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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

OR

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

Commission File Number: 001-39856

CULLINAN ONCOLOGY, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	**81-3879991**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Main Street Suite 1350 Cambridge, MA	**02142**
(Address of principal executive offices)	(Zip Code)

(617) 410-4650

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	CGEM	The Nasdaq Global Select Market

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

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

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

Large accelerated filer	☐	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 ☒

The number of shares of the Registrant's common stock outstanding as of November 4, 2022 was 45,772,452.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements which are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that involve risks, uncertainties, and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. All statements, other than statements of historical facts, contained in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans and objectives of management and expected market growth are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "would" and similar expressions, are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Any forward-looking statements in this Quarterly Report on Form 10-Q reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed in our Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 10-K") and other filings with the Securities Exchange Commission (the "SEC"), including the following:

- the success, cost and timing of our clinical development of our product candidates, including zipalertinib (CLN-081/TAS6417), CLN-049 and CLN-619;
- the initiation, timing, progress, results and cost of our research and development programs and our current and future preclinical and clinical studies, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, the period during which the results of the trials will become available, and our research and development programs;
- our ability to initiate, recruit and enroll patients in and conduct our clinical trials at the pace that we project;
- our ability to obtain and maintain regulatory approval of our product candidates, and any related restrictions, limitations or warnings in the label of any of our product candidates, if approved;
- our ability to compete with companies currently marketing or engaged in the development of treatments that our product candidates are designed to target;
- our reliance on third parties to conduct our clinical trials and to manufacture drug substance and drug product for use in our clinical trials;
- the size and growth potential of the markets for oncology diseases and any of our current product candidates or other product candidates we may identify and pursue, and our ability to serve those markets;
- our ability to identify and advance through clinical development any additional product candidates;
- the commercialization of our current product candidates and any other product candidates we may identify and pursue, if approved, including our ability to successfully build a specialty sales force and commercial infrastructure to market our current product candidates and any other product candidates we may identify and pursue;
- the expected benefits of our hub-and-spoke business model, including our ability to identify research priorities and apply a risk-mitigated strategy to efficiently discover and develop product candidates;
- our ability to retain and recruit key personnel;
- our ability to obtain and maintain adequate intellectual property rights;
- our expectations regarding government and third-party payor coverage and reimbursement;
- our estimates of our expenses, ongoing losses, capital requirements and our needs for or ability to obtain additional financing;
- the potential benefits of strategic collaboration agreements, our ability to enter into strategic collaborations or arrangements, and our ability to attract collaborators with development, regulatory and commercialization expertise;
- our financial performance;
- developments and projections relating to our competitors or our industry; and
- the effect of the COVID-19 pandemic, including mitigation efforts and economic effects, on any of the foregoing or other aspects of our business operations, including but not limited to our preclinical studies and future clinical trials.

These factors are discussed more fully in our 2021 10-K and elsewhere in this Quarterly Report on Form 10-Q and other reports we file with the SEC. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and investors should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make or collaborations or strategic partnerships we may enter into.

You should read this Quarterly Report on Form 10-Q and the documents that we reference herein and have filed or incorporated by reference as exhibits hereto completely and with the understanding that our actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

This Quarterly Report on Form 10-Q also contains estimates, projections and other information concerning our industry, our business and the markets for our product candidates. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. Unless otherwise expressly stated, we obtained this industry, business, market and other data from our own internal estimates and research, as well as from reports, research surveys, studies, and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data and similar sources. While we are not aware of any misstatements regarding any third-party information presented in this Quarterly Report on Form 10-Q, their estimates, in particular, as they relate to projections, involve numerous assumptions, are subject to risks and uncertainties and are subject to change based on various factors, including those discussed under the section titled “Risk Factors” in our 2021 10-K and elsewhere in this Quarterly Report on Form 10-Q.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CULLINAN ONCOLOGY, INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except share amounts)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 242,657	$ 59,774
Short-term investments	333,294	230,692
Prepaid expenses and other current assets	6,124	6,098
Total current assets	582,075	296,564
Property and equipment, net	792	77
Operating lease right-of-use assets	4,496	—
Other assets	460	147
Long-term investments	29,414	140,397
Total assets	$ 617,237	$ 437,185
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,516	$ 3,169
Accrued expenses and other current liabilities	13,507	8,577
Income tax payable	11,398	—
Operating lease liabilities, current	696	—
Total current liabilities	27,117	11,746
Long-term liabilities:		
Operating lease liabilities, net of current portion	3,992	—
Deferred rent	—	65
Total liabilities	31,109	11,811
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common stock, $0.0001 par value, 150,000,000 shares authorized as of September 30, 2022 and December 31, 2021; 45,743,027 and 44,292,102 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	5	4
Additional paid-in capital	610,965	584,714
Accumulated other comprehensive loss	(3,929)	(838)
Accumulated deficit	(20,913)	(158,909)
Total Cullinan stockholders' equity	586,128	424,971
Noncontrolling interests	—	403
Total stockholders' equity	586,128	425,374
Total liabilities and stockholders' equity	$ 617,237	$ 437,185

See accompanying notes to the unaudited consolidated financial statements.

CULLINAN ONCOLOGY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
License revenue	$ —	$ —	$ —	$ 18,943
Operating expenses:				
Research and development	19,680	12,680	70,627	36,873
General and administrative	10,086	5,695	28,902	15,677
Total operating expenses	29,766	18,375	99,529	52,550
Gain on sale of Cullinan Pearl	—	—	276,785	—
Income (loss) from operations	(29,766)	(18,375)	177,256	(33,607)
Other income (expense):				
Interest income	2,353	118	3,247	340
Other income (expense), net	—	(2)	(241)	(12)
Net income (loss) before income taxes	(27,413)	(18,259)	180,262	(33,279)
Income tax expense (benefit)	(2,523)	—	43,979	—
Net income (loss)	(24,890)	(18,259)	136,283	(33,279)
Net income (loss) attributable to noncontrolling interests	(86)	(909)	(1,713)	(223)
Net income (loss) attributable to common stockholders of Cullinan	$ (24,804)	$ (17,350)	$ 137,996	$ (33,056)
Comprehensive income (loss):				
Net income (loss)	$ (24,890)	$ (18,259)	$ 136,283	$ (33,279)
Unrealized gain (loss) on investments	(296)	57	(3,091)	(56)
Comprehensive income (loss)	(25,186)	(18,202)	133,192	(33,335)
Comprehensive income (loss) attributable to noncontrolling interests	(86)	(909)	(1,713)	(223)
Comprehensive income (loss) attributable to Cullinan	$ (25,100)	$ (17,293)	$ 134,905	$ (33,112)
Earnings (net loss) per share:				
Basic	$ (0.54)	$ (0.40)	$ 3.07	$ (0.76)
Diluted	$ (0.54)	$ (0.40)	$ 2.96	$ (0.76)
Weighted-average shares used in computing earnings (net loss) per share:				
Basic	45,611	43,439	44,966	43,254
Diluted	45,611	43,439	46,580	43,254

See accompanying notes to the unaudited consolidated financial statements.

CULLINAN ONCOLOGY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Retained Earnings (Accumulated	Noncontrolling Interest in	Total Stockholders'
	Shares	Amount	Capital	(Loss)	Deficit)	Subsidiaries	Equity
Balances at December 31, 2021	44,292,102	$ 4	$ 584,714	$ (838)	$ (158,909)	$ 403	$ 425,374
Issuance of subsidiary preferred stock	—	—	—	—	—	1,153	1,153
Net issuance of common stock under equity-based compensation plans	367,924	—	1,566	—	—	—	1,566
Equity-based compensation	—	—	6,559	—	—	6	6,565
Unrealized loss on investments	—	—	—	(2,296)	—	—	(2,296)
Net loss	—	—	—	—	(12,098)	(794)	(12,892)
Balances at March 31, 2022	44,660,026	4	592,839	(3,134)	(171,007)	768	419,470
Issuance of subsidiary common stock	—	—	—	—	—	139	139
Net issuance of common stock under equity-based compensation plans	736,372	1	2,834	—	—	—	2,835
Equity-based compensation	—	—	8,602	—	—	6	8,608
Unrealized loss on investments	—	—	—	(499)	—	—	(499)
Net income (loss)	—	—	—	—	174,898	(833)	174,065
Balances at June 30, 2022	45,396,398	5	604,275	(3,633)	3,891	80	604,618
Net issuance of common stock under equity-based compensation plans	346,629	—	1,425	—	—	—	1,425
Equity-based compensation	—	—	5,265	—	—	6	5,271
Unrealized loss on investments	—	—	—	(296)	—	—	(296)
Net loss	—	—	—	—	(24,804)	(86)	(24,890)
Balances at September 30, 2022	45,743,027	$ 5	$ 610,965	$ (3,929)	$ (20,913)	$ —	$ 586,128

See accompanying notes to the unaudited consolidated financial statements.

CULLINAN ONCOLOGY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Noncontrolling Interest in	Total Stockholders'
	Shares	Amount	Capital	(Loss)	Deficit	Subsidiaries	Equity
Balances at December 31, 2020	29,831,125	$ 3	$ 292,348	$ (2)	$ (93,339)	$ 1,304	$ 200,314
Initial public offering, net of issuance costs of $22,870	13,685,000	1	264,515	—	—	—	264,516
Equity-based compensation	—	—	3,503	—	—	5	3,508
Unrealized loss on investments	—	—	—	(58)	—	—	(58)
Net income (loss)	—	—	—	—	(70)	1,489	1,419
Balances at March 31, 2021	43,516,125	4	560,366	(60)	(93,409)	2,798	469,699
Issuance of subsidiary common stock	—	—	—	—	—	67	67
Issuance of subsidiary preferred stock	—	—	—	—	—	923	923
Net issuance of common stock under equity-based compensation plans	10,099	—	180	—	—	—	180
Equity-based compensation	—	—	4,159	—	—	6	4,165
Unrealized loss on investments	—	—	—	(55)	—	—	(55)
Net loss	—	—	—	—	(15,636)	(803)	(16,439)
Balances at June 30, 2021	43,526,224	4	564,705	(115)	(109,045)	2,991	458,540
Net issuance of common stock under equity-based compensation plans	134,685	—	579	—	—	—	579
Equity-based compensation	—	—	4,551	—	—	6	4,557
Unrealized gain on investments	—	—	—	57	—	—	57
Net loss	—	—	—	—	(17,350)	(909)	(18,259)
Balances at September 30, 2021	43,660,909	$ 4	$ 569,835	$ (58)	$ (126,395)	$ 2,088	$ 445,474

See accompanying notes to the unaudited consolidated financial statements.

