UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended 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: 001-40227

FINCH THERAPEUTICS GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**82-3433558**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
75 State Street, Suite 100 Boston, Massachusetts **(Address of principal executive offices)**	**02109** **(Zip Code)**

Registrant's telephone number, including area code: (617) 229-6499

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, $0.001 par value per share	FNCH	The Nasdaq Stock Market LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

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

As of November 2, 2023 there were 1,605,763 outstanding shares of the registrant's common stock, par value $0.001 per share.

FINCH THERAPEUTICS GROUP, INC.
FORM 10-Q
For the quarterly period ended September 30, 2023

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. 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” or “would,” or the negative of these words or other comparable terminology. These forward-looking statements include, but are not limited to, statements about:

- our expectations with respect to our microbiome technology and related portfolio of intellectual property and microbiome assets, and our objectives to realize the value of our intellectual property estate through licensing our technology to collaboration partners and enforcing our patent rights against infringing technologies;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our expectations and projections regarding the sufficiency of our cash on hand to fund our operating expenses and capital expenditure requirements;
- our ability to fund our working capital requirements and to service any debt obligations we may incur;
- our intellectual property position, including the scope of protection we are able to establish, maintain and enforce for intellectual property rights covering product candidates developed using our microbiome technology;
- our financial performance; and
- our ability to obtain additional funding for our operations.

These forward-looking statements are based on our management’s current expectations, estimates, forecasts and projections about our business and the industry in which we operate, and management’s beliefs and assumptions and are not guarantees of future performance or development. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, and in any other reports we file with the Securities and Exchange Commission, including this Quarterly Report on 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 report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance, or events and circumstances reflected in our 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 report to conform these statements to new information, actual results or changes in our expectations, except as required by law. We qualify all of our forward-looking statements by these cautionary statements.

SPECIAL NOTE REGARDING COMPANY REFERENCES

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to “FTG,” the “Company,” “we,” “us” and “our” refer to Finch Therapeutics Group, Inc., and its subsidiaries.

SPECIAL NOTE REGARDING TRADEMARKS

All trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

FINCH THERAPEUTICS GROUP, INC.
Condensed Consolidated Balance Sheets
(Unaudited, in thousands, except share and per share data)

	SEPTEMBER 30, 2023	DECEMBER 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 28,779	$ 71,038
Accounts receivable	—	144
Prepaid expenses and other current assets	1,140	3,369
Total current assets	29,919	74,551
Property and equipment, net	637	15,936
Operating right-of-use assets	26,589	32,752
In-process research and development	—	32,900
Restricted cash, non-current	2,348	2,568
Other assets	—	4,232
TOTAL ASSETS	$ 59,493	$ 162,939
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 357	$ 1,097
Accrued expenses and other current liabilities	2,551	10,161
Operating lease liabilities, current	1,971	3,431
Total current liabilities	4,879	14,689
Deferred tax liability	—	3,461
Loan payable, non-current	—	14,653
Operating lease liabilities, non-current	28,801	34,255
Other liabilities	—	170
Total liabilities	33,680	67,228
COMMITMENTS AND CONTINGENCIES (Note 10)		
Preferred stock (undesignated), $0.001 par value; 10,000,000 shares authorized and no shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
STOCKHOLDERS' EQUITY:		
Common stock, $0.001 par value; 200,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 1,605,034 and 1,601,717 * shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	2	2
Additional paid-in capital	373,165	371,350
Accumulated deficit	(347,354)	(275,641)
Total stockholders' equity	25,813	95,711
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 59,493	$ 162,939

* Adjusted for the 1-for-30 reverse stock split

See notes to unaudited condensed consolidated financial statements.

FINCH THERAPEUTICS GROUP, INC.
Condensed Consolidated Statements of Operations
(Unaudited, in thousands, except share and per share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2023	2022	2023	2022
REVENUE:				
Collaboration revenue	$ —	$ 138	$ 107	$ 853
Total revenue	—	138	107	853
OPERATING EXPENSES:				
Research and development	—	11,859	7,199	41,312
General and administrative	3,735	9,584	22,229	27,152
Impairment of goodwill	—	18,057	—	18,057
Impairment of in-process research and development	—	—	32,900	—
Impairment of long-lived assets	—	—	13,141	—
Restructuring	46	1,270	4,083	2,173
Total operating expenses	3,781	40,770	79,552	88,694
Net loss from operations	(3,781)	(40,632)	(79,445)	(87,841)
OTHER INCOME, NET:				
Interest income (expense), net	392	45	1,237	(7)
Gain on lease termination	—	—	752	—
Loss on loan extinguishment	—	—	(1,366)	—
Gain (loss) on sale and disposal of fixed assets, net	(22)	—	595	(6)
Sublease and other income	995	216	3,053	216
Total other income, net	1,365	261	4,271	203
Loss before income taxes	(2,416)	(40,371)	(75,174)	(87,638)
Income tax benefit	—	—	3,461	—
Net loss	$ (2,416)	$ (40,371)	$ (71,713)	$ (87,638)
Net loss per share attributable to common stockholders—basic and diluted	$ (1.51)	$ (25.38)	$ (44.70)	$ (55.22)
Weighted-average common stock outstanding—basic and diluted *	1,604,967	1,590,938	1,604,201	1,587,062

* Three and nine months ended September 30, 2022 are adjusted for the 1-for-30 reverse stock split

See notes to unaudited condensed consolidated financial statements.

FINCH THERAPEUTICS GROUP, INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited, in thousands, except share and per share data)

	COMMON STOCK $0.001 PAR VALUE		ADDITIONAL PAID-IN	ACCUMULATED	TOTAL STOCKHOLDERS'
	SHARES*	AMOUNT	CAPITAL	DEFICIT	EQUITY
BALANCE, January 1, 2022	1,583,669	$ 2	$ 363,217	$ (160,995)	$ 202,224
Exercise of common stock options	680	—	14	—	14
Stock-based compensation	—	—	2,120	—	2,120
Net loss	—	—	—	(24,567)	(24,567)
BALANCE, March 31, 2022	1,584,349	$ 2	$ 365,351	$ (185,562)	$ 179,791
Exercise of common stock options	3,279	—	61	—	61
Issuance of common stock under employee stock purchase plan	1,825	—	110	—	110
Stock-based compensation	—	—	1,830	—	1,830
Net loss	—	—	—	(22,700)	(22,700)
BALANCE, June 30, 2022	1,589,453	$ 2	$ 367,352	$ (208,262)	$ 159,092
Exercise of common stock options	1,344	—	44	—	44
Vesting of restricted stock units	3,349	—	—	—	—
Stock-based compensation	—	—	2,101	—	2,101
Net loss	—	—	—	(40,371)	(40,371)
BALANCE, September 30, 2022	1,594,146	$ 2	$ 369,497	$ (248,633)	$ 120,866

	COMMON STOCK $0.001 PAR VALUE		ADDITIONAL PAID-IN	ACCUMULATED	TOTAL STOCKHOLDERS'
	SHARES	AMOUNT	CAPITAL	DEFICIT	EQUITY
BALANCE, January 1, 2023	1,601,717	$ 2	$ 371,350	$ (275,641)	$ 95,711
Vesting of restricted stock units	3,044	—	—	—	—
Stock-based compensation	—	—	1,180	—	1,180
Net loss	—	—	—	(62,347)	(62,347)
BALANCE, March 31, 2023	1,604,761	$ 2	$ 372,530	$ (337,988)	$ 34,544
Stock-based compensation	—	—	300	—	300
Net loss	—	—	—	(6,950)	(6,950)
BALANCE, June 30, 2023	1,604,761	$ 2	$ 372,830	$ (344,938)	$ 27,894
Vesting of restricted stock units	273	—	—	—	—
Stock-based compensation	—	—	335	—	335
Net loss	—	—	—	(2,416)	(2,416)
BALANCE, September 30, 2023	1,605,034	$ 2	$ 373,165	$ (347,354)	$ 25,813

* Adjusted for the 1-for-30 reverse stock split

See notes to unaudited condensed consolidated financial statements.

