishment of collaboration or other strategic agreements, capital raising transactions involving equity or convertible debt securities, future at the market offerings of common stock, or issuance under current or future employee equity plans, and the issuance of equity securities in connection with such transactions may result in potentially significant dilution of our current stockholders' ownership interests in us.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UNDER SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

The information set forth below is included herein for the purpose of proving the disclosure required under "Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers".

(e) On November 7, 2023, the Company entered into an arrangement with Keith Kucinski, its chief financial officer and principal accounting officer, whereby it agreed to make incentive bonus payments in the amount of \$40,000 on or before December 31, 2023, and \$60,000 on April 1, 2024, to Mr. Kucinski if he is actively employed in good standing on each such date. If Mr. Kucinski resigns for any reason (other than for Good Reason) or if the Company terminates Mr. Kucinski for Cause (as such terms are defined in Mr. Kucinski's employment agreement), within 60 days of such date, he is required to return the incentive bonus payment made to him on such date.

Item 6. EXHIBITS

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

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.

MATINAS BIOPHARMA HOLDINGS, INC.

BY:

/s/ Jerome D. Jabbour

Jerome D. Jabbour
Chief Executive Officer (Principal Executive Officer)

Dated: November 8, 2023

/s/ Keith A. Kucinski

Keith A. Kucinski
Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: November 8, 2023

EXHIBIT INDEX

3.1	<u>Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 to the Company's Registration Statement on Form S-1 filed with the SEC on February 7, 2014).</u>
3.2	<u>Bylaws (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Company's Registration Statement on Form S-1 filed with the SEC on February 7, 2014).</u>
3.3	<u>Certificate of Amendment, dated October 29, 2015 to Certificate of Incorporation. (incorporated herein by reference to the Company's Current Report on Form 8-K filed with the SEC on November 5, 2015).</u>
4.6	<u>Description of Securities (incorporated herein by reference to the Company's Annual Report on Form 10-K filed with the SEC on March 8, 2022).</u>
*31.1	<u>Certification of Chief Executive Officer</u>
*31.2	<u>Certification of Chief Financial Officer</u>
*32.1	<u>Section 1350 Certifications</u>
*101.1	Inline XBRL Instance Document.
*101.2	Inline XBRL Taxonomy Extension Schema Document.
*101.3	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.4	Inline XBRL Taxonomy Extension Definition Linkbase Document.
*101.5	Inline XBRL Taxonomy Extension Label Linkbase Document.
*101.6	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

† Indicates a management contract or compensation plan, contract or arrangement. Certain portions of this exhibit, that are not material and would likely cause competitive harm to the registrant if publicly disclosed, have been redacted pursuant to Item 601(b)(10) of Regulation S-K.

CERTIFICATION

I, Jerome D. Jabbour, certify that:

1. I have reviewed this report on Form 10-Q of Matinas BioPharma Holdings, 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 8, 2023

By: /s/ Jerome D. Jabbour

Name: Jerome D. Jabbour

Title: Chief Executive Officer

CERTIFICATION

I, Keith A. Kucinski, certify that:

1. I have reviewed this report on Form 10-Q of Matinas BioPharma Holdings, 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 15d-15(f) 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 8, 2023

By: /s/ Keith A. Kucinski
Name: Keith A. Kucinski
Title: Chief Financial Officer

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Matinas BioPharma Holdings, Inc. (the “Company”) hereby certify that to their knowledge and in their respective capacities that the Company’s quarterly report on Form 10-Q to which this certification is attached (the “Report”), fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 8, 2023

By: /s/ Jerome D. Jabbour

Name: Jerome D. Jabbour

Title: Chief Executive Officer

Date: November 8, 2023

By: /s/ Keith A. Kucinski

Name: Keith A. Kucinski

Title: Chief Financial Officer

This certification shall not be deemed “filed” for any purpose, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Matinas BioPharma Holdings, Inc. and will be retained by Matinas BioPharma Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