CULLINAN ONCOLOGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2022	**2021**
Operating activities:		
Net income (loss)	$ 136,283	$ (33,279)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Gain on sale of Cullinan Pearl	(276,785)	—
Depreciation and amortization	34	41
Equity-based compensation expense	20,444	12,230
Amortization or accretion on marketable securities	1,894	1,973
Realized loss on marketable securities	109	—
License expense in exchange for subsidiary common stock	139	67
Loss on disposal of fixed assets	14	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(507)	(5,104)
Accounts payable	(1,654)	(5,980)
Accrued expenses and other current liabilities	6,950	1,790
Income tax payable	11,398	—
Net cash used in operating activities	(101,681)	(28,262)
Investing activities:		
Purchase of marketable securities	(217,497)	(448,551)
Proceeds from sales and maturities of marketable securities	220,333	130,638
Proceeds from sale of Cullinan Pearl, net of cash transferred with sale of $2,898	275,000	—
Purchase of property and equipment	(251)	—
Net cash provided by (used in) investing activities	277,585	(317,913)
Financing activities:		
Proceeds from initial public offering	—	267,268
Payment of deferred offering costs	—	(2,688)
Proceeds from issuance of noncontrolling interests	1,153	923
Proceeds from issuance of convertible note	2,200	—
Repayment of convertible note	(2,200)	—
Proceeds from net issuance of common stock under equity-based compensation plans	5,826	579
Net cash provided by financing activities	6,979	266,082
Net increase (decrease) in cash and cash equivalents	182,883	(80,093)
Cash and cash equivalents at beginning of period	59,774	168,198
Cash and cash equivalents at end of period	$ 242,657	$ 88,105
SUPPLEMENTAL NONCASH DISCLOSURE		
Non-cash investing and financing activities and supplemental cash flow information		
Purchases of property and equipment included in accounts payable and accrued expenses and other liabilities	$ 513	$ —
Cash paid for income taxes	$ 32,582	$ —
Deferred offering costs paid in the prior year	$ —	$ 65

See accompanying notes to the unaudited consolidated financial statements.

(1) Nature of Business and Basis of Presentation

Organization

Cullinan Oncology, Inc., together with its consolidated subsidiaries ("Cullinan" or the "Company"), is a biopharmaceutical company focused on modality-agnostic targeted oncology. Cullinan's predecessor company, Cullinan Pharmaceuticals, LLC was formed in September 2016 and was subsequently renamed Cullinan Oncology, LLC (the "LLC") in November 2017. The LLC's wholly-owned subsidiary, Cullinan Management, Inc. ("Management"), was formed in September 2016 and became the surviving entity in a reverse merger with the LLC in January 2021. In February 2021, the Company changed its name from Cullinan Management, Inc. to Cullinan Oncology, Inc.

The Company completed the sale of its entire equity interest in its partially-owned subsidiary, Cullinan Pearl Corp. ("Cullinan Pearl"), to Taiho Pharmaceutical Co., Ltd ("Taiho") in June 2022. Refer to Note 3 for additional details relating to the transaction. The sale of the Company's equity interest in Cullinan Pearl did not meet the criteria to be reported as a discontinued operation under the accounting principles generally accepted in the United States of America ("U.S. GAAP"). Therefore, prior period consolidated financial statements and disclosures have not been retroactively restated to reflect the impact of the sale of the Company's equity interest in Cullinan Pearl.

Reorganization, Reverse Stock Split and Initial Public Offering

In January 2021, the Company completed its initial public offering ("IPO") in which it issued and sold 13,685,000 shares of its common stock, including 1,785,000 shares sold pursuant to the full exercise of the underwriters' option to purchase additional shares, at a price to the public of $21.00 per share. The shares began trading on the Nasdaq Global Select Market on January 8, 2021 under the symbol "CGEM". The net proceeds received by the Company from the offering were $264.5 million, after deducting underwriting discounts, commissions and other offering expenses.

Immediately prior to the effectiveness of the Company's registration statement, the Company completed its reorganization, whereby the LLC merged with and into Management and Management was the surviving entity. Management was the registrant in the IPO.

Liquidity

The Company has incurred operating losses, with the exception of the one-time gain on the sale of Cullinan Pearl in the nine months ended September 30, 2022, and negative cash flows from operations since its inception and expects to continue to generate operating losses for the foreseeable future. The Company's ultimate success depends on the outcome of its research and development activities as well as the ability to commercialize the Company's product candidates. The Company is subject to a number of risks including, but not limited to, the need to obtain adequate additional funding for the ongoing and planned clinical development of its product candidates. Due to the numerous risks and uncertainties associated with pharmaceutical products and development, the Company is unable to accurately predict the timing or amount of funds required to complete development of its product candidates, and costs could exceed the Company's expectations for a number of reasons, including reasons beyond the Company's control.

In June 2022, the Company completed the sale of the Company's equity interest in its partially-owned subsidiary, Cullinan Pearl, to Taiho for an upfront payment of $275.0 million. Refer to Note 3 for additional details relating to the transaction.

Since inception, the Company has funded its operations primarily through the sale of equity securities and from licensing or selling the rights to its product candidates. The Company expects that its cash, cash equivalents and short-term investments of $576.0 million and long-term investments and interest receivable of $30.7 million as of September 30, 2022, will be sufficient to fund its operating expenses and capital expenditure requirements through at least twelve months from the date of issuance of these unaudited consolidated financial statements. Interest receivable is included in prepaid expenses and other current assets on the consolidated balance sheets and represents accrued and unpaid interest on the Company's marketable securities.

(2) Summary of Significant Accounting Policies

Cullinan's significant accounting policies have not changed materially from those disclosed in its annual audited consolidated financial statements and accompanying notes in the Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the "SEC") on March 17, 2022 for the fiscal year ended December 31, 2021 (the "2021 10-K"), except for its accounting policy for leases.

Basis of Presentation

The unaudited consolidated financial statements of the Company have been prepared in conformity with U.S. GAAP and in accordance with applicable rules and regulations of the SEC for interim financial reporting and include the accounts of the Company, a wholly-owned subsidiary, and its majority-owned and controlled subsidiaries. The Company considers consolidation of entities over which control is achieved by means other than voting rights. Intercompany balances and transactions have been eliminated in consolidation. The Company operates as one segment, which is developing early-stage cancer therapeutics. In the opinion of the Company's management, the unaudited consolidated financial statements reflect all adjustments, which are normal and recurring in nature, and necessary for fair financial statement presentation. The preparation of these unaudited consolidated financial statements and accompanying notes in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ materially from those estimates. These unaudited consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual audited consolidated financial statements and accompanying notes included in the 2021 10-K.

Leases

On January 1, 2022, the Company adopted a new standard on leases (as amended, "ASC 842"), which requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet for all leases, except certain short-term leases. In connection with its implementation of ASC 842, the Company adopted a package of three practical expedients, allowing it to carry forward its previous lease classification and embedded lease evaluations and not to reassess initial direct costs as of the date of adoption. The Company also adopted a practical expedient that allows it to combine lease and non-lease components for its real estate leases.

The Company's existing lease obligations relating to a single corporate location is subject to the new standard and resulted in operating lease liabilities and right-of-use assets ("ROU") being recorded on the Company's consolidated balance sheets on the implementation date. The existing lease obligation is classified as an operating lease.

The below table details the balance sheet adjustments recorded on January 1, 2022 in connection with the Company's adoption of ASC 842 (in thousands):

	December 31, 2021		January 1, 2022
	As Reported under ASC 840	ASC 842 Adjustments	As Reported Under ASC 842
Assets			
Operating lease right-of-use asset	$ —	$ 1,311	$ 1,311
Liabilities			
Current portion of operating lease liabilities	$ —	$ 505	$ 505
Deferred rent	$ 65	$ (65)	$ —
Noncurrent portion of operating lease liabilities	$ —	$ 871	$ 871

The Company determines if an arrangement is a lease at inception. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company classifies leases at the lease commencement date as operating or finance leases and records an ROU asset and a lease liability on the consolidated balance sheets for all leases with an initial lease term of greater than 12 months. Leases with an initial term of 12 months or less are not recorded in the balance sheet, and payments are recognized as expense on a straight-line basis over the lease term.

The Company enters into contracts that contain both lease and non-lease components. Non-lease components may include maintenance, utilities, and other operating costs. The Company combines the lease and non-lease components of fixed costs in its lease arrangements as a single lease component. Variable costs, such as utilities or maintenance costs, are not included in the measurement of ROU assets and lease liabilities but rather are expensed when the event determining the amount of variable consideration to be paid occurs.

Operating lease assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term using the discount rate implicit in the lease. If the discount rate is not readily determinable, the Company utilizes an estimate of its incremental borrowing rate based upon the available information at the lease commencement date. Operating lease assets are further adjusted for prepaid or accrued lease payments. Operating lease payments are expensed using the straight-line method as an operating expense over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

Recently Adopted Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board issued ASU 2019-12, which is a new standard intended to simplify the accounting for income taxes. The Company adopted this standard on January 1, 2022. The adoption of this standard did not have a material impact on the Company's consolidated financial position and consolidated results of operations.

(3) Sale of Cullinan Pearl and Co-Development Agreement with Taiho

In June 2022, the Company sold its equity interest in its partially-owned subsidiary, Cullinan Pearl, which has worldwide rights to zipalertinib (CLN-081/TAS6417), excluding Japan and Greater China, to Taiho for an upfront payment of $275.0 million, with an increase to the purchase price in the amount of $2.9 million for cash held by Cullinan Pearl that was transferred with the sale. Pursuant to the share purchase agreement with Taiho, the Company is also eligible to receive an additional $130.0 million tied to epidermal growth factor receptor exon20 non-small-cell lung cancer regulatory milestones.

The Company concluded the transaction was a sale of non-financial assets, which comprised mainly of intellectual property rights and related intangible assets, and that it transferred control of the non-financial assets at the closing of the sale. The Company recognized a gain on sale of Cullinan Pearl of $276.8 million within income from operations in its consolidated statements of operations and other comprehensive income (loss) for the nine months ended September 30, 2022. The table below sets forth the book value of the Cullinan Pearl assets and liabilities sold along with the calculation of the gain on sale based on the cash consideration received.

	(in thousands)
Book value of assets sold	
Cash	$ 2,898
Prepaid expenses and other current assets	619
Amounts attributable to assets sold	3,517
Book value of liabilities sold	
Accrued expenses and other current liabilities	2,404
Amounts attributable to liabilities sold	2,404
Total identifiable net assets sold	1,113
Upfront consideration, inclusive of cash transferred of $2,898	277,898
Gain on sale of Cullinan Pearl	$ 276,785

During the nine months ended September 30, 2022, Cullinan Pearl issued $2.2 million of convertible notes to an affiliate of Taiho. The Company repaid these convertible notes at the closing of the Cullinan Pearl sale.

Co-Development Agreement with Taiho

In June 2022, concurrently with the closing of the sale of the Company's equity interest in Cullinan Pearl, the Company entered into a co-development agreement with an affiliate of Taiho, pursuant to which the Company will collaborate to develop zipalertinib (CLN-081/TAS6417) and will retain the option to co-commercialize zipalertinib (CLN-081/TAS6417) in the U.S. Development costs for zipalertinib (CLN-081/TAS6417) incurred after the sale of the Company's equity interest in Cullinan Pearl shall be shared equally between Taiho and the Company with each party receiving 50% of any future pre-tax profits from potential U.S. sales of zipalertinib (CLN-081/TAS6417).

The Company concluded that the co-development agreement with Taiho is a collaborative arrangement because the Company is an active participant in the development of zipalertinib (CLN-081/TAS6417). Payments made to or received from Taiho for zipalertinib (CLN-081/TAS6417) development activities after the sale are recorded within research and development expenses. For the nine months ended September 30, 2022, costs reimbursable by Taiho and reflected as a reduction to research and development expenses were $1.5 million, which had not been reimbursed by Taiho as of September 30, 2022. The Company also recorded research and development expense of $0.9 million related to its share of costs incurred by Taiho, which the Company had not yet reimbursed as of September 30, 2022. The net amount of $0.6 million due from Taiho was recorded within prepaid expenses and other current assets as of September 30, 2022.