FINCH THERAPEUTICS GROUP, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2023	**2022**
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss	$ (71,713)	$ (87,638)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	1,476	4,099
Stock-based compensation expense	1,815	6,051
Impairment of in-process research and development	32,900	—
Impairment of goodwill	—	18,057
Loss on loan extinguishment	1,366	—
Impairment of long-lived assets	13,141	—
Gain on lease termination	(752)	—
(Gain) loss on sale and disposal of property and equipment	(595)	6
Non-cash operating lease and interest cost	2,658	2,003
Benefit for deferred income taxes	(3,461)	—
Changes in operating assets and liabilities:		
Accounts receivable	144	494
Prepaid expenses and other current assets	2,229	(4,484)
Other non-current assets	4,033	656
Accounts payable	(740)	(2,296)
Accrued expenses and other current liabilities	(7,610)	189
Other non-current liabilities	(50)	50
Operating lease liabilities	(2,640)	2,234
Net cash used in operating activities	(27,799)	(60,579)
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Proceeds on sale of property and equipment	1,290	—
Purchases of property and equipment	(14)	(2,131)
Net cash provided by (used in) investing activities	1,276	(2,131)
CASH FLOWS (USED IN) PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from exercise of stock options and issuances under employee stock purchase plan, net	—	229
Proceeds from borrowings under loan agreement, net	—	14,738
Repayment of loan	(15,000)	—
Payment of loan terminal fee obligation and prepayment fee	(1,155)	—
Principal payments on finance lease obligation	—	(14)
Payment of deferred offering costs	—	(132)
Net cash (used in) provided by financing activities	(16,155)	14,821
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(42,678)	(47,889)
Cash, cash equivalents and restricted cash at beginning of period	73,805	135,965
Cash, cash equivalents and restricted cash at end of period	$ 31,127	$ 88,076
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property and equipment in accounts payable and accrued liabilities	$ —	$ 106
Right-of-use assets obtained in exchange for new operating lease liability	$ —	$ 37,094
Prepaid rent reclassified to right-of-use assets	$ —	$ 7,736

The following table provides a reconciliation of the cash, cash equivalents and restricted cash as of each of the periods shown above:

	AS OF SEPTEMBER 30,	
	2023	**2022**
Cash and cash equivalents	$ 28,779	$ 85,292
Restricted cash	2,348	2,784
Total cash, cash equivalents and restricted cash	$ 31,127	$ 88,076

See notes to unaudited condensed consolidated financial statements.

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Business

Finch Therapeutics Group, Inc. (the "Company" or "FTG") was incorporated in 2017 as a Delaware corporation. The Company was formed as a result of a merger and recapitalization of Finch Therapeutics, Inc. ("Finch") and Crestovo Holdings LLC ("Crestovo") in September 2017 (the "Merger"), in which the former owners of Finch and Crestovo were issued equivalent stakes in the newly formed company, FTG. Crestovo was renamed Finch Therapeutics Holdings LLC in November 2020 ("Finch Holdings"). Finch and Finch Holdings are both wholly-owned subsidiaries of FTG.

The Company is a microbiome technology company with a portfolio of intellectual property and microbiome assets. In January 2023, the Company announced the decision to wind down its development efforts and focus on realizing the value of its intellectual property estate and other assets.

Liquidity and Capital Resources

Management believes that the Company's cash and cash equivalents of $28.8 million as of September 30, 2023 will be sufficient to fund its operating expenses and capital expenditure requirements for at least twelve months beyond the date of these condensed consolidated financial statements. However, due to the consideration of certain qualitative factors, including the Company's recurring losses from operations incurred since inception, the expectation of continuing operating losses for the foreseeable future, and uncertainty around its ability to successfully realize the full value of its intellectual property estate and other assets, the Company has concluded that there is substantial doubt regarding the Company's ability to continue as a going concern within one year after the date that these consolidated financial statements are issued. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company does not currently expect to progress any product candidate through clinical trials or commercial approval and it does not currently expect to generate any revenue from product sales. The Company may never succeed in realizing the value of its intellectual property estate and other assets and, even if it does, it may never generate revenue that is significant or large enough to achieve profitability.

The Company has significantly scaled back its expenses by winding down its development efforts, including by liquidating certain of its assets, terminating vendor contracts and reducing headcount. The Company may need additional funding to support its operating activities as it seeks to realize value from its intellectual property estate and other assets. Until such time, if ever, that the Company can generate substantial revenue, the Company expects to finance its cash needs through equity offerings, debt financings or other capital sources, including collaborations, licenses or similar arrangements. However, the Company may be unable to raise additional funds or enter into such other arrangements when needed or on favorable terms, if at all. If the Company is unable to obtain funding as needed, it may decide to pursue a dissolution and liquidation.

Reverse Stock Split

On June 9, 2023, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to effect a reverse stock split of the Company's issued and outstanding common stock, par value $0.001, at a ratio of 1-for-30 (the "Reverse Stock Split"). The Reverse Stock Split was reflected on the Nasdaq Global Select Market beginning with the opening of trading on June 12, 2023. Pursuant to the Reverse Stock Split, every 30 shares of the Company's issued and outstanding shares of common stock were automatically combined into one issued and outstanding share of common stock, without any change in the par value per share of the common stock. The Reverse Stock Split did not change the total number of shares the Company is authorized to issue. The Reverse Stock Split affected all issued and outstanding shares of the Company's common stock, and the respective numbers of shares of common stock underlying the Company's outstanding stock options, outstanding restricted stock units ("RSU") and the Company's equity incentive plans were proportionately adjusted. All share and per share amounts of the common stock included in the accompanying financial statements have been retrospectively adjusted to give effect to the Reverse Stock Split for all periods presented.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared by the Company in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP") and, pursuant to the rules and regulations of Article 10 of Regulation S-X of the Securities Act of 1933, as amended, published by the Securities and Exchange Commission ("SEC") for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. However, the Company believes the disclosures are adequate. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2022 included in the Company's Annual Report on Form 10-K, filed with the SEC on March 23, 2023.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited financial statements. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments that are necessary for a fair presentation of the Company's condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022, condensed consolidated statements of operations for the three and nine months ended September 30, 2023 and 2022, condensed consolidated statements of stockholders' equity for the three and nine months ended September 30, 2023 and 2022, and condensed consolidated statements of cash flows for the nine months ended September 30, 2023 and 2022. Such adjustments are of a normal and recurring nature. The results of operations for the nine months ended September 30, 2023 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2023. The consolidated balance sheet as of December 31, 2022 has been derived from the audited consolidated financial statements of the Company but does not include all disclosures required by U.S. GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other accounting standard setting bodies that the Company adopts as of the specified effective date. Unless otherwise discussed below, the Company does not believe that the adoption of recently issued standards have or may have a material impact on the condensed consolidated statements or disclosures.

The significant accounting policies and estimates used in preparation of the unaudited interim condensed consolidated financial statements are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 23, 2023. There have been no material changes to the Company's significant accounting policies during the nine months ended September 30, 2023.

Goodwill and Acquired In-Process Research and Development

Goodwill and in-process research and development ("IPR&D") are evaluated annually for impairment on October 1, or more frequently if events or changes in circumstances indicate that the asset might be impaired. To conduct impairment tests of goodwill, the fair value of the Company's single reporting unit is compared to its carrying value. If the reporting unit's carrying value exceeds its fair value, the Company records an impairment loss to the extent that the carrying value of the reporting unit exceeds its fair value.

To conduct impairment tests of IPR&D, the fair value of the IPR&D asset is compared to its carrying value. If the carrying value exceeds its fair value, the Company records an impairment loss to the extent that the carrying value of the IPR&D asset exceeds its fair value. The Company estimates the fair value of IPR&D assets using discounted cash flow valuation models, which require the use of significant estimates and assumptions, including, but not limited to, estimating the timing of and expected costs to complete in-process projects, projecting regulatory approvals, estimating future cash flows from product sales resulting from completed projects and in-process projects, and developing appropriate discount rates.