(4) Financial Instruments

Investments

The Company recognized its short-term and long-term investments by security type at September 30, 2022 as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
Short-term investments				
Corporate notes	$ 158,927	$ —	$ (2,342)	$ 156,585
Asset-backed securities	3,013	—	(38)	2,975
Commercial paper	38,808	5	(37)	38,776
U.S. government notes	135,613	—	(655)	134,958
Total short-term investments	336,361	5	(3,072)	333,294
Long-term investments				
Corporate notes	30,276	—	(862)	29,414
Total long-term investments	30,276	—	(862)	29,414
Total investments	$ 366,637	$ 5	$ (3,934)	$ 362,708

The Company recognized its short-term and long-term investments by security type at December 31, 2021 as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
Short-term investments				
Corporate notes	$ 98,642	$ —	$ (95)	$ 98,547
Commercial paper	114,174	—	(27)	114,147
U.S. government notes	18,033	—	(35)	17,998
Total short-term investments	230,849	—	(157)	230,692
Long-term investments				
Corporate notes	117,868	—	(596)	117,272
Asset-backed securities	3,044	—	(8)	3,036
U.S. government notes	20,166	—	(77)	20,089
Total long-term investments	141,078	—	(681)	140,397
Total investments	$ 371,927	$ —	$ (838)	$ 371,089

Fair Value of Financial Instruments

The following table sets forth the fair value of the Company's financial assets that were measured at fair value on a recurring basis as of September 30, 2022:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Cash and cash equivalents				
Cash	$ 122,913	$ —	$ —	$ 122,913
Money market funds	119,744	—	—	119,744
Total cash and cash equivalents	242,657	—	—	242,657
Short-term investments				
Corporate notes	—	156,585	—	156,585
Asset-backed securities	—	2,975	—	2,975
Commercial paper	—	38,776	—	38,776
U.S. government notes	—	134,958	—	134,958
Total short-term investments	—	333,294	—	333,294
Long-term investments				
Corporate notes	—	29,414	—	29,414
Total long-term investments	—	29,414	—	29,414
Total cash, cash equivalents and investments	$ 242,657	$ 362,708	$ —	$ 605,365

The following table sets forth the fair value of the Company's financial assets that were measured at fair value on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Cash and cash equivalents				
Cash	$ 35,925	$ —	$ —	$ 35,925
Money market funds	23,849	—	—	23,849
Total cash and cash equivalents	59,774	—	—	59,774
Short-term investments				
Corporate notes	—	98,547	—	98,547
Commercial paper	—	114,147	—	114,147
U.S. government notes	—	17,998	—	17,998
Total short-term investments	—	230,692	—	230,692
Long-term investments				
Corporate notes	—	117,272	—	117,272
Asset-backed securities	—	3,036	—	3,036
U.S. government notes	—	20,089	—	20,089
Total long-term investments	—	140,397	—	140,397
Total cash, cash equivalents and investments	$ 59,774	$ 371,089	$ —	$ 430,863

Prepaid expenses and other current assets, accounts payable and accrued expenses and other current liabilities were carried at cost, which management believes approximated fair value due to their short-term nature.

(5) Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2022	December 31, 2021
	(in thousands)	
Accrued research and development expenses	$ 8,365	$ 5,028
Accrued bonus	2,396	2,576
Other current liabilities	2,746	973
	$ 13,507	$ 8,577

(6) License and Collaboration Agreements

For the nine months ended September 30, 2022, the Company recorded $0.5 million relating to the collaboration agreement with Adimab and $0.2 million relating to the license agreement (the "MIT License Agreement") with the Massachusetts Institute of Technology ("MIT") through Cullinan Amber Corp. ("Cullinan Amber") within research and development expenses. For the three months ended September 30, 2022, the company recorded less than $0.1 million relating to license and collaboration agreements.

For the nine months ended September 30, 2021, the Company recorded $3.0 million under a revenue sharing agreement with Taiho upon receipt of an upfront payment for licensing the Greater China rights for zipalertinib (CLN-081/TAS6417) to Zai Lab (Shanghai) Co., Ltd. and $0.1 million relating to the MIT License Agreement. For the three months ended September 30, 2021, the company recorded less than $0.1 million relating to license and collaboration agreements.

(7) Common Stock and Noncontrolling Interests in Subsidiaries

Common Stock

Each share of common stock entitles the holder to one vote and to receive dividends when and if declared by the board of directors of the Company. No dividends have been declared through September 30, 2022.

Noncontrolling Interests in Subsidiaries

Certain subsidiaries issue common stock in connection with licensing agreements and to employees, directors and consultants pursuant to subsidiary equity incentive plans. The holders of subsidiary common stock are entitled to one vote per share. The holders of subsidiary common stock are entitled to receive dividends when and if declared by the subsidiaries' board of directors and distributions in either case only after the payment of all preferential amounts required to be paid to the holders of shares of preferred stock of the respective subsidiary.

Cullinan Amber

In June 2021, Cullinan Amber issued 3.0 million shares of its Series A Preferred Stock to the Company for gross proceeds of $3.0 million and 0.2 million shares of its common stock to MIT in exchange for no additional consideration, pursuant to the MIT License Agreement.

In June 2022, Cullinan Amber issued 6.0 million shares of its Series A Preferred Stock to the Company for gross proceeds of $6.0 million and 0.3 million shares of its common stock to MIT in exchange for no additional consideration, pursuant to the MIT License Agreement.

As of September 30, 2022, the Company held common shares and Series A Preferred Stock that represented 93.5% of Cullinan Amber's outstanding equity. As of September 30, 2022, noncontrolling interests collectively held common shares that represented 6.5% of Cullinan Amber's outstanding equity.

The Company did not allocate any losses to the noncontrolling interests of Cullinan Amber for the three months ended September 30, 2022. Under the hypothetical liquidation book value ("HLBV") method, $0.1 million of losses were attributed to the noncontrolling interests of Cullinan Amber for the nine months ended September 30, 2022. The Company did not allocate any losses to the noncontrolling interests of Cullinan Amber for the three months ended September 30, 2021. For the nine months ended September 30, 2021, less than $0.1 million of losses were attributed to the noncontrolling interests of Cullinan Amber.

Cullinan Florentine

In July 2021, Cullinan Florentine Corp. ("Cullinan Florentine") issued 7.5 million shares of Series B Preferred Stock to the Company for gross proceeds of $8.1 million.

In July 2022, Cullinan Florentine issued 3.75 million shares of Series B Preferred Stock to the Company for gross proceeds of $4.1 million.

As of September 30, 2022, the Company held common shares, Series A Preferred Stock and Series B preferred stock that represented 95.6% of Cullinan Florentine's outstanding equity. As of September 30, 2022, noncontrolling interests collectively held common shares that represented 4.4% of Cullinan Florentine's outstanding equity.

The Company did not allocate any losses to the noncontrolling interests of Cullinan Florentine for each of the three and nine months ended September 30, 2022 and 2021.

Cullinan MICA

In June 2021, the Company purchased 5.4 million shares of Cullinan MICA Corp.’s ("Cullinan MICA") Series A Senior Preferred Stock for $7.1 million, and certain other existing investors purchased 0.7 million shares of Cullinan MICA’s Series A Senior Preferred Stock for $0.9 million.

In March 2022, the Company purchased 6.7 million shares of Cullinan MICA’s Series A Senior Preferred Stock for $8.8 million, and certain other existing investors purchased 0.9 million shares of Cullinan MICA’s Series A Senior Preferred Stock for $1.2 million.

As of September 30, 2022, the Company held common shares and Series A Senior Preferred Stock that represented 53.5% of Cullinan MICA's outstanding equity. As of September 30, 2022, noncontrolling interests held common shares, Series A Junior Preferred Stock and Series A Senior Preferred Stock that represented 46.5% of Cullinan MICA's outstanding equity.

Under the HLBV method, $0.1 million and $1.2 million of losses were attributed to the noncontrolling interests of Cullinan MICA for the three and nine months ended September 30, 2022, respectively. Under the HLBV method, $0.3 million and $0.8 million of losses were attributed to the noncontrolling interests of Cullinan MICA for the three and nine months ended September 30, 2021, respectively.

Cullinan Pearl Corp.

In June 2022, the Company sold its equity interest in its partially-owned subsidiary, Cullinan Pearl, to Taiho. Refer to Note 3 for additional details relating to the transaction.

Prior to the sale, the Company accounted for the noncontrolling interest using the HLBV method. The Company allocated $0.3 million of losses to noncontrolling interests for the nine months ended September 30, 2022. Under the HLBV method, $0.6 million of losses and $0.7 million of income were attributed to the noncontrolling interests of Cullinan Pearl for the three and nine months ended September 30, 2021, respectively.

(8) Equity-Based Compensation

Market-based restricted stock units ("RSUs")

In June 2022, the Company granted market-based RSUs to its Chief Executive Officer. For equity awards with a market-based vesting condition, the Company recognizes compensation expense over the requisite service period using the fair value at the grant date. The number of shares issuable, if any, when a market-based RSU award vests, will depend on the degree of achievement of the corporate stock price metrics within the performance period of the award.

The Company measures the fair value of market-based RSUs on the date of grant using a Monte Carlo simulation model. The Monte Carlo simulation requires the input of assumptions, including the Company's stock price, the volatility of its stock price, remaining term in years, expected dividend yield and risk-free rate. The Company used its own trading history to calculate the expected volatility of the market-based RSUs granted. The risk-free interest rate is determined by reference to implied yields available from U.S. Treasury securities with a remaining term equal to the expected term assumed at the grant date.

The following table details the assumptions used in the Monte Carlo simulation model used to estimate the fair value of the market-based RSUs granted during the nine months ended September 30, 2022:

	Nine Months Ended September 30, 2022
Stock price	$ 12.98
Volatility	82.5%
Remaining term (in years)	2.7
Risk-free rate	2.9%
Expected dividend yield	0.0%

The Company recorded equity-based compensation in the following expense categories in the consolidated statements of operations and comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)			
Research and development	$ 1,108	$ 2,458	$ 8,147	$ 6,320
General and administrative	4,163	2,099	12,297	5,910
Total equity-based compensation	$ 5,271	$ 4,557	$ 20,444	$ 12,230

(9) Related Party Transactions

Royalty Transfer Agreements

Cullinan Amber, Cullinan Florentine and Cullinan MICA are each party to royalty transfer agreements with MPM Oncology Charitable Foundation, Inc. and UBS Optimus Foundation (together, the "Foundations"). Under each of these respective agreements, each Foundation is entitled to receive a royalty equal to 0.5% (1.0% in aggregate) of all global net sales of any products developed by the applicable subsidiary, subject to limitations after patent expirations and on intellectual property developed after a change of control. The Company has deemed these royalty transfer agreements to be freestanding financial instruments that should be accounted for at fair value. The Company has concluded that these instruments had no value at the inception of the agreements.

Given the early-stage nature of the underlying technologies and inherent technical, regulatory and competitive risks associated with achieving approval and commercialization, the Company ascribed no value to the royalty transfer agreements as of September 30, 2022 and December 31, 2021. The Company currently does not have any applicable net sales from its products and as a result, has not paid or incurred any royalties under these agreements as of September 30, 2022. The Company will monitor these instruments for changes in fair value at each reporting date.

(10) Income Taxes

During the three months and nine months ended September 30, 2022, the Company recorded an income tax benefit of $2.5 million and an income tax expense of $44.0 million, respectively. The income tax expense recorded for the nine months ended September 30, 2022 was driven by the expected tax from the gain on sale of Cullinan Pearl, partially offset by the release of valuation allowance for the expected utilization of current year and certain historical tax attributes against the gain from the sale. The income tax benefit recorded for the three months ended September 30, 2022 is due to the expected utilization of current year tax attributes against the gain from the sale of Cullinan Pearl. Refer to Note 3 for additional details on this transaction. The Company did not record an income tax benefit or expense for the three and nine months ended September 30, 2021.

The Company has evaluated the positive and negative evidence bearing upon its ability to realize its deferred tax assets, which primarily consist of net operating loss carryforwards. The Company has considered its history of cumulative net losses, estimated future taxable income and prudent and feasible tax planning strategies and has concluded that it is more likely than not that the Company will not realize the benefits of its deferred tax assets, outside of the tax losses that will be utilized against the gain on sale of Cullinan Pearl. As a result, as of September 30, 2022, the Company has maintained a full valuation allowance against its remaining net deferred tax assets.

(11) Commitments and Contingencies

The Company enters into contracts in the normal course of business with contract research organizations, contract manufacturing organizations, and other third parties for preclinical research studies, clinical trials and testing and manufacturing services. These agreements generally include cancellation clauses.

Indemnification agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in certain cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not aware of any indemnification arrangements that could have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its consolidated financial statements as of September 30, 2022 and December 31, 2021.

Legal proceedings

The Company is not currently party to or aware of any material legal proceedings. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses as incurred the costs related to such legal proceedings.

(12) Leases

The Company has an operating lease for approximately 8,000 square feet of office space in a multi-tenant building in Cambridge, Massachusetts, which commenced in February 2018 and goes through June 2024. In August 2022, the Company entered into an additional operating lease (the "August 2022 lease") for approximately 14,000 square feet of office space in a multi-tenant building in Cambridge, Massachusetts through July 2026. Lease expense consisted of operating lease costs of $0.3 million and $0.6 million for the three and nine months ended September 30, 2022, respectively. Rent expense under the prior lease accounting standard was $0.2 million and $0.5 million for the three and nine months ended September 30, 2021, respectively.

In September 2022, the Company entered into a sublease agreement through May 2024 for the approximately 8,000 square feet of office space that it leases in a multi-tenant building in Cambridge, Massachusetts. The Company expects to receive sublease payments of approximately $0.1 million in 2022, $0.6 million in 2023 and $0.3 million in 2024. These expected sublease payments are equal to the fixed payments that the Company is required to make under its lease.

The following table summarizes supplemental cash flow information (in thousands):

		Nine Months Ended September 30, 2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$	456
ROU asset obtained in exchange for an operating lease liability	$	4,931

The following table summarizes the Company's future minimum lease payments and reconciliation of lease liabilities (in thousands):

		September 30, 2022
Remainder of 2022 [(1)]	$	(196)
2023		1,881
2024		1,738
2025		1,461
2026		872
Total future minimum lease payments		5,756
Less: imputed interest		(1,068)
Total lease liabilities at present value	$	4,688
Lease liabilities, current	$	696
Lease liabilities, non-current	$	3,992

(1) The Company's negative future lease payments for the remainder of 2022 represent a net cash inflow, which includes required lease payments in the fourth quarter and $0.3 million to be reimbursed by the lessor for improvements made to the newly leased office space pursuant the terms of the August 2022 lease.

The following table summarizes lease term and discount rate:

	September 30, 2022
Weighted-average remaining lease term (in years)	3.4
Weighted-average discount rate	10.7%

As the Company's operating leases did not provide an implicit rate, the Company used its incremental borrowing rate based on the information available in determining the present value of lease payments. The Company's incremental borrowing rate was based on the term of the lease, the economic environment and reflects the rate the Company would have had to pay to borrow on a secured basis.

(13) Earnings per Share

The following table sets forth the calculation of basic and diluted earnings (net loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands, except per share data)			
Numerator:				
Net income (loss) attributable to common stockholders of Cullinan	$ (24,804)	$ (17,350)	$ 137,996	$ (33,056)
Denominator:				
Weighted-average common stock outstanding - basic	45,611	43,439	44,966	43,254
Dilutive effect of common stock issuable from assumed exercise of equity awards	—	—	1,614	—
Weighted-average common stock outstanding - diluted	45,611	43,439	46,580	43,254
Earnings (net loss) per share:				
Basic	$ (0.54)	$ (0.40)	$ 3.07	$ (0.76)
Diluted	$ (0.54)	$ (0.40)	$ 2.96	$ (0.76)

The Company used the treasury stock method to determine the number of dilutive shares. The following table sets forth potential common shares that were excluded from the computation of the diluted net income (loss) per share for the periods presented because their effect would have been anti-dilutive:

	As of September 30,	
	2022	2021
	(in thousands)	
Stock options	6,643	7,200
Restricted stock units	24	132
Employee Stock Purchase Plan	12	2
Total	6,679	7,334

(14) Subsequent Events

In October 2022, the Company entered into stock purchase and transfer agreements (the "Purchase Agreements") with two of Cullinan MICA's existing financial investors, Avalon Ventures and Bregua Corporation. Pursuant to the Purchase Agreements, the Company purchased a cumulative amount of 1,522,072 shares of Series A Senior Preferred Stock, 1,999,998 shares of Series A Junior Preferred Stock and 11,451,514 shares of Series A-2 Junior Preferred Stock (collectively, the "Shares") of Cullinan MICA for a per share purchase price of $2.05, representing an aggregate purchase price for the Shares of $30.7 million.

As of October 31, 2022, the Company held shares that collectively represented 92% of Cullinan MICA's outstanding equity.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 10-K"), filed with the Securities and Exchange Commission (the "SEC") on March 17, 2022. This discussion and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements that involve risks and uncertainties, such as statements regarding our plans, objectives, expectations, intentions and projections. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the "Risk Factors" section of this Quarterly Report on Form 10-Q.

Overview

We are a biopharmaceutical company focused on modality-agnostic targeted oncology. Our strategy is to source innovation through both internal discovery efforts, external collaborations and in-licensing, focusing on advanced-stage assets with novel technology platforms and differentiated mechanisms. Before we advance a product candidate into clinical development, we evaluate its potential for anti-tumor activity as a single agent as well as its ability to generate an immune response or to inhibit oncogenic processes. Using this strategy, we have efficiently developed or in-licensed a portfolio of therapeutic candidates.

Zipalertinib (CLN-081/TAS6417), which we are co-developing with Taiho Pharmaceutical, Co. Ltd ("Taiho"), is an orally available small-molecule, irreversible epidermal growth factor receptor ("EGFR") inhibitor that is designed to selectively target cells expressing EGFR exon 20 insertion ("EGFRex20ins") mutations with relative sparing of cells expressing wild-type EGFR. In June 2022, Taiho acquired our equity interest in our partially-owned subsidiary, Cullinan Pearl Corp. ("Cullinan Pearl"), which has worldwide rights to zipalertinib (CLN-081/TAS6417) outside of Japan and Greater China, for an upfront payment of $275.0 million. As part of the sale, we are also eligible to receive an additional $130.0 million tied to EGFR exon20 non-small-cell lung cancer ("NSCLC") regulatory milestones. Concurrently with the closing of the sale of our equity interest in Cullinan Pearl, we entered into a co-development and co-commercialization agreement for zipalertinib (CLN-081/TAS6417) with an affiliate of Taiho, pursuant to which we will collaborate to develop zipalertinib (CLN-081/TAS6417) and will retain the option to co-commercialize zipalertinib (CLN-081/TAS6417) in the U.S. Development costs for zipalertinib (CLN-081/TAS6417) shall be shared equally between us and Taiho with each party receiving 50% of any future pre-tax profits from potential U.S. sales of zipalertinib (CLN-081/TAS6417).

The U.S. Food and Drug Administration ("FDA") has granted Breakthrough Therapy designation to zipalertinib (CLN-081/TAS6417). In the fourth quarter of 2022, we initiated a pivotal study in patients with EGFR exon 20 NSCLC.

Our most advanced product candidates include CLN-049, a bispecific T cell engager targeting FLT3 and CD3, and CLN-619, a monoclonal antibody that restores the MICA/MICB pathway to promote tumor cell lysis from both cytotoxic innate and adaptive immune cells. We initiated enrollment in clinical trials in the fourth quarter of 2021 for CLN-049 for patients with relapsed or refractory acute myeloid leukemia or myelodysplastic syndrome and for CLN-619 for patients with advanced solid tumors. We plan to report initial clinical data in mid-2023 for CLN-049 and CLN-619.

In addition to the above product candidates, our portfolio includes several preclinical oncology programs. The most advanced of these programs include CLN-617, a fusion protein combining two potent antitumor cytokines, interleukin-2 and interleukin-12, with tumor retention domains for the treatment of solid tumors, and CLN-978, an internally-developed half-life extended T-cell engaging bispecific therapeutic designed to simultaneously engage CD19 and CD3. We expect to submit investigational new drug applications ("INDs") for both of these programs to the FDA in the first half of 2023.

We hold worldwide development and commercialization rights to each of our product candidates, and we hold intellectual property rights and exclusive options for worldwide intellectual property for our earlier-stage programs.

Since our inception in 2016, we have focused all of our efforts and financial resources on raising capital, organizing and staffing our company, identifying, acquiring or in-licensing and developing product and technology rights, establishing and protecting our intellectual property portfolio and developing and advancing our programs. To support these activities, we (i) identify and secure new programs, (ii) set up new subsidiaries to further advance individual programs, (iii) recruit key management team members, (iv) raise and allocate capital across the portfolio and (v) provide certain shared services, including research and development operations, administrative services, and business development, to our subsidiaries. We do not have any products approved for sale and have not generated any revenue from product sales.

We have funded our operations primarily through the sale of equity securities and from licensing or selling the rights to our product candidates. As of September 30, 2022, we have received net proceeds of $541.2 million from equity financings, inclusive of our net proceeds of $264.5 million from our initial public offering ("IPO"). We have received $18.9 million in revenue from our previous license agreement ("Zai License Agreement") with Zai Lab Shanghai Company, Limited ("Zai Lab") and cash proceeds of $275.0 million from the sale of our equity interest in Cullinan Pearl.

As of September 30, 2022, we had cash, cash equivalents and short-term investments of $576.0 million and long-term investments and interest receivable of $30.7 million. Interest receivable is included in prepaid expenses and other current assets on the consolidated balance sheets and represents accrued and unpaid interest on our marketable securities. With the exception of the nine months ended September 30, 2022, we have incurred operating losses and have had negative cash flows from operations since our inception. As of September 30, 2022, we had an accumulated deficit of $20.9 million. Besides the one-time gain from the sale of our equity interest in Cullinan Pearl, we expect to continue to generate operating losses for the foreseeable future. Our future viability is dependent on the success of our research and development and our ability to access additional capital to fund our operations. There can be no assurance that our current operating plan will be achieved or that additional funding will be available on terms acceptable to us, or at all.