In January 2023, the Company made the decision to wind down its development efforts, which management concluded was an impairment indicator requiring the Company to perform an interim impairment test of IPR&D. Management's assessment for the impairment of IPR&D indicated that there are no future cash flow projections associated with its IPR&D asset and the fair value of the IPR&D asset was zero. This resulted in an impairment charge of $32.9 million during the nine months ended September 30, 2023.

Recently Issued Accounting Pronouncements

On January 1, 2023, the Company adopted Accounting Standards Update No. 2016-13, *Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires measurement and recognition of expected credit losses for financial assets. In April 2019, the FASB issued clarification to ASU 2016-13 within ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, or ASU 2016-13. The adoption of the standard was immaterial to the accompanying condensed consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

The Company has no financial liabilities measured at fair value on a recurring basis. The following table presents information about the Company's financial assets measured at fair value on a recurring basis and indicates the level of the fair value hierarchy utilized to determine such fair values (in thousands):

DESCRIPTION	SEPTEMBER 30, 2023	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 3)
Money market funds	$ 1,240	$ 1,240	$ —	$ —

DESCRIPTION	DECEMBER 31, 2022	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT OBSERVABLE INPUTS (LEVEL 3)
Money market funds	$ 69,991	$ 69,991	$ —	$ —

There were no transfers between fair value levels during the nine months ended September 30, 2023 and the year ended December 31, 2022. The carrying values of accounts receivable, prepaid expenses, other current assets, accounts payable and accrued expenses approximate their fair values due to the short-term nature of these assets and liabilities.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	SEPTEMBER 30, 2023	DECEMBER 31, 2022
Lab equipment	$ —	$ 4,146
Office furniture and fixtures	869	1,406
Leasehold improvements	—	13,972
Construction work-in-progress	—	316
Software	—	4,883
Computer equipment	—	499
Total	869	25,222
Less: Accumulated depreciation	(232)	(9,286)
Property and equipment, net	$ 637	$ 15,936

Depreciation expense was $1.5 million and $4.1 million for the nine months ended September 30, 2023 and 2022, respectively. During the quarter ended March 31, 2023, the Company recorded an impairment charge of $13.1 million to its long-lived assets, as it was determined that certain equipment, leasehold improvements, and software associated with program development would no longer be used following the discontinuation of the Company's Phase 3 clinical trial in CP101 and significant reduction in the Company's workforce, as announced in January 2023. In addition, for the nine months ended September 30, 2023, the Company sold capital equipment, which resulted in a net gain of $0.6 million included in other income (expense) on the condensed consolidated statement of operations.

5. LEASES

Inner Belt Road Lease

In December 2015, the Company entered into a 10-year lease agreement (the "Inner Belt Road Lease") for approximately 25,785 square feet of space for its primary office and laboratory space in Somerville, Massachusetts. The monthly rental payments under the Inner Belt Road Lease, which include base rent charges of $0.1 million, were subject to periodic rent increases through September 2026.

The Inner Belt Road Lease terminated and the Company’s rent obligations ended on June 30, 2023. The landlord agreed to refund the Company for the full amount of the Company’s security deposit, which is included in prepaid expenses and other current assets on the condensed consolidated balance sheet.

The Company's lease expense under the Inner Belt Road Lease was $0.6 million and $0.9 million for each of the nine months ended September 30, 2023 and 2022, respectively.

Hood Lease

On August 3, 2021, the Company entered into a 10-year lease agreement (the “Hood Lease”) with Hood Park LLC, pursuant to which the Company leased approximately 61,139 square feet of office and laboratory space (the “Premises”). The Hood Lease provides the Company with an option to extend the lease for one additional five-year term. The Company’s annual base rent for the Premises started at approximately $4.5 million, and the lease contains annual rent escalations. The Company commenced business operations in the Premises in the second quarter of 2022, which triggered recognition of the lease for accounting purposes. The Company recorded lease expense related to the Hood Lease of $4.2 million and $2.3 million for the nine months ended September 30, 2023 and 2022, respectively.

The Company posted a customary letter of credit in the amount of approximately $2.3 million, subject to decrease on a set schedule, as a security deposit pursuant to the Hood Lease. This is included in restricted cash, non-current on the condensed consolidated balance sheet as of September 30, 2023 and December 31, 2022.

In the third quarter of 2022, the Company entered into a sublease agreement to sublet approximately one third of its leased space under the Hood Lease, which commenced on August 10, 2022, for an initial term of two years, with an option for the Company to extend the sublease for up to one additional year, which was exercised in the fourth quarter of 2022. Additionally, in the fourth quarter of 2022, the Company entered into a second sublease agreement to sublet the remainder of its leased space under the Hood Lease for a three-year term, which commenced on December 15, 2022. For the nine months ended September 30, 2023 and 2022, the Company recognized sublease income of $2.9 million and $0.2 million, respectively, which is presented as other income in the condensed consolidated statements of operations.

The following table presents the classification of right-of-use assets and operating lease liabilities as of September 30, 2023 and December 31, 2022 (in thousands):

	BALANCE SHEET CLASSIFICATION	SEPTEMBER 30, 2023	DECEMBER 31, 2022
ASSETS:			
Operating lease assets	Operating right-of-use assets	$ 26,589	$ 32,752
LIABILITIES:			
Operating lease liabilities			
Current	Operating lease liabilities, current	$ 1,971	$ 3,431
Noncurrent	Operating lease liabilities, non-current	28,801	34,255
Total lease liabilities		$ 30,772	$ 37,686

The following table represents the components of operating lease cost, which are included in general and administrative and research and development expense, and sublease income, which is included in other income on the statement of operations for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2023	2022	2023	2022
Operating lease cost	$ 1,382	$ 1,724	$ 4,783	$ 3,374
Short-term lease cost	—	18	17	157
Variable lease cost	60	481	592	1,445
Sublease income	(996)	(216)	(2,914)	(216)
Total lease cost, net	$ 446	$ 2,007	$ 2,478	$ 4,760

The weighted-average remaining operating lease term and discount rate as of September 30, 2023 and December 31, 2022 were as follows (in thousands):

	SEPTEMBER 30, 2023	DECEMBER 31, 2022
Weighted-average remaining lease term (years)	8.3	8.5
Weighted-average discount rate	8.5%	8.3%

Supplemental disclosure of cash flow information related to operating leases for the nine months ended September 30, 2023 and 2022 was as follows (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Cash paid (received) for amounts included in measurement of lease liabilities	$ 2,640	$ (2,234)

The following table represents a summary of the Company's future operating lease payments required as of September 30, 2023 (in thousands):

2023	$ 895
2024	4,795
2025	4,930
2026	5,071
2027	5,215
Thereafter	22,391
Total future minimum lease payments	43,297
Less: amount representing interest	(12,525)
Present value of future minimum lease payments	$ 30,772

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following as of September 30, 2023 and December 31, 2022 (in thousands):

	SEPTEMBER 30, 2023	DECEMBER 31, 2022
Accrued research and development	$ 99	$ 1,967
Accrued legal and professional fees	1,630	5,852
Accrued compensation and benefits	7	880
Accrued other	815	1,462
Total accrued expenses and other current liabilities	$ 2,551	$ 10,161

7. LOAN PAYABLE

Hercules Loan and Security Agreement

On May 11, 2022, the Company entered into a loan and security agreement (the “Loan Agreement”) with Hercules Capital, Inc., providing for a term loan with aggregate maximum borrowings of up to $55.0 million. Under the Loan Agreement, the Company borrowed an initial amount of $15.0 million, and on January 25, 2023 (the “Payoff Date”), the Company voluntarily paid off all outstanding principal, accrued and unpaid interest, fees, costs and expenses under the Loan Agreement, equal to $16.2 million in the aggregate, recording a loss on extinguishment of $1.4 million. Following the Payoff Date, all obligations, covenants, debts and liabilities of the Company under the Loan Agreement were satisfied and discharged in full, and the Loan Agreement and all other documents entered into in connection with the Loan Agreement were terminated.

8. RESTRUCTURING

The Company recognized nominal restructuring charges during the three months ended September 30, 2023. During the nine months ended September 30, 2023 the Company recognized restructuring charges of $4.1 million primarily consisting of one-time severance payments, healthcare coverage, outplacement services and related expenses in connection with the Company's January 2023 restructuring action (the “January 2023 Restructuring”). All severance payments will be completed by the second quarter of 2024. The accrued restructuring liability is included in accrued compensation and benefits as of September 30, 2023.

The following table summarizes the restructuring accrual activity for the nine months ended September 30, 2023 (in thousands):

Accrued restructuring liability as of December 31, 2022	$ 201
Restructuring charges	4,083
Cash payments	(3,718)
Accrued restructuring liability as of September 30, 2023	$ 566

9. INCOME TAXES

During the nine months ended September 30, 2023 and the year ended December 31, 2022, the Company recorded a full valuation allowance on federal and state deferred tax assets since management does not forecast the Company to be in a profitable position in the near future. There were no material changes in the Company’s tax position in the nine months ended September 30, 2023 as compared to the year ended December 31, 2022. The benefit for the nine months ended September 30, 2023 reflects the full removal of the deferred tax liability on the IPR&D that was written off during the first quarter of 2023 and treated as a discrete item in the tax provision.

10. COMMITMENTS AND CONTINGENCIES

Legal Contingencies

On December 1, 2021, Rebiotix Inc. and Ferring Pharmaceuticals Inc. (collectively, "Rebiotix") filed a complaint against the Company in the U.S. District Court for the District of Delaware (the "Court"). The complaint seeks a declaratory judgment of non-infringement and invalidity with respect to seven United States Patents owned by the Company: U.S. Patent Nos. 10,675,309 (the "'309 Patent"); 10,463,702 (the "'702 Patent"); 10,328,107 (the "'107 Patent"); 10,064,899; 10,022,406 (the "'406 Patent"); 9,962,413 (the "'413 Patent"); and 9,308,226. On February 7, 2022, the Company filed an answer and counterclaims against Rebiotix for infringement of the '107, '702, and '309 Patents. In June 2022, Finch alleged infringement of the '406 and '413 Patents by Rebiotix. On March 7, 2022, the Company filed an amended answer and counterclaims, in which the Company, together with the Regents of the University of Minnesota ("UMN"), alleged infringement by Rebiotix of three U.S. Patents owned by UMN and exclusively licensed to the Company: U.S. Patent Nos. 10,251,914, 10,286,011, and 10,286,012, (collectively, the "UMN Patents"). On April 4, 2022, Rebiotix filed counterclaims for declaratory judgment of non-infringement and invalidity of the UMN Patents. On May 2, 2022, the Company and UMN responded, denying such counterclaims. The Court set a trial date for a five-day trial beginning on May 20, 2024. On January 23, 2023, the Company filed a second amended answer and counterclaims, in which the Company alleged infringement by Rebiotix of two additional U.S. Patents owned by Finch: U.S. Patent Nos. 11,541,080 (the "'080 Patent") and 11,491,193 (the "'193 Patent"). On February 7, 2023, Rebiotix filed counterclaims for declaratory judgment of non-infringement and invalidity of the '080 and '193 patents. The Court issued a claim construction order on February 28, 2023. On July 6, 2023, Rebiotix filed a motion to dismiss certain counts of our second amended answer and counterclaims based on the assertion that Finch lacks standing to sue as to '107 Patent, '702 Patent, '309 Patent, '406 Patent, '413 Patent, '193 Patent, and '080 Patent. Rebiotix specifically alleges that the sole named inventor on these patents, Thomas J. Borody, did not assign his rights in those patents to Finch, and as a result, Finch does not own them and therefore does not have standing to assert them. Briefing on this motion is complete. The parties have mutually agreed to narrow the case to include only claims from the '309, '702, '193, '080, '914, and '012 Patents.

The pending lawsuit is subject to inherent uncertainties, and the actual legal fees and costs will depend upon many unknown factors. The outcome of the pending lawsuit cannot be predicted with certainty. The Company has determined that there is no probable or estimable loss contingency that is required to be recorded as of September 30, 2023.

License and Royalty Payments

The Company is party to license and other agreements under which it is obligated to make milestone and royalty payments and incur annual maintenance fees. The Company owes a nominal annual maintenance fee under its license agreement with UMN, (the "UMN Agreement"), as well as escalating minimum royalty amounts. The minimum payments continue in perpetuity for the University of Minnesota until the agreement is terminated. On April 12, 2023, the Company amended its agreement with UMN to, among other things, allow the Company to satisfy certain performance milestones through sublicensing agreements.

The Company is party to an agreement with OpenBiome requiring the Company to pay certain milestones of up to $26.0 million upon the occurrence of certain R&D events, regulatory approvals, and commercial sales, and low single digit royalties on net sales of products on a product-by-product and country-by-country basis, as well as a mid-single digit royalties on sublicensing revenue related to such products.

11. STOCKHOLDERS' EQUITY

On February 24, 2021, the board of directors of the Company (the "Board") and the Company's stockholders approved the Company's Amended and Restated Certificate of Incorporation. The certificate authorized the issuance of up to 200,000,000 shares of $0.001 par value common stock and up to 10,000,000 shares of $0.001 par value undesignated preferred stock. The Board may designate the rights, preferences, privileges, and restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preference, and number of shares constituting any series or the designation of any series. The issuance of preferred stock could have the effect of restricting dividends on the Company's common stock, diluting the voting power of the Company's common stock, impairing the liquidation rights of the Company's common stock, or delaying or preventing a change in control. As of September 30, 2023, no shares of preferred stock were outstanding.

Each share of common stock entitles the holder to one vote, together with the holders of any preferred stock outstanding, on all matters submitted to the stockholders for a vote. Common stockholders are also entitled to receive dividends. As of September 30, 2023, no cash dividends have been declared or paid.

As of September 30, 2023 and December 31, 2022 the Company has reserved the following shares of common stock for the exercise of stock options, common stock warrants, vesting of restricted stock and shares issuable under the employee stock purchase plan:

	SEPTEMBER 30, 2023	DECEMBER 31, 2022
Options to purchase common stock	57,804	109,522
Unvested restricted stock units	—	9,039
Shares issuable under employee stock purchase plan	—	3
	57,804	118,564

12. STOCK-BASED COMPENSATION

2021 Equity Incentive Plan

In March 2021, the Board adopted, and the stockholders approved, the 2021 Equity Incentive Plan (the "2021 Plan").The 2021 Plan was amended and restated as of June 8, 2023 to reflect the stock split. The 2021 Plan provides for the grant of incentive stock options to employees, including employees of any parent or subsidiary of the Company, and for the grant of nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance awards and other forms of awards to employees, directors and consultants, including employees and consultants of the Company's affiliates.

The number of shares of common stock reserved for issuance under the Company's 2021 Plan automatically increases on January 1 of each calendar year through January 1, 2031, in an amount equal to (i) 5.0% of the total number of shares of common stock outstanding on December 31 of the year before the date of each automatic increase, or (ii) a lesser number of shares determined by the Board prior to the applicable January 1. The maximum number of shares of common stock that may be issued on the exercise of incentive stock options under the 2021 Plan is 470,000 shares. Shares subject to stock awards granted under the 2021 Plan that expire or terminate without being exercised in full or that are paid out in cash rather than in shares will not reduce the number of shares available for issuance under the 2021 Plan.

On January 1, 2023, the number of shares of common stock reserved and available for issuance under the 2021 Plan automatically increased by 80,089 shares and as of September 30, 2023, there were 57,804 shares of common stock issuable upon the exercise of outstanding options and there were 277,806 shares available for future issuance under the 2021 Plan.