We are subject to risks and uncertainties common to early-stage companies in the biotechnology industry including, but not limited to, new technological innovations, protection of proprietary technology, dependence on key personnel, compliance with government regulations and the ability to obtain additional capital to fund operations. Our therapeutic programs will require significant additional research and development efforts, including preclinical and clinical testing and regulatory approval prior to commercialization. These efforts require additional capital, adequate personnel and extensive compliance-reporting capabilities. There can be no assurance that our research and development will be successfully completed, that adequate protection for our intellectual property will be obtained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable.

Impact of COVID-19 Pandemic

The duration and scope of the COVID-19 pandemic continues to be uncertain. Infection rates remain high in many parts of the world, and the virulence and spread of different strains of the virus have caused many local jurisdictions to continue or re-implement quarantines and restrictions on travel and mass gatherings. The extent and duration of the impact of COVID-19 on our operations and financial performance is currently unknown and will depend on future developments that are uncertain and unpredictable.

We implemented remote working and other protective measures, but thus far, have not experienced a significant disruption or delay in our operations as it relates to the clinical development or drug production of our product candidates. However, COVID-19 has at times impacted the pace of our enrollment in our clinical trials and the conduct of our preclinical studies. In the future, COVID-19-related restrictions may adversely impact our operations. Such events may result in a period of business, supply and drug product manufacturing disruption, and in reduced operations, any of which could materially affect our business, financial condition and results of operations.

To date, COVID-19 has not had a financial impact on us. The spread of COVID-19, which has caused a broad impact globally, may materially affect us economically. While the ultimate economic impact brought by, and the duration of, the COVID-19 pandemic remain difficult to assess or predict, including new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others, the pandemic has resulted in significant disruptions in the general commercial activity and the global economy and caused financial market volatility and uncertainty in significant and unforeseen ways. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on our ability to access capital, which could in the future negatively affect our liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect our business.

Basis of Presentation and Consolidation

Since our inception, we have created wholly-owned subsidiaries or made investments in certain controlled entities. Losses attributed to noncontrolling interests are reported separately in our consolidated statements of operations and comprehensive income (loss).

We have three partially-owned development subsidiaries ("Asset Subsidiaries"): Cullinan Florentine Corp. ("Cullinan Florentine"), which is advancing CLN-049; Cullinan MICA Corp. ("Cullinan MICA"), which is advancing CLN-619; and Cullinan Amber Corp. ("Cullinan Amber"), which is developing our AMBER platform and advancing CLN-617 as its first product candidate. Our equity interest in our former Asset Subsidiary, Cullinan Pearl, which is advancing zipalertinib (CLN-081/TAS6417), was divested in the second quarter of 2022. In October 2022, we entered into stock purchase and transfer agreements (the “Purchase Agreements”) with certain investors in Cullinan MICA. As of October 31, 2022, we held shares that collectively represented 92% of Cullinan MICA’s outstanding equity. Refer to Note 14 of our notes to the consolidated financial statements for additional details on the Purchase Agreements.

The following table reflects our fully-diluted ownership percentages in each of our Asset Subsidiaries as of September 30, 2022:

Consolidated Entities	Current Relationship	Date Control First Acquired	Ownership as of September 30, 2022
Cullinan Pearl Corp.	Divested	November 2018	0%
Cullinan Amber Corp.	Partially-owned Subsidiary	December 2019	94%
Cullinan Florentine Corp.	Partially-owned Subsidiary	December 2019	96%
Cullinan MICA Corp.	Partially-owned Subsidiary	May 2020	54%

Cullinan Pearl

We sold our equity interest in our partially-owned subsidiary, Cullinan Pearl, to Taiho in June 2022. Refer to Note 3 of our notes to the consolidated financial statements for additional details relating to the transaction.

Cullinan Amber

Cullinan Amber, incorporated in December 2019, is our partially-owned operating subsidiary that has a license agreement with the Massachusetts Institute of Technology ("MIT") that provides exclusive worldwide rights to the patents related to technology that originated in the laboratory of Dr. Karl Dane Wittrup to develop novel multifunctional constructs for delivery of immunostimulatory agents such as cytokines that are retained in the tumor microenvironment.

In June 2021, Cullinan Amber issued 3.0 million shares of its Series A Preferred Stock to us for gross proceeds of $3.0 million and 0.2 million shares of its common stock to MIT in exchange for no additional consideration, pursuant to the license agreement with MIT.

In June 2022, Cullinan Amber issued 6.0 million shares of its Series A Preferred Stock to us for gross proceeds of $6.0 million and 0.3 million shares of its common stock to MIT in exchange for no additional consideration, pursuant to the license agreement with MIT.

As of September 30, 2022, we owned 93.5% of the fully-diluted shares outstanding of Cullinan Amber, including 100% of Series A Preferred Stock. As of September 30, 2022, noncontrolling interests collectively owned 6.5% of the equity of Cullinan Amber on a fully-diluted basis.

Cullinan Florentine

Cullinan Florentine, incorporated in December 2019, is our partially-owned operating subsidiary that has exclusive worldwide rights to CLN-049, our bispecific antibody targeting FLT3 and CD3, pursuant to an exclusive license agreement with Deutsches Krebsforschungszentrum ("DKFZ"), Eberhard Karls University of Tübingen, Faculty of Medicine, and Universitätsmedizin Gesellschaft für Forschung und Entwicklung mbH, Tübingen ("UFE").

In July 2021, Cullinan Florentine issued 7.5 million shares of Series B Preferred Stock to us for gross proceeds of $8.1 million.

In July 2022, Cullinan Florentine issued 3.75 million shares of Series B Preferred Stock to us for gross proceeds of $4.1 million.

As of September 30, 2022, we owned 95.6% of the fully-diluted shares outstanding of Cullinan Florentine, including 100% of Series A Preferred Stock. As of September 30, 2022, noncontrolling interests collectively owned 4.4% of the equity of Cullinan Florentine on a fully-diluted basis.

Cullinan MICA

Cullinan MICA, formerly known as PDI Therapeutics, Inc., of which we assumed operational control in May 2020, is our partially-owned operating subsidiary that owns intellectual property related to CLN-619, our MICA/B-targeted humanized IgG1 monoclonal antibody.

In June 2021, we purchased 5.4 million shares of Cullinan MICA's Series A Senior Preferred Stock for $7.1 million, and certain other existing investors purchased 0.7 million shares for $0.9 million.

In March 2022, we purchased 6.7 million shares of Cullinan MICA's Series A Senior Preferred Stock for $8.8 million, and certain other existing investors purchased 0.9 million shares for $1.2 million.

As of September 30, 2022, we owned 53.5% of the fully-diluted shares outstanding of Cullinan MICA, including 52% of Series A Preferred Stock. Noncontrolling interests owned 46.5% of the fully-diluted shares outstanding of Cullinan MICA, including 48% of Series A Preferred Stock.

Components of Our Results of Operations

Revenue

For the nine months ended September 30, 2021, we recognized $18.9 million of revenue, relating to the upfront fee earned from the Zai License Agreement. We have not generated any revenue from the sale of products since our inception and do not expect to generate any revenue from the sale of products in the near future, if at all. If our development efforts for our product candidates are successful and result in regulatory approval or if we enter into collaboration or license agreements with third parties, we may generate revenue in the future from a combination of product sales or payments from such collaboration or license agreements.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred in connection with the research and development of our wholly-owned and jointly-developed product candidates and programs. We expense research and development costs and intangible assets acquired that have no alternative future use as incurred. These expenses include:

- employee-related expenses, including salaries, related benefits and equity-based compensation expense, for employees engaged in research and development functions;
- expenses incurred under agreements with organizations that support our drug discovery and development activities;
- expenses incurred in connection with the preclinical and clinical development of our product candidates and programs, including under agreements with contract research organizations ("CROs");
- costs related to contract manufacturing organizations, that are primarily engaged to provide drug substance, raw material and drug product for our clinical trials, research and development programs, as well as investigative sites and consultants that conduct our clinical trials, nonclinical studies and other scientific development services;
- the costs of acquiring and manufacturing nonclinical and clinical trial materials, including manufacturing registration and validation batches;
- costs related to compliance with quality and regulatory requirements;
- payments made under third-party licensing agreements; and
- direct and allocated costs related to facilities, information technology, personnel and other overhead.

Advance payments that we make for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. Such amounts are recognized as an expense when the goods are delivered or consumed or the related services are performed, or when it is no longer expected that the goods will be delivered or the services rendered.

Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. We expect that our research and development expenses will increase substantially in connection with our planned clinical development activities in the near term and in the future. At this time, we cannot accurately estimate or know the nature, timing and costs of the efforts that will be necessary to complete the clinical development of any current or future product candidates.

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

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

The successful development and commercialization of product candidates is highly uncertain due to the numerous risks and uncertainties associated with product development and commercialization, including the following:

- the timing and progress of nonclinical and clinical development activities;

- the number and scope of nonclinical and clinical programs we decide to pursue;
- raising necessary additional funds;
- the progress of the development efforts of parties with whom we may enter into collaboration arrangements;
- our ability to maintain our current development programs and to establish new ones;
- our ability to establish new licensing or collaboration arrangements;
- the successful initiation and completion of clinical trials with safety, tolerability and efficacy profiles that are satisfactory to the FDA or any comparable foreign regulatory authority;
- the receipt and related terms of regulatory approvals from applicable regulatory authorities;
- the availability of drug substance and drug product for use in the production of our product candidates;
- establishing and maintaining agreements with third-party manufacturers for clinical supply for our clinical trials and commercial manufacturing, if our product candidates are approved;
- our ability to obtain and maintain patents, trade secret protection and regulatory exclusivity, both in the U.S. and internationally;
- our ability to protect our rights in our intellectual property portfolio;
- the commercialization of our product candidates, if and when approved;
- obtaining and maintaining third-party insurance coverage and adequate reimbursement;
- the acceptance of our product candidates, if approved, by patients, the medical community and third-party payors;
- competition with other products; and
- a continued acceptable safety profile of our therapies following approval.

A change in the outcome of any of these variables with respect to the development of our product candidates could significantly change the costs and timing associated with the development of that product candidate. We may never succeed in obtaining regulatory approval for any of our product candidates or programs.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for personnel in executive management, finance, corporate and business development, and other administrative functions. General and administrative expenses also include legal fees relating to patent and corporate matters; professional fees for accounting, auditing, tax, and administrative consulting services; insurance costs; administrative travel expenses; marketing expenses; and other operating costs.

We have incurred increased accounting, audit, legal, regulatory, compliance and director and officer insurance costs as well as investor and public relations expenses associated with being a public company. We anticipate that our general and administrative expenses will increase in the future as we increase our headcount to support development of our product candidates and programs and our continued research activities.

Gain on Sale of Cullinan Pearl

Gain on sale of Cullinan Pearl represents the excess of the consideration received over the carrying value of the non-financial assets sold. Refer to Note 3 of our notes to the consolidated financial statements for additional details relating to the transaction.