2021 Employee Stock Purchase Plan

In March 2021, the Board adopted the 2021 Employee Stock Purchase Plan (the "2021 ESPP"). The 2021 ESPP was amended and restated as of June 8, 2023 to reflect the stock split. The 2021 ESPP is administered by the Board or by a committee appointed by the Board. The 2021 ESPP provides participating employees with the opportunity to purchase shares of common stock. The occurrence and duration of offering periods under the 2021 ESPP are subject to the determinations of the compensation committee of the Board. Annually the common stock reserved and available for issuance under the 2021 ESPP automatically increases and on January 1, 2023, increased by 16,018. As of September 30, 2023, 3,354 shares have been issued under the 2021 ESPP and 45,167 shares are available for future issuance.

Stock Options

The following table summarizes the activity of the Company's stock options under the 2017 Plan and 2021 Plan for the nine months ended September 30, 2023:

	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM (in years)	AGGREGATE INTRINSIC VALUE (in thousands)
Outstanding as of December 31, 2022	109,522	$ 293.81	6.9	$ —
Granted	34,094	$ 8.15		
Cancelled or forfeited	(48,146)	$ 327.08		
Expired	(37,666)	$ 328.80		
Outstanding as of September 30, 2023	57,804	$ 75.09	7.3	$ 13
Options exercisable as of September 30, 2023	22,573	$ 155.59	4.3	$ —
Options vested or expected to vest as of September 30, 2023	57,804	$ 75.09	7.3	$ 13

As of September 30, 2023, there was approximately $0.3 million of unrecognized compensation expense related to the stock-based compensation arrangements granted under the 2021 Plan remaining to be recognized. The Company expects to recognize this cost over a weighted average period of 3.5 years.

Restricted Stock Unit Awards

In June 2022, the Company issued RSU awards with time-based vesting conditions to employees. The fair value of an RSU award is equal to the fair market value of the Company's ordinary shares on the date of grant and the expense is recognized on a straight-line basis over the requisite service period. The RSUs primarily vest over one year from the grant date.

The following table summarizes the activity of the Company's RSUs under the 2021 Plan for the nine months ended September 30, 2023:

	RSUs	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE	AGGREGATE INTRINSIC VALUE (in thousands)
Outstanding as of December 31, 2022	9,039	$ 83.88	$ 131
Vested and distributed	(3,317)	$ 83.80	
Forfeited	(5,722)	$ 83.93	
Unvested as of September 30, 2023	—	$ —	$ —

Stock-Based Compensation Expense

Total stock-based compensation expense recorded as research and development and general and administrative expenses, respectively, for employees, directors and non-employees for the periods presented is as follows (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2023	2022	2023	2022
Research and development	$ —	$ 886	$ 231	$ 2,655
General and administrative	335	1,215	1,584	3,396
Total	$ 335	$ 2,101	$ 1,815	$ 6,051

13. RETIREMENT PLAN

The Company has adopted a defined contribution plan intended to qualify under Section 401(k) of the Internal Revenue Code covering all eligible employees of the Company. All employees are eligible to become participants of the plan at their hire date. Each active employee may elect, voluntarily, to contribute a percentage of their compensation to the plan each year, subject to certain limitations. The Company reserves the right to make additional contributions to this plan. The Company made contributions to the plan of $0.1 million and $0.6 million in the nine months ended September 30, 2023 and 2022, respectively.

14. LOSS PER SHARE

Basic and diluted loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average common shares outstanding (in thousands, except share and per share data):

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (2,416)	$ (40,371)	$ (71,713)	$ (87,638)
Net loss attributable to common stockholders—basic and diluted	(2,416)	(40,371)	(71,713)	(87,638)
Denominator:				
Weighted-average common stock outstanding—basic and diluted	1,604,967	1,590,938	1,604,201	1,587,062
Net loss per share attributable to common stockholders—basic and diluted	$ (1.51)	$ (25.38)	$ (44.70)	$ (55.22)

The Company's potentially dilutive securities, which include stock options, warrants, RSU awards and shares issuable under the employee stock purchase plan have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following from the computation of diluted net loss per share attributable to common stockholders at September 30, 2023 and 2022 because including them would have had an anti-dilutive effect:

	NINE MONTHS ENDED SEPTEMBER 30,	
	2023	2022
Options to purchase common stock	57,804	136,570
Unvested restricted stock units	—	16,208
Shares issuable under employee stock purchase plan	—	264
	57,804	153,042

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 (1) our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and (2) the audited consolidated financial statements and the related notes and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2022 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission, or SEC, on March 23, 2023, which we refer to as the 2022 10-K.

Overview

We are a microbiome technology company with a portfolio of intellectual property and microbiome assets. We have significantly scaled back our expenses by winding down our development efforts, including liquidating certain of our assets, terminating vendor contracts and reducing headcount, and we now focus on realizing the value of our intellectual property and other assets (the "Recent Business Initiatives"). This decision came after an assessment by our management team and board of directors of multiple factors, including our outlook for identifying a commercial partner, slower than anticipated enrollment in the PRISM4 trial, the harmful impact of what we believe is the ongoing unauthorized use of our intellectual property, and broader sector trends in the biotechnology industry.

We were previously developing CP101 as an orally administered complete microbiome therapeutic designed for the prevention of recurrent *C. difficile infection*, or CDI. Although we announced our decision to discontinue our Phase 3 clinical trial of CP101 for the prevention of recurrent CDI, or the PRISM4 trial, we believe that CP101 has therapeutic potential in both CDI and other indications.

We do not currently expect to be able to progress any product candidate through clinical trials or commercial approval, and we do not currently expect to generate any revenue from product sales.

Since our inception, we have funded our operations primarily with proceeds from our March 2021 initial public offering (the "IPO"), the sale of convertible preferred stock, our loan agreement with Hercules Capital, which was terminated on January 25, 2023, and from collaboration revenue. Although we believe strongly in the value of our pioneering intellectual property portfolio and the merits of our current litigation activities relating to those assets, we may never succeed in realizing the value of our intellectual property estate and other assets and, even if we do, we may never generate revenue that is significant or large enough to achieve profitability.

As a result, we may need additional funding to support our operating activities as we seek to realize value from our intellectual property estate and other assets. Until such time, if ever, that we can generate substantial revenue, we expect to finance our cash needs through equity offerings, debt financings or other capital sources, including collaborations, licenses or similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed or on favorable terms, if at all. If we are unable to obtain funding as needed, we may decide to pursue a dissolution and liquidation.

We believe that our existing cash and cash equivalents of $28.8 million as of September 30, 2023 will be sufficient to fund our operations into 2025. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we expect. See "—Liquidity and Capital Resources."

On June 9, 2023, we completed a reverse stock split of our outstanding shares of common stock at a ratio of one-for-thirty. All share and per share amounts of the common stock included in this Quarterly Report on Form 10-Q, including in the accompanying financial statements, have been retrospectively adjusted to give effect to the reverse stock split for all periods presented, including reclassifying an amount equal to the reduction in par value to additional paid-in capital.

Components of Our Results of Operations

Revenue

We have no products approved for commercial sale. We have not generated any revenue from product sales for the three months ended September 30, 2023 and do not expect to generate any revenue from the sale of licensed products for the foreseeable future. Our revenue to date has been generated primarily through collaboration and license agreements. We recognized revenue over our expected performance period under each agreement. We expect that our revenue for the next several years, if any, will be derived from enforcement and out-licensing of our intellectual property estate.

Takeda Agreement

In January 2017, we entered into a research collaboration and exclusive license agreement with Takeda, or as amended and restated, ("the Takeda Agreement"), pursuant to which we granted Takeda a worldwide, exclusive license, with the right to grant sublicenses, under our rights in certain patents, patent applications and know-how to develop, have developed, manufacture, have manufactured, make, have made, use, have used, offer for sale, sell, have sold, commercialize, have commercialized and import our microbiome therapeutic candidate FIN-524, for the prevention, diagnosis, theragnosis or treatment of diseases in humans.

In August 2022, we received written notice from Takeda that, following a review of its pipeline, Takeda had elected to exercise its right to terminate the Takeda Agreement. In accordance with the terms of the Takeda Agreement, the termination became effective on November 17, 2022. Pursuant to a further amendment to the Takeda Agreement, dated October 19, 2022, we transitioned activities under the Takeda Agreement. As of November 17, 2022, the license rights granted to Takeda terminated and Takeda ceased to accrue any financial obligations to us. Revenue earned under the Takeda Agreement was recorded as collaboration revenue on our consolidated statement of operations.

OpenBiome Agreement

On November 19, 2020, we entered into a License Agreement with OpenBiome ("the LMIC Agreement") pursuant to which we granted OpenBiome a non-exclusive royalty-bearing license, with the right to grant sublicenses, under certain patents, patent applications, and know-how that are reasonably necessary or useful for the exploitation of products manufactured directly from stool from a stool donor source without the use of culturing or replication, or certain natural products. The only consideration from the LMIC Agreement is in the form of future royalties on certain net sales. We are entitled to receive tiered royalties on net sales of certain products, ranging from mid-single digit to low second decile digits on a product-by-product and country-by-country basis. We did not recognize any revenue related to the LMIC Agreement for the nine months ended September 30, 2023 and 2022, as there are currently no products available for sale.

We entered into an Asset Purchase Agreement with Microbiome Health Research Institute, Inc ("OpenBiome"), also dated November 19, 2020 (" the OpenBiome Agreement"). Under this agreement we will continue to earn royalties based on sales of fecal microbiota transplantation, or FMT, materials, which we receive as reimbursement for the payment of third-party license fees. The OpenBiome Agreement effectively terminated certain existing agreements with OpenBiome and internalized certain functions for which we previously relied on OpenBiome. Pursuant to the OpenBiome Agreement, we acquired certain biological samples and obtained a license to certain OpenBiome technology, and, upon closing of the transaction, which occurred on March 1, 2021, we acquired certain additional assets, including biological samples, a commercial lease, intellectual property, capital equipment and contracts. In accordance with the OpenBiome Agreement we have made payments of $5.0 million, which is the full amount agreed upon. We are also required to pay certain milestones up to $26.0 million upon the occurrence of certain research and development events, regulatory approvals, and commercial sales, and low single digit royalties on net sales of products on a product-by-product and country-by-country basis, as well as a mid-single digit royalties on sublicensing revenue related to such products.

Operating Expenses

Research and Development Expenses

Until January 2023, research and development activities were central to our business model. As a result of our Recent Business Initiatives, we do not currently expect to be able to progress any product candidate through clinical trials or commercial approval.

Research and development expenses have primarily consisted of costs incurred for research activities, including discovery and development efforts. We expense research and development costs as incurred, which include:

- salaries, benefits and other related costs, including stock-based compensation expense, for personnel engaged in research and development functions;
- upfront, milestone and maintenance fees incurred under license, acquisition and other third-party agreements;
- costs of laboratory supplies and acquiring, developing and manufacturing study materials;
- facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs; and
- costs of outside consultants engaged in research and development functions, including their fees and related travel expenses

Costs for external development activities are recognized based on an evaluation of the progress to completion of specific tasks using information provided to us by our vendors. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of costs incurred, and are reflected in our consolidated financial statements as prepaid or accrued research and development expenses. Nonrefundable advance payments for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses and expensed as the related goods are delivered or the services are performed. We do not allocate certain employee-related costs, external costs directly related to our *Human First Discovery* platform, and other indirect costs to specific research and development programs because these costs are deployed across multiple product programs and, as such, are classified as costs of our platform research.

General and Administrative Expenses

We expect that our general and administrative expenses will continue to decrease primarily due to our reduced headcount. We expect to continue to incur expenses associated with being a public company, including costs related to consulting, accounting, audit, legal, regulatory and tax compliance services, and director and officer insurance costs.

General and administrative expenses have primarily consisted of salaries and other related costs, including stock-based compensation, for personnel in our executive, finance, corporate and business development and administrative functions. General and administrative expenses also include professional fees for legal, patent, accounting, auditing, tax and consulting services, travel expenses and facility-related expenses, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

Impairment of Goodwill and IPR&D

Goodwill and IPR&D intangibles were evaluated for impairment annually on October 1, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Factors we consider important, on an overall company basis, that could trigger an impairment review include significant underperformance relative to historical or projected future operating results, significant changes in our use of the acquired asset or the strategy for its overall business, significant negative industry or economic trends, a significant decline in the Company’s stock price for a sustained period, or a reduction of its market capitalization relative to net book value.

To conduct impairment tests of goodwill, the fair value of the Company’s single reporting unit is compared to its carrying value. If the reporting unit’s carrying value exceeds its fair value, the Company records an impairment loss to the extent that the carrying value of goodwill exceeds its fair value.

To conduct impairment tests of IPR&D intangible assets, the fair value of the asset is compared to its carrying value. If the carrying value exceeds its fair value, the excess is recorded an impairment loss. We estimated the fair value for our IPR&D asset using discounted cash flow valuation models, which required the use of significant estimates and assumptions, including, but not limited to, estimating the timing of and expected costs to complete in-process projects, projecting regulatory approvals, estimating future cash flows from product sales resulting from completed projects and in-process projects, and developing appropriate discount rates.

Impairment of Long-Lived Assets

Impairment of long-lived assets consists of costs attributable to the cease of use of laboratory equipment, leasehold improvements, and software associated with program development, as it was determined that certain long-lived assets would no longer be used due to our Recent Business Initiatives, which discontinued the Company's Phase 3 clinical trial in CP101.

Restructuring Expense

Restructuring expense consists of costs directly incurred as a result of restructuring initiatives, and includes one-time severance payments, healthcare coverage, outplacement services and related expenses as well as contract cancellation costs.

Total Other Income, Net

Total other income, net primarily consists of sublease income, gain on lease termination, gain (loss) on disposal of fixed assets, interest income (expense) and loss on loan extinguishment.

Income Tax Benefit

The income tax benefit reflects the full removal of the deferred tax liability associated with the IPR&D that was written off during the first fiscal quarter of 2023 and treated as a discrete item in the tax provision.

Results of Operations

Comparison of the Three Months Ended September 30, 2023 and 2022

The following table summarizes our results of operations for the three months ended September 30, 2023 and 2022 (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2023	2022
REVENUE:		
Collaboration revenue	$ —	$ 138
Total revenue	—	138
OPERATING EXPENSES:		
Research and development	—	11,859
General and administrative	3,735	9,584
Impairment of goodwill	—	18,057
Restructuring expense	46	1,270
Total operating expenses	3,781	40,770
Net operating loss	(3,781)	(40,632)
OTHER INCOME, NET:		
Interest income, net	392	45
Loss on sale and disposal of fixed assets, net	(22)	—
Sublease and other income	995	216
Total other income, net	1,365	261
Net loss	$ (2,416)	$ (40,371)

Revenue

There was no revenue for the three months ended September 30, 2023. Revenue of $0.1 million for the three months ended September 30, 2022 primarily consisted of collaboration revenue earned under the Takeda Agreement. Collaboration revenue decreased due to Takeda terminating our collaboration agreement in November 2022.