Other Income

Other income consists primarily of interest income earned on our cash, cash equivalents, short-term investments and long-term investments.

Income Taxes

Income taxes consist primarily of federal and state income taxes.

Results of Operations

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

The following table presents our results of operations:

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
License revenue	$ —	$ —	$ —	$ 18,943
Operating expenses:				
Research and development	19,680	12,680	70,627	36,873
General and administrative	10,086	5,695	28,902	15,677
Total operating expenses	29,766	18,375	99,529	52,550
Gain on sale of Cullinan Pearl	—	—	276,785	—
Income (loss) from operations	(29,766)	(18,375)	177,256	(33,607)
Other income (expense):				
Interest income	2,353	118	3,247	340
Other income (expense), net	—	(2)	(241)	(12)
Net income (loss) before income taxes	(27,413)	(18,259)	180,262	(33,279)
Income tax expense (benefit)	(2,523)	—	43,979	—
Net income (loss)	(24,890)	(18,259)	136,283	(33,279)
Net income (loss) attributable to noncontrolling interest	(86)	(909)	(1,713)	(223)
Net income (loss) attributable to common stockholders of Cullinan	$ (24,804)	$ (17,350)	$ 137,996	$ (33,056)

License Revenue

In the nine months ended September 30, 2021, we recognized $18.9 million of revenue relating to the upfront fee earned from the Zai License Agreement.

Research and Development Expenses

(in thousands)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cullinan MICA (CLN-619)	$ 2,442	$ 2,586	$ 11,608	$ 6,056
Cullinan Amber (CLN-617)	5,050	568	9,569	1,315
Cullinan Florentine (CLN-049)	2,611	1,183	4,960	4,782
Total Asset Subsidiaries expenses	10,103	4,337	26,137	12,153
Zipalertinib (CLN-081/TAS6417)	1,308	3,898	14,291	13,043
Early-stage research	3,740	1,128	13,866	2,801
Other personnel and unallocated	3,421	865	8,185	2,592
Equity-based compensation	1,108	2,452	8,148	6,284
Total research and development expenses	$ 19,680	$ 12,680	$ 70,627	$ 36,873

We separately disclose additional details for expenses incurred in connection with the research and development activities conducted for zipalertinib (CLN-081/TAS6417) and for the product candidates and programs being developed by our partially-owned subsidiaries Cullinan Amber, Cullinan Florentine, and Cullinan MICA, as we believe they represent key portfolio value drivers. We share with Taiho 50% of future development costs for zipalertinib (CLN-081/TAS6417) along with 50% of any future potential pre-tax profits from U.S. sales of zipalertinib (CLN-081/TAS6417).

Research and development expenses were $19.7 million for the three months ended September 30, 2022 compared to $12.7 million for the three months ended September 30, 2021.

The increase of $5.8 million in research and development expenses for the Asset Subsidiaries was primarily related to an increase in chemistry, manufacturing and controls ("CMC") costs of $2.8 million relating to our ongoing clinical trials for CLN-619 and CLN-049 and to support IND-enabling activities for CLN-617 and an increase of $2.7 million relating to preclinical and clinical activities across CLN-619, CLN-617 and CLN-049.

The remaining increase within research and development expenses was primarily related to an increase in the discovery and development of early-stage product candidates, inclusive of the collaboration agreement entered into with Icahn Mount Sinai in December 2021, and an increase in personnel costs due to increased headcount, partially offset by a decrease in CMC costs for zipalertinib (CLN-081/TAS6417), and a benefit from sharing zipalertinib (CLN-081/TAS6417) development costs equally with Taiho.

Research and development expenses were $70.6 million for the nine months ended September 30, 2022 compared to $36.9 million for the nine months ended September 30, 2021.

The increase of $14.0 million of research and development expenses for the Asset Subsidiaries was primarily related to an increase in CMC costs of $8.0 million relating to our ongoing clinical trials for CLN-619 and CLN-049 and to support IND-enabling activities for CLN-617 and an increase of $5.9 million related to preclinical and clinical activity across CLN-619, CLN-617 and CLN-049.

The remaining increase within research and development expenses was primarily related to an increase in CMC and preclinical costs for zipalertinib (CLN-081/TAS6417), an increase in the discovery and development of early-stage product candidates, inclusive of the collaboration agreement entered into with Icahn Mount Sinai in December 2021, and an increase in personnel costs due to increased headcount, partially offset by a royalty payment to Taiho for the upfront fee from the Zai License Agreement that was made in the first nine months of 2021 and did not recur in 2022.

General and Administrative Expenses

General and administrative expenses were $10.1 million for the three months ended September 30, 2022 compared to $5.7 million for the three months ended September 30, 2021. The increase of $4.4 million was primarily due to a $2.1 million increase in equity-based compensation expense relating to increased headcount and new grants in the three months ended September 30, 2022, a $1.1 million increase in personnel costs relating to increased headcount and a $1.2 million increase in other professional services and occupancy expenses.

General and administrative expenses were $28.9 million for the nine months ended September 30, 2022 compared to $15.7 million for the nine months ended September 30, 2021. The increase of $13.2 million was primarily due to a $6.4 million increase in equity-based compensation expense relating to increased headcount and new grants in the nine months ended September 30, 2022, a $2.7 million increase in personnel costs relating to increased headcount, a $1.5 million increase in other professional services, a $0.5 million increase in occupancy expenses, and non-recurring costs of $2.0 million in the first nine months of 2022 related to the Cullinan Pearl sale.

Gain on Sale of Cullinan Pearl

The $276.8 million gain on sale of Cullinan Pearl represents the excess of the consideration received over the carrying value of the non-financial assets sold. Refer to Note 3 of our notes to the consolidated financial statements for additional details relating to the transaction.

Other Income

Other income was $2.4 million during the three months ended September 30, 2022 compared to $0.1 million during the three months ended September 30, 2021. The increase was primarily related to higher investment income.

Other income was $3.0 million during the nine months ended September 30, 2022 compared to $0.3 million during the nine months ended September 30, 2021. The increase was primarily related to higher investment income.

Income Tax Expense

The income tax benefit was $2.5 million and income tax expense was $44.0 million for the three and nine months ended September 30, 2022, respectively. The net income tax expense of $44.0 million recognized for the nine months ended September 30, 2022 represents the expected tax from the gain on sale of Cullinan Pearl, including the expected utilization of current year and certain historical tax attributes.

We did not record a provision for income taxes for the three or nine months ended September 30, 2021.

Net Income (Loss) Attributable to Noncontrolling Interests

Net loss attributable to noncontrolling interests was $0.1 million and $0.9 million during the three months ended September 30, 2022 and 2021, respectively. Refer to Note 7 of our notes to the consolidated financial statements for additional details.

Net loss attributable to noncontrolling interests was $1.7 million and $0.2 million during the nine months ended September 30, 2022 and 2021, respectively. The decrease was primarily related to our allocation of income to our noncontrolling interests in the nine months ended September 30, 2021 due to the recognition of revenue from the Zai License Agreement under Cullinan Pearl.

Liquidity and Capital Resources

Overview

We have incurred significant operating losses, with the exception of the one-time gain on the sale of our equity interest in Cullinan Pearl in the nine months ended September 30, 2022, and negative cash flows from operations since our inception and expect to continue to generate operating losses for the foreseeable future. We have not yet commercialized any products and we do not expect to generate revenue from sales of products for several years, if at all. To date, we have funded our operations primarily with proceeds from the sale of equity securities and from licensing or selling the rights to our product candidates. As of September 30, 2022, we had cash, cash equivalents and short-term investments of $576.0 million and long-term investments and interest receivable of $30.7 million.

In January 2021, we completed our IPO and received net proceeds of $264.5 million from the offering, after deducting underwriting discounts, commissions and other offering expenses. Based on our current operational plans and assumptions, we expect that our current cash, cash equivalents, short-term investments, and long-term investments, will be sufficient to fund operations through at least twelve months from the date of issuance of our consolidated financial statements. We have based these estimates on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. We cannot guarantee that we will be able to raise additional capital on reasonable terms or at all.

In June 2022, we sold our equity interest in our partially-owned subsidiary, Cullinan Pearl, to Taiho for an upfront payment of $275.0 million.

Cash Flows

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

The following table summarizes our sources and uses of cash for each of the periods presented:

	Nine Months Ended September 30,	
(in thousands)	**2022**	**2021**
Net cash used in operating activities	$ (101,681)	$ (28,262)
Net cash provided by (used in) investing activities	277,585	(317,913)
Net cash provided by financing activities	6,979	266,082
Net increase (decrease) in cash and cash equivalents	$ 182,883	$ (80,093)

Cash Flow from Operating Activities

For the nine months ended September 30, 2022, operating activities used $101.7 million of cash, inclusive of $32.6 million used to pay for a portion of our estimated tax liability resulting from the gain on sale of Cullinan Pearl. Net income of $136.3 million and a benefit of $16.2 million from the net change in our operating assets and liabilities was more than offset by a net non-cash benefit of $254.2 million. The net non-cash benefit primarily consisted of the gain on sale of Cullinan Pearl of $276.8 million, partially offset by $20.4 million from equity-based compensation expense and $1.9 million in amortization and accretion on marketable securities.

For the nine months ended September 30, 2021, operating activities used $28.3 million of cash, primarily consisting of our net loss of $33.3 million and changes in net operating assets and liabilities of $9.3 million, which were offset by non-cash charges of $14.3 million. Our non-cash charges of $14.3 million primarily consisted of $12.2 million of equity-based compensation expense and $2.0 million in amortization and accretion on marketable securities.

Cash Flow from Investing Activities

For the nine months ended September 30, 2022, net cash provided by investing activities was $277.6 million, which primarily consisted of $275.0 million of proceeds from the sale of our equity interest in Cullinan Pearl, and $220.3 million from the sales and maturities of investments, partially offset by the purchase of $217.5 million of investments.

For the nine months ended September 30, 2021, investing activities used $317.9 million of cash, of which $448.5 million was used for the purchase of short-term and long-term investments, partially offset by $130.6 million received from the sales and maturities of short-term investments.

Cash Flow from Financing Activities

For the nine months ended September 30, 2022, net cash provided by financing activities was $7.0 million, which primarily consisted of $5.8 million from stock option exercises and $1.2 million from the issuance of noncontrolling interests.

For the nine months ended September 30, 2021, net cash provided by financing activities was $266.1 million, which primarily consisted of $267.3 million proceeds from the initial public offering, $0.9 million from the issuance of noncontrolling interests, and $0.6 million of proceeds from stock option exercises, partially offset by the $2.7 million payment of deferred offering costs.

Future Funding Requirements

We expect our expenses to increase substantially in connection with our ongoing activities, particularly as we advance the preclinical activities, manufacturing and clinical trials of our product candidates. In addition, we have and will continue to incur additional costs associated with operating as a public company, including significant legal, accounting, investor relations and other expenses that we did not incur as a private company. Our expenses will also increase as we:

- continue our research and development efforts and submit INDs for our product candidates and programs;
- conduct preclinical studies and clinical trials for our current and future product candidates;
- take temporary precautionary measures to help minimize the risk of COVID-19 to our employees;

- experience any delays or encounter any issues with any of the above, including but not limited to failed studies, complex results, safety issues, or other regulatory challenges;
- develop the necessary processes, controls, and manufacturing capabilities to obtain marketing approval for our product candidates and to support manufacturing on a commercial scale;
- develop and implement plans to establish and operate in-house manufacturing operations and facilities, if deemed appropriate;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- hire and retain additional personnel, such as non-clinical, clinical, pharmacovigilance, quality assurance, regulatory affairs, manufacturing, distribution, legal, compliance, medical affairs, finance, general and administrative, commercial, and scientific personnel; and
- develop, maintain, expand, and protect our intellectual property portfolio.

As a publicly-traded company, we incur significant legal, accounting and other expenses. We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act enacted in April 2012. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the closing of our initial public offering, (b) in which we have total annual gross revenue of at least $1.235 billion or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our common stock that is held by non-affiliates to exceed $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period.

To achieve compliance with Section 404 after we no longer qualify as an emerging growth company, we will be required to provide an attestation of our internal controls over financial reporting processes, which will require additional costs and personnel. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants, adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. We expect these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Based on our current operational plans and assumptions, we expect that our current cash, cash equivalents, and short-term and long-term investments will be sufficient to fund operations through at least twelve months from the date of issuance of our consolidated financial statements. We have based these estimates on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. As we progress with our development programs and the regulatory review process, we expect to incur significant commercialization expenses related to product manufacturing, pre-commercial activities and commercialization. We may also require additional capital to pursue in-licenses or acquisitions of other programs to further expand our pipeline.

Because of the numerous risks and uncertainties associated with research, development and commercialization of our product candidates and programs, we are unable to estimate the exact amount of our working capital requirements. Our future funding requirements will depend on and could increase significantly as a result of many factors, including:

- the scope, progress, results, and costs of drug discovery, laboratory testing and preclinical and clinical development for our current and future product candidates;
- timely completion of our preclinical studies and clinical trials, which may be significantly slower or cost more than we currently anticipate and will depend substantially upon the performance of third-party contractors;
- the prevalence, duration and severity of potential side effects or other safety issues experienced by patients receiving our product candidates or future product candidates;
- our ability to establish and maintain collaborations and license agreements on favorable terms, if at all, and the extent to which we acquire or in-license technologies or programs, if at all;
- our ability to enroll clinical trials in a timely manner and to quickly resolve any delays or clinical holds that may be imposed on our development programs;
- timing delays with respect to preclinical and clinical development of our current and future product candidates, including as result of the COVID-19 pandemic;

- the costs of expanding our facilities to accommodate our expected growth in personnel;
- our ability and the ability of third parties with whom we contract to manufacture adequate clinical and commercial supplies of our product candidates or any future product candidates, remain in good standing with regulatory authorities and develop, validate, and maintain commercially viable manufacturing processes that are compliant with current good manufacturing practices;
- the costs of preparing, filing, and prosecuting patent applications, maintaining and enforcing our intellectual property rights, and defending intellectual property-related claims;
- the extent to which we acquire or in-license technologies or programs;
- the sales price and availability of adequate third-party coverage and reimbursement for our product candidates, if and when approved; and
- the ongoing costs of operating as a public company.

Until such time, if ever, that we can generate product revenue sufficient to achieve profitability, we expect to finance our cash needs through equity offerings, debt financings, government or other third-party funding, marketing and distribution arrangements, and other collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity, current ownership interests will be diluted. If we raise additional funds through government or third-party funding, collaboration agreements, strategic alliances, licensing arrangements, or marketing and distribution arrangements, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, or grant licenses on terms that may not be favorable to us. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce, or terminate our product development or future commercialization efforts or grant rights to develop and market products or product candidates that we would otherwise prefer to develop and market ourselves.

Contractual Obligations and Other Commitments

We have certain payment obligations under various license and collaboration agreements. Under these agreements, we are required to make milestone payments upon successful completion and achievement of certain intellectual property, clinical, regulatory, and sales milestones. The payment obligations under the license and collaboration agreements are contingent upon future events, such as our achievement of specified development, clinical, regulatory, and commercial milestones, and we will be required to make milestone and royalty payments in connection with the sale of products developed under these agreements. As the achievement and timing of these future milestone payments are not probable or estimable, such amounts have not been included in our consolidated balance sheets as of September 30, 2022 and December 31, 2021.

Operating lease obligations as of September 30, 2022 were $4.7 million, with $1.2 million payable within 12 months. See Note 12 to our consolidated financial statements in this Quarterly Report on Form 10-Q for further detail on our obligations and the timing of expected future payments.

In addition, we enter into agreements in the normal course of business with CROs for clinical trials and with other vendors for preclinical studies, manufacturing services, and other services and products for operating purposes, which are generally cancelable upon written notice.

Critical Accounting Policies and Estimates

Our critical accounting policies have not materially changed from those described in the 2021 10-K.

Recently Issued and Adopted Accounting Pronouncements

A description of recently adopted accounting pronouncements that may materially impact our financial position and results of operations is disclosed in Note 2 to our consolidated financial statements appearing at the beginning of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Information required by this Item is not applicable as we are electing scaled disclosure requirements available to smaller reporting companies with respect to this Item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (as amended, the "Exchange Act") designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to management, including the principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer), to allow timely decisions regarding required disclosure. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of September 30, 2022, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily applies our judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective at the reasonable assurance level as of September 30, 2022.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the fiscal quarter ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

The following information updates, and should be read in conjunction with, the risk factors discussed in Part I, Item 1A. "Risk Factors" in the 2021 10-K. Any of the risk factors contained in this Quarterly Report on Form 10-Q and the 2021 10-K could materially affect our business, financial condition or future results, and such risk factors may not be the only risks we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may adversely affect our business, financial condition or future results.

In June 2022, we completed the sale of our entire equity interest in Cullinan Pearl, which was developing zipalertinib (CLN-081/TAS6417), formerly our lead program, to Taiho and we entered into a co-development agreement with a subsidiary of Taiho, to co-develop and, at our option, co-commercialize zipalertinib (CLN-081/TAS6417) in the U.S. Pursuant to the terms of the co-development agreement with Taiho, development costs for zipalertinib (CLN-081/TAS6417) incurred after the sale of Cullinan Pearl will be shared equally between Taiho and us with each party receiving 50% of any future pre-tax profits from potential U.S. sales of zipalertinib (CLN-081/TAS6417).

Risks Related to Our Financial Condition and Capital Requirements

We have not generated any revenue from the sale of our product candidates and may never be profitable.

Our ability to become profitable depends upon our ability to generate revenue. Besides our previous licensing agreement with Zai Lab, we have not generated any other license or collaboration revenue or any sales revenue from any of our product candidates. We do not expect to generate significant sales revenue or commercial revenue from the sale or license of one or more of our preclinical programs or product candidates unless or until we successfully complete clinical development and obtain regulatory approval of, and then successfully commercialize, at least one of our product candidates or, alternatively, enter into agreements with third parties for the purchase, collaboration, or license of one of our product candidates. We are currently advancing zipalertinib (CLN-081/TAS6417) (pursuant to the co-development agreement with Taiho), CLN-049 and CLN-619 in clinical development, but most of our product candidates are in the preclinical stages of development and will require additional preclinical studies. All of our product candidates will require additional clinical development, regulatory review and approval, substantial investment, access to sufficient commercial manufacturing capacity, and significant marketing efforts before we can generate any revenue from product sales. Our ability to generate revenue depends on a number of factors, including, but not limited to:

- timely completion of our preclinical studies and clinical trials, which may be significantly slower or cost more than we currently anticipate and will depend substantially upon the performance of third-party contractors;
- our ability to complete IND-enabling studies and successfully submit INDs or comparable applications for our product candidates;
- whether we are required by the FDA or similar foreign regulatory authorities to conduct additional clinical trials or other studies beyond those planned to support the approval and commercialization of our product candidates or any future product candidates;
- our ability to timely seek and obtain regulatory and marketing approvals for any of our product candidates or any future product candidates for which we complete clinical trials;
- the prevalence, duration, and severity of potential side effects or other safety issues experienced by patients receiving our product candidates or future product candidates;
- the willingness of physicians, operators of clinics, and patients to utilize or adopt any of our product candidates or future product candidates over alternative or more conventional therapies, such as chemotherapy;
- the actual and perceived availability, cost, risk profile, and side effects, and efficacy of our product candidates, if approved, relative to existing and future alternative cancer therapies and competitive product candidates and technologies;
- the equal cost-sharing structure for clinical development and commercialization costs of zipalertinib (CLN-081/TAS6417) in the U.S. and the equal profit-sharing structure from future U.S. sales of zipalertinib (CLN-081/TAS6417), each pursuant to the co-development agreement with Taiho;

- our ability and the ability of third parties with whom we contract to manufacture adequate clinical and commercial supplies of our product candidates or any future product candidates, remain in good standing with regulatory authorities and develop, validate, and maintain commercially viable manufacturing processes that are compliant with current good manufacturing practices;
- our ability to successfully develop a commercial strategy and thereafter commercialize our product candidates or any future product candidates in the U.S. and internationally, if approved for marketing, reimbursement, sale, and distribution in such countries and territories, whether alone or in collaboration with others;
- patient demand for our product candidates and any future product candidates, if approved; and
- our ability to establish and enforce intellectual property rights in and for our product candidates or any future product candidates.

Many of the factors listed above are beyond our control and could cause us to experience significant delays or prevent us from obtaining regulatory approvals or commercializing our product candidates. Even if we are able to commercialize our product candidates, we may not achieve profitability soon after generating product sales, if ever. If we are unable to generate sufficient revenue through the commercial sale of our product candidates or any future product candidates, or from agreements with third parties for the purchase, collaboration, or license of one or more of our product candidates, we may be unable to continue operations without continued funding.

We will require substantial additional funding to develop and commercialize our product candidates and identify and invest in new product candidates. If we are unable to raise capital when needed, we would be compelled to delay, reduce, or eliminate our product development programs or other operations.

The development of pharmaceutical products is capital intensive. We are currently advancing zipalertinib (CLN-081/TAS6417) (pursuant to the co-development agreement with Taiho), CLN-049 and CLN-619 in clinical development and making further investments in our preclinical programs. We expect our expenses to increase in parallel with our ongoing activities. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations, which may include raising funding by one or more of our subsidiaries that could dilute our equity interest in the subsidiary. We have estimated our current additional funding needs based on assumptions that may prove to be wrong. Changing circumstances may cause us to consume capital significantly faster than we currently anticipate, and we may need to spend more money than currently expected because of circumstances beyond our control. We cannot be certain that additional funding will be available on acceptable terms, or at all. Until such time, if ever, as we can generate substantial product revenue, we expect to finance our operations through a combination of public or private equity offerings, debt financings, governmental funding, collaborations, strategic partnerships, and alliances, or marketing, distribution, or licensing arrangements with third parties, either by us or by one or more of our subsidiaries. If we or our subsidiaries are unable to raise capital when needed or on attractive terms, we or the applicable subsidiary would be forced to delay, reduce, or eliminate our identification, discovery, and preclinical or clinical development programs, or any future commercialization efforts.