Research and Development Expenses

The following table summarizes our research and development expenses for the three months ended September 30, 2023 and 2022 (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		
	2023	2022	Increase (Decrease)
CDI	$ —	$ 3,661	$ (3,661)
Autism Spectrum Disorder (ASD)	—	1,273	(1,273)
Platform	—	5,735	(5,735)
Other	—	1,190	(1,190)
	$ —	$ 11,859	$ (11,859)

There were no research and development expenses for the three months ended September 30, 2023. Research and development expenses totaled $11.9 million for the three months ended September 30, 2022. The decrease was driven by our decision to significantly scale back our expenses by winding down our development efforts, which included liquidating certain of our assets, terminating vendor contracts, reducing headcount and now focusing on realizing the value of our intellectual property and other assets.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the three months ended September 30, 2023 and 2022 (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		
	2023	2022	Increase (Decrease)
Personnel expenses (including stock-based compensation)	$ 446	$ 2,601	$ (2,155)
Facilities and supplies	1,724	1,395	329
Professional fees	775	3,964	(3,189)
Other expenses	790	1,624	(834)
	$ 3,735	$ 9,584	$ (5,849)

General and administrative expenses were $3.7 million and $9.6 million for the three months ended September 30, 2023 and 2022, respectively. The decrease of $5.8 million was due primarily to a $3.2 million decrease in professional fees related to legal expenses, a $2.2 million decrease in personnel expenses due to the significant reduction in headcount and a $0.8 million decrease in other expenses, related to reduced business insurance and other outside services from the reduced footprint of the business.

Impairment of Goodwill

For the three months ended September 30, 2022, we recognized a goodwill impairment charge of $18.1 million, as the fair value of the Company's reporting unit was determined to be less than its carrying value, primarily due to our market capitalization declining below our net book value. No impairment charge to goodwill was recognized for the three months ended September 30, 2023.

Restructuring Expense

Restructuring expense for the three months ended September 30, 2023 was nominal, compared to $1.3 million for the three months ended September 30, 2022. The decrease is due to costs associated with the first implementation of certain expense reduction measures which occurred in the third quarter of 2022.

Other Income, Net

Total other income, net was $1.4 million and $0.3 million for the three months ended September 30, 2023 and 2022, respectively. The increase of $1.1 million was primarily driven by higher sublease income of $0.8 million and a $0.4 million decrease in interest expense primarily resulting from paying off our loan balance with Hercules Capital, Inc. in January 2023.

Comparison of the Nine Months Ended September 30, 2023 and 2022

The following table summarizes our results of operations for the nine months ended September 30, 2023 and 2022 (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30,	
	2023	2022
REVENUE:		
Collaboration revenue	$ 107	$ 853
Total revenue	107	853
OPERATING EXPENSES:		
Research and development	7,199	41,312
General and administrative	22,229	27,152
Impairment of goodwill	—	18,057
Impairment of IPR&D	32,900	—
Impairment of long-lived assets	13,141	—
Restructuring expense	4,083	2,173
Total operating expenses	79,552	88,694
Net operating loss	(79,445)	(87,841)
OTHER INCOME, NET:		
Interest income (expense), net	1,237	(7)
Gain on lease termination	752	—
Loss on loan extinguishment	(1,366)	—
Gain (loss) on sale and disposal of fixed assets, net	595	(6)
Sublease and other income	3,053	216
Total other income, net	4,271	203
Loss before income taxes	(75,174)	(87,638)
Income tax benefit	3,461	—
Net loss	$ (71,713)	$ (87,638)

Revenue

Revenue of $0.1 million and $0.9 million for the nine months ended September 30, 2023 and 2022, respectively, primarily consisted of collaboration revenue earned under the Takeda Agreement. Our collaboration revenue decreased by $0.8 million due to Takeda terminating our collaboration agreement in November 2022.

Research and Development Expenses

The following table summarizes our research and development expenses for nine months ended September 30, 2023 and 2022 (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30,		
	2023	2022	Increase (Decrease)
CDI	$ 3,972	$ 11,257	$ (7,285)
Autism Spectrum Disorder (ASD)	71	4,548	(4,477)
Platform	489	20,881	(20,392)
Other	2,667	4,626	(1,959)
	$ 7,199	$ 41,312	$ (34,113)

Research and development expenses for the nine months ended September 30, 2023 were $7.2 million compared to $41.3 million for the nine months ended September 30, 2022. The $34.1 million decrease was driven by our decision to significantly scale back our expenses by winding down our development efforts, which included liquidating certain of our assets, terminating vendor contracts, reducing headcount and now focuing on realizing the value of our intellectual property and other assets.

General and Administrative Expenses

The following table summarizes our general and administrative expenses for the nine months ended September 30, 2023 and 2022 (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30,		
	2023	2022	Increase
Personnel expenses (including stock-based compensation)	$ 3,314	$ 9,492	$ (6,178)
Facilities and supplies	5,360	2,056	3,304
Professional fees	10,649	10,250	399
Other expenses	2,906	5,354	(2,448)
	$ 22,229	$ 27,152	$ (4,923)

General and administrative expenses were $22.2 million and $27.1 million for the nine months ended September 30, 2023 and 2022, respectively. The decrease of $4.9 million was due primarily to a $6.2 million decrease in personnel expenses due to the significant reduction in headcount and a $2.5 million decrease in other expenses primarily driven by our decision to significantly scale back our expenses. These decreases were partially offset by a $3.3 million increase in facilities and supplies primarily due to the increase in rent expense related to the commencement of the 10-year lease agreement with Hood Park LLC in May of 2022 and a slight increase in professional fees of $0.4 million, which was primarily related to legal costs.

Impairment of Goodwill

For the nine months ended September 30, 2022, we recognized a goodwill impairment charge of $18.1 million, as the fair value of the Company's reporting unit was determined to be less than its carrying value, primarily due to our market capitalization declining below our net book value. No impairment charge to goodwill was recognized for the nine months ended September 30, 2023.

Impairment of IPR&D

There was no IPR&D impairment charge for the nine months ended September 30, 2022. We recognized an IPR&D impairment charge of $32.9 million for the nine months ended September 30, 2023 as the IPR&D asset was deemed to have no value.

Impairment of Long-Lived Assets

There was no impairment long-lived assets for the nine months ended September 30, 2022. We recognized an impairment charge to long-lived assets of $13.1 million for the nine months ended September 30, 2023, as it was determined that certain equipment, leasehold improvements, and software associated with program development would no longer be used.

Restructuring Expense

Restructuring expense for the nine months ended September 30, 2023 was $4.1 million, compared to $2.2 million for the nine months ended September 30, 2022. The increase is due to the costs associated with the implementation of certain expense reduction measures in January 2023 being higher than expenses associated with expense reduction measures, which occurred in the second quarter of 2022. Refer to Note 9 within the condensed consolidated financial statements for further information.

Other Income, Net

Total other income, net for the nine months ended September 30, 2023 was income of $4.3 million compared to $0.2 million for the nine months ended September 30, 2022. The $4.1 million increase was primarily driven by higher sublease income of $2.8 million, higher interest income of $0.7 million earned on our cash equivalents due to higher interest rates and a $0.5 million decrease in interest expense primarily resulting from paying off our loan balance with Hercules Capital, Inc. in January 2023. In addition, for the nine months ended September 30, 2023 there was a loss on loan extinguishment of $1.4 million, which was almost entirely offset by an $0.8 million gain on the termination of our Inner Belt Road Lease and $0.6 million gain on the sale of fixed assets.

Income Tax Benefit

The income tax benefit for the nine months ended September 30, 2023 reflects the full removal of the deferred tax liability associated with the IPR&D that was written off and treated as a discrete item in the tax provision. No income tax benefit was recorded for the nine months ended September 30, 2022.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception, we have not recognized any product revenue and have incurred operating losses and negative cash flows from our operations. We do not currently expect to progress any product candidate through clinical trials or commercial approval and we do not currently expect to generate any revenue from product sales. We expect that our revenue for the next several years, if any, will be derived from enforcement and out-licensing of our intellectual property estate. We have funded our operations primarily through equity financings, the Loan Agreement, and from collaboration revenue. We have raised an aggregate of $118.8 million in net proceeds from our IPO, approximately $177.0 million from the sale of convertible preferred stock and $14.0 million in collaboration revenue from the upfront payment and milestone payments received under our collaboration agreement with Takeda, which was terminated in 2022. In May 2022, we borrowed $15.0 million under the Loan Agreement, and subsequently, in January 2023, we voluntarily paid off all outstanding amounts.