We had cash and cash equivalents and short-term investments of $576.0 million and long-term investments and interest receivables of $30.7 million as of September 30, 2022. We believe that, based upon our current operating plan, our existing capital resources will be sufficient to fund our anticipated operations through at least twelve months from the date of issuance of our consolidated financial statements. Our future capital requirements will depend on many factors, including:

- the scope, progress, results, and costs of drug discovery, laboratory testing, manufacturing and preclinical and clinical development for our current and future product candidates;
- the extent to which we enter into additional collaboration arrangements with regard to product discovery or acquire or in-license products or technologies;
- the equal cost-sharing structure for clinical development and commercialization costs of zipalertinib (CLN-081/TAS6417) in the U.S. and the equal profit sharing structure from future U.S. sales of zipalertinib (CLN-081/TAS6417), each pursuant to the co-development agreement with Taiho;
- our ability to establish additional discovery collaborations on favorable terms, if at all;
- the costs, timing, and outcome of regulatory review of our product candidates;
- the costs of future commercialization activities, including product sales, marketing, manufacturing, and distribution, for any of our product candidates for which we receive marketing approval;
- revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval, or from licensing or collaboration agreements pursuant to which we may receive milestone, royalty, or other revenue from third parties developing or commercializing our product candidates; and
- the costs of preparing, filing, and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims.

If we or our subsidiaries engage in acquisitions or strategic partnerships, this may increase our or their capital requirements, dilute our or their stockholders, cause us or them to incur debt or assume contingent liabilities, and subject us or them to other risks.

As noted above, in June 2022, we sold our equity interest in Cullinan Pearl, formerly a partially-owned subsidiary of the Company, to Taiho and we entered into a co-development agreement with a subsidiary of Taiho to co-develop and, at our option, co-commercialize zipalertinib (CLN-081/TAS6417) in the U.S. Pursuant to the terms of the co-development agreement with Taiho, development costs for zipalertinib (CLN-081/TAS6417) incurred after the sale of our equity interest in Cullinan Pearl will be shared equally between us and Taiho, with each party receiving 50% of any future pre-tax profits from potential U.S. sales of zipalertinib (CLN-081/TAS6417).

We intend to engage in various acquisitions and strategic partnerships in the future, including licensing or acquiring products, intellectual property rights, technologies, or businesses, carried out either by us or by one or more of our wholly- or partially-owned subsidiaries, including a newly-formed subsidiary formed for the purpose of such transaction. Any acquisition or strategic partnership, including the co-development agreement with Taiho, may entail numerous risks to us or the applicable subsidiary, including:

- increased operating expenses and cash requirements;
- the assumption of indebtedness or contingent liabilities;
- the issuance of equity securities which would result in dilution;
- assimilation of operations, intellectual property, products, and product candidates of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of financial and managerial resources from our existing product programs and initiatives in pursuing such an acquisition or strategic partnership;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or product candidates and regulatory approvals;
- our inability to generate revenue from acquired intellectual property, technology, and/or products sufficient to meet our objectives or even to offset the associated transaction and maintenance costs;
- risk of conducting research and development activities in new therapeutic areas or treatment modalities in which we have little to no experience;
- successfully negotiating a proposed acquisition, in-license or investment in a timely manner and at a price or on terms and conditions favorable to us;
- successfully combining and integrating a potential acquisition into our existing business to fully realize the benefits of such acquisition;
- the impact of regulatory reviews on a proposed acquisition, in-license or investment; and
- the outcome of any legal proceedings that may be instituted with respect to the proposed acquisition, in-license or investment.

If we fail to properly evaluate potential acquisitions, in-licenses, investments or other transactions associated with the creation of new research and development programs or the maintenance of existing ones, we might not achieve the anticipated benefits of any such transaction, we might incur costs in excess of what we anticipate, and management resources and attention might be diverted from other necessary or valuable activities.

Risks Related to Our Corporate Structure

Our ability to realize value from our subsidiaries may be impacted if we reduce our ownership to a minority interest or otherwise cede control to other investors through contractual agreements or otherwise.

In the event that any of our subsidiaries require additional capital and its respective board of directors authorizes the transaction, our equity interest in our subsidiaries may be further reduced to the extent such additional capital is obtained from third-party investors rather than from us. However, such transactions would still need to be approved by the board of directors of our respective subsidiary over which we maintain full control. For example, in the event Cullinan MICA were to undertake a transaction that could lead to further dilution of our interest, such action would still be subject to protective provisions requiring the consent of a majority in interest of the then-outstanding shares of Series A Senior Preferred Stock ("the Protective Voting Rights"), including, among other things, any authorization, designation, recapitalization or issuance of any new class or series of stock or any other securities convertible into equity securities of Cullinan MICA. Cullinan currently holds a majority of the Series A Senior Preferred Stock. These Protective Voting Rights give holders of Series A Senior Preferred voting control over any actions that would result in redemptions of equity securities.

However, if we do not wish to or cannot provide additional capital to any of our subsidiaries, we may approve of an issuance of equity by a subsidiary that dilutes our ownership and may lose control over the subsidiary.

As noted above, in June 2022, we completed the sale of our equity interest in Cullinan Pearl, formerly a partially-owned subsidiary of the Company, to Taiho for an upfront payment of $275.0 million. We may receive up to an additional $130.0 million upon the achievement of certain regulatory milestones related to zipalertinib (CLN-081/TAS6417). There is no guarantee that these milestones will be achieved or that we will receive any of the additional $130.0 million. In connection with the sale of our equity interest in Cullinan Pearl, we entered into a co-development agreement with Taiho, pursuant to which we and Taiho will co-develop and, at our option, co-commercialize zipalertinib (CLN-081/TAS6417) in the U.S. Taiho and us will share the future clinical development costs of zipalertinib (CLN-081/TAS6417) equally, and each will receive 50% of any future pre-tax profits from potential U.S. sales of zipalertinib (CLN-081/TAS6417). There is no guarantee that the co-development and co-commercialization will be successful or that we will receive any net profits and we could lose money.

Risks Related to Government Regulation

The Breakthrough Therapy designation by the FDA, if granted for any of our product candidates, may not lead to a faster development or regulatory review or approval process and it does not increase the likelihood that any of our product candidates will receive marketing approval.

We may seek Breakthrough Therapy designation for CLN-049 and CLN-619, and some or all of our future product candidates. A Breakthrough Therapy is defined as a drug or biologic that is intended, alone or in combination with one or more other drugs or biologics, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the drug or biologic may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints. Sponsors of product candidates that have been designated as Breakthrough Therapies are eligible to receive more intensive FDA guidance on developing an efficient drug development program, an organizational commitment involving senior managers, and eligibility for rolling review and priority review. Drugs and biologics designated as Breakthrough Therapies by the FDA may also be eligible for other expedited approval programs, including accelerated approval.

Designation as a Breakthrough Therapy is within the discretion of the FDA. Accordingly, even if we believe one of our product candidates meets the criteria for designation as a Breakthrough Therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of a Breakthrough Therapy designation for a product candidate may not result in a faster development process, review or approval compared to candidate products developed and considered for approval that have not received Breakthrough Therapy designation and does not assure ultimate approval by the FDA. Even though we may seek Breakthrough Therapy designation for CLN-049, and CLN-619, and some or all of our future product candidates for the treatment of various cancers, there can be no assurance that we will receive Breakthrough Therapy designation for such product candidates.

Risks Related to Our Reliance on Third Parties

We may form or seek additional collaborations or strategic alliances or enter into additional licensing arrangements in the future, and we may not realize the benefits of such collaborations, alliances or licensing arrangements.

As noted above, in June 2022, we completed the sale of our equity interest in Cullinan Pearl, formerly a partially-owned subsidiary of the Company, to Taiho, and we entered into a co-development agreement with a subsidiary of Taiho to co-develop and, at our option, co-commercialize zipalertinib (CLN-081/TAS6417) in the U.S. Pursuant to the terms of the co-development agreement with Taiho, we will each equally contribute to the future clinical development of zipalertinib (CLN-081/TAS6417) in the U.S., and will each receive 50% of any future pre-tax profits from potential U.S. sales of zipalertinib (CLN-081/TAS6417).

We may form or seek additional strategic alliances, create joint ventures or collaborations, or enter into additional licensing arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our product candidates and any future product candidates that we may develop. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing stockholders or disrupt our management and business.

Further, collaborations involving our product candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization of our product candidates based on clinical trial results, changes in their strategic focus due to the acquisition of competitive products, availability of funding or other external factors, such as a business combination that diverts resources or creates competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our product candidates;

- a collaborator with marketing and distribution rights to one or more products may not commit sufficient resources to their marketing and distribution;
- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our product candidates, or that result in costly litigation or arbitration that diverts management attention and resources;
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates; and
- collaborators may own or co-own intellectual property covering our product candidates that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, if we enter into additional collaboration agreements and strategic partnerships or license our product candidates, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. Any delays in entering into new collaborations or strategic partnership agreements related to our product candidates could delay the development and commercialization of our product candidates in certain geographies for certain indications, which would harm our business prospects, financial condition and results of operations.

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

Use of Proceeds from IPO of Common Stock

On January 7, 2021, our Registration Statement on Form S-1, as amended (Registration No. 333-251512) was declared effective by the SEC for our IPO. At the closing of the offering on January 12, 2021, we sold 13,685,000 shares of common stock, including the exercise in full by the underwriters of their option to purchase up to 1,785,000 additional shares of common stock, at a public offering price of $21.00 per share. The aggregate net proceeds to us from the public offering, inclusive of the over-allotment exercise and after underwriting discounts and offering expenses, were $264.5 million.

We have invested the proceeds from the IPO and any unused proceeds from our prior equity financings into money market funds and marketable securities. Information related to use of proceeds from registered securities is incorporated herein by reference to the "Use of Proceeds" section of our IPO as described in our final prospectus dated January 7, 2021 and filed with the SEC on January 11, 2021 pursuant to Rule 424(b)(4) of the Securities Act. There has been no material change in the planned use of proceeds as described in our final prospectus.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant, as amended by the Certificate of Amendment, effective as of February 25, 2021 (incorporated by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 30, 2021).
3.2	Second Amended and Restated Bylaws of the Registrant, effective as of February 25, 2021 (incorporated by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 30, 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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, has been formatted in Inline XBRL and contained in Exhibit 101.

* Filed herewith.

** The certifications furnished in Exhibit 32.1 hereto are deemed to be furnished with this Quarterly Report on Form 10-Q and will not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.
# Indicates a management contract or compensatory plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Cullinan Oncology, Inc.

Date: November 14, 2022

By: /s/ Nadim Ahmed
Name: Nadim Ahmed
Title: President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2022

By: /s/ Jeffrey Trigilio
Name: Jeffrey Trigilio
Title: Chief Financial Officer
(Principal Financial and 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, Nadim Ahmed, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2022 of Cullinan Oncology, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: November 14, 2022

By: /s/ Nadim Ahmed

Nadim Ahmed
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, Jeffrey Trigilio, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2022 of Cullinan Oncology, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: November 14, 2022

By: /s/ Jeffrey Trigilio

Jeffrey Trigilio
Chief Financial Officer
(Principal Financial and 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 of Cullinan Oncology, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 14, 2022 By: /s/ Nadim Ahmed

Nadim Ahmed
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2022 By: /s/ Jeffrey Trigilio

Jeffrey Trigilio
Chief Financial Officer
(Principal Financial and Accounting Officer)