Cash Flows

The following table summarizes our cash flows for the nine months ended September 30, 2023 and 2022 (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30,	
	2023	2022
Net cash used in operating activities	$ (27,799)	$ (60,579)
Net cash provided by (used in) investing activities	1,276	(2,131)
Net cash (used in) provided by financing activities	(16,155)	14,821
Net decrease in cash and cash equivalents, and restricted cash	$ (42,678)	$ (47,889)

Operating Activities

During the nine months ended September 30, 2023, cash used in operating activities was $27.8 million compared to $60.6 million in 2022. The decrease in cash used in operating activities is primarily due to significantly scaling back our expenses by winding down our development efforts, terminating vendor contracts and reducing headcount. During the nine months ended September 30, 2022, cash used in operating activities was primarily related to employee compensation expenses, utilizing consultants as well as legal and other professional services. During the nine months ended September 30, 2023, significantly less cash was used for employee compensation expenses as well as other research and development expenses compared to the 2022 period.

Investing Activities

During the nine months ended September 30, 2023, net cash provided by investing activities of $1.3 million was primarily due to selling certain property and equipment as a result of winding down our development efforts and reducing headcount. In contrast, during the nine months ended September 30, 2022, we used $2.1 million as we were purchasing property and equipment.

Financing Activities

During the nine months ended September 30, 2023, net cash used in financing activities of $16.2 million was primarily due to repaying the outstanding balance borrowed under the Loan Agreement as well as related prepayment fees. Obtaining this financing during the nine months ended September 30, 2022 resulted in the $14.8 million of net cash provided by financing activities in the previous year.

Funding Requirements

As of September 30, 2023, our cash and cash equivalents were $28.8 million. We believe that our existing cash on hand will enable us to fund our operating expenses and capital expenditure requirements into 2025. We have based this estimate on assumptions that may prove to be wrong, and we could expend our capital resources sooner than we expect. We expect to continue to incur significant losses for the foreseeable future as we attempt to realize the value of our intellectual property estate and other assets.

Material Cash Requirements

During the nine months ended September 30, 2023, there were no other material changes to our material cash requirements from those described under "Management's Discussion and Analysis of Financial Condition and Results of Operations" discussed in the 2022 10-K.

Critical Accounting Policies and Significant Judgments and Estimates

Our unaudited interim condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States. The preparation of our unaudited interim condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our condensed financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are 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. We evaluate our estimates and assumptions on an ongoing basis, and our actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes to our critical accounting policies from those described in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the 2022 10-K.

Recently Issued Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements applicable to our financial statements.

Emerging Growth Company Status and Smaller Reporting Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. We expect to use the extended transition period for any other new or revised accounting standards during the period in which we remain an emerging growth company and, as a result, we will not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We will remain an emerging growth company until December 31, 2026 or, if earlier, (i) the last day of our first fiscal year in which we have total annual gross revenues of at least $1.235 billion, (ii) the date on which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the prior June 30th or (iii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of interest rate sensitivities.

Interest Rate Sensitivity

As of September 30, 2023 and December 31, 2022, we had cash and cash equivalents of $28.8 million and $71.0 million, respectively. Our exposure to interest rate sensitivity is impacted by changes in the underlying U.S. bank interest rates. Our surplus cash has been invested in money market fund accounts as well as interest-bearing savings accounts from time to time. We have not entered into investments for trading or speculative purposes. Due to the conservative nature of our investment portfolio, which is predicated on capital preservation of investments with short-term maturities, we do not believe an immediate one percentage point change in interest rates would have a material effect on the fair market value of our portfolio, and therefore, we do not expect our operating results or cash flows to be significantly affected by changes in market interest rates.

We have been affected by market risk exposure primarily through the effect of changes in interest rates on amounts payable under the Loan Agreement. On January 25, 2023, we voluntarily prepaid all outstanding principal, accrued and unpaid interest, fees, costs and expenses under the Loan Agreement.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits 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 by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. Our disclosure controls and procedures are designed to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures, and is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the nine months ended September 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

On December 1, 2021, Rebiotix Inc. and Ferring Pharmaceuticals Inc., or, collectively, Rebiotix, filed a complaint against us in the U.S. District Court for the District of Delaware (the "Court"). The complaint seeks a declaratory judgment of non-infringement and invalidity with respect to seven United States Patents owned by us: U.S. Patent Nos. 10,675,309, or the '309 Patent; 10,463,702, or the '702 Patent; 10,328,107, or the '107 Patent; 10,064,899; 10,022,406, or the '406 Patent; 9,962,413, or the '413 Patent; and 9,308,226. On February 7, 2022, we filed an answer and counterclaims against Rebiotix for infringement of the '107 Patent, the '702 Patent, and the '309 Patent. In June 2022, we alleged infringement of the '406 Patent and '413 Patent by Rebiotix. On March 7, 2022, we filed an amended answer and counterclaims, in which we, together with the Regents of the University of Minnesota, or UMN, alleged infringement by Rebiotix of three U.S. Patents owned by UMN and exclusively licensed to us: U.S. Patent Nos. 10,251,914, 10,286,011, and 10,286,012, or, collectively, the UMN Patents. On April 4, 2022, Rebiotix filed counterclaims for declaratory judgment of non-infringement and invalidity of the UMN Patents. On May 2, 2022, we and UMN responded, denying such counterclaims. The Court set a trial date for a five-day trial beginning on May 20, 2024. On January 23, 2023, we filed a second amended answer and counterclaims, in which we alleged infringement by Rebiotix of two additional U.S. Patents owned by us: U.S. Patent Nos. 11,541,080, or the '080 Patent, and 11,491,193, or the '193 Patent. On February 7, 2023 Rebiotix filed counterclaims for declaratory judgment of non-infringement and invalidity of the '080 and '193 patents. The Court issued a claim construction order on February 28, 2023. On July 6, 2023, Rebiotix filed a motion to dismiss certain counts of our second amended answer and counterclaims based on the assertion that Finch lacks standing to sue as to '107 Patent, '702 Patent, '309 Patent, '406 Patent, '413 Patent, '193 Patent, and '080 Patent. Rebiotix specifically alleges that the sole named inventor on these patents, Thomas J. Borody, did not assign his rights in those patents to Finch, and as a result, Finch does not own them and therefore does not have standing to assert them. Briefing on this motion is complete. The parties have mutually agreed to narrow the case to include only claims from the '309, '702, '193, '080, '914, and '012 Patents.

The pending lawsuit is subject to inherent uncertainties, and the actual legal fees and costs will depend upon many unknown factors. The outcome of the pending lawsuit cannot be predicted with certainty.

We may also be a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business. Regardless of the 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

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, as supplemented by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on March 23, 2023, as supplemented by our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference			
		Schedule Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Finch Therapeutics Group, Inc.	8-K	001-40227	3.1	March 23, 2021
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation.	8-K	001-40227	3.1	June 9, 2023
3.3	Amended and Restated Bylaws of Finch Therapeutics Group, Inc.	8-K	001-40227	3.2	March 23, 2021
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1+	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance 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	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* Filed herewith.

+ This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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.

FINCH THERAPEUTICS GROUP, INC.

Date: November 8, 2023

By: /s/ Matthew P. Blischak
Matthew P. Blischak
Chief Executive Officer, President and Secretary
(Principal Executive Officer)

Date: November 8, 2023

By: /s/ Lance Thibault
Lance Thibault
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION 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

I, Matthew P. Blischak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Finch Therapeutics Group, 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/ Matthew P. Blischak
Matthew Blischak
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION 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

I, Lance Thibault, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Finch Therapeutics Group, 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/ Lance Thibault
Lance Thibault
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Finch Therapeutics Group, Inc. (the "Company") for the quarter ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the company, hereby certifies, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Exchange Act; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

Date: November 8, 2023

By: /s/ Matthew P. Blischak
Matthew P. Blischak
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2023

By: /s/ Lance Thibault
Lance Thibault
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)