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, 2023

OR

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

Commission File Number: 001-39856

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 October 31, 2023 was 42,780,644.

The number of shares of the Registrant’s non-voting preferred stock outstanding as of October 31, 2023 was 647,500. Each share of the preferred stock will be convertible into 10 shares of common stock at the option of the holder at any time, subject to certain limitations, including that the holder will be prohibited from converting preferred stock into common stock if, as a result of such conversion, the holder, together with its affiliates, would beneficially own a number of shares of common stock more than 9.99% of the total common stock then issued and outstanding immediately following the conversion of such shares of preferred stock. Shares of preferred stock will generally have no voting rights, except as required by law and except that the consent of a majority of the holders of the outstanding preferred stock will be required to amend the terms of the preferred stock. In the event of the Registrant's liquidation, dissolution or winding up, holders of preferred stock will participate pari passu with any distribution of proceeds to holders of common stock. The preferred stock ranks (i) senior to any class or series of capital stock of the Registrant hereafter created specifically ranking by its terms junior to the preferred stock; (ii) on parity with the common stock and any class or series of capital stock of the Registrant created specifically ranking by its terms on parity with the preferred stock; and (iii) junior to any class or series of capital stock of the Registrant created specifically ranking by its terms senior to any preferred stock, in each case, as to distributions of assets upon liquidation, dissolution or winding up of the Registrant, whether voluntarily or involuntarily.

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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, 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, 2022 (the "2022 10-K") and other filings with the Securities Exchange Commission (the “SEC”), including the following:

- the success, cost and timing of our clinical-stage product candidates;
- the initiation, timing, progress, results, and cost of our research and development programs and our current and future preclinical studies and clinical trials, including statements regarding the timing of initiation and completion of studies or trials and related preparatory work, and the period during which the results of the trials will become available;
- 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 therapies or developing product candidates with targets or indications similar to our product candidates;
- 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 therapies 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;
- 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 milestone payments that we may receive from Taiho Pharmaceutical Co., Ltd.;
- the anticipated development and commercialization of zipalertinib;
- potential investments in our pipeline and the potential for such product candidates;
- our cash runway;
- the potential benefits of strategic collaboration agreements, our ability to enter into additional strategic collaborations or arrangements, and our ability to attract collaborators with development, regulatory, and commercialization expertise;
- our financial performance; and

- developments and projections relating to our competitors or our industry.

These factors are discussed more fully in our 2022 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 2022 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, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 64,847	$ 156,152
Short-term investments	401,583	311,140
Prepaid expenses and other current assets	10,282	7,180
Total current assets	476,712	474,472
Property and equipment, net	1,066	1,174
Operating lease right-of-use assets	2,925	4,130
Other assets	459	459
Long-term investments	13,545	80,882
Total assets	$ 494,707	$ 561,117
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 951	$ 2,660
Accrued expenses and other current liabilities	20,946	14,135
Income tax payable	—	4,282
Operating lease liabilities, current	1,547	1,421
Total current liabilities	23,444	22,498
Long-term liabilities:		
Operating lease liabilities, net of current portion	2,446	3,590
Total liabilities	25,890	26,088
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, $0.0001 par value, 10,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 647,500 and no shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	—	—
Common stock, $0.0001 par value, 150,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 42,760,644 and 45,796,449 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	4	5
Additional paid-in capital	646,918	585,320
Accumulated other comprehensive loss	(1,051)	(2,601)
Accumulated deficit	(177,054)	(47,695)
Total Cullinan stockholders' equity	468,817	535,029
Noncontrolling interests	—	—
Total stockholders' equity	468,817	535,029
Total liabilities and stockholders' equity	$ 494,707	$ 561,117

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,	
	2023	2022	2023	2022
Operating expenses:				
Research and development	$ 33,821	$ 19,680	$ 113,308	$ 70,627
General and administrative	10,982	10,086	31,856	28,902
Total operating expenses	44,803	29,766	145,164	99,529
Impairment of long-lived assets	(440)	—	(440)	—
Gain on sale of Cullinan Pearl	—	—	—	276,785
Income (loss) from operations	(45,243)	(29,766)	(145,604)	177,256
Other income (expense):				
Interest income	5,880	2,353	15,710	3,247
Other income (expense), net	180	—	356	(241)
Net income (loss) before income taxes	(39,183)	(27,413)	(129,538)	180,262
Income tax expense (benefit)	—	(2,523)	—	43,979
Net income (loss)	(39,183)	(24,890)	(129,538)	136,283
Net loss attributable to noncontrolling interests	—	(86)	(179)	(1,713)
Net income (loss) attributable to common stockholders of Cullinan	$ (39,183)	$ (24,804)	$ (129,359)	$ 137,996
Comprehensive income (loss):				
Net income (loss)	$ (39,183)	$ (24,890)	$ (129,538)	$ 136,283
Unrealized gain (loss) on investments	574	(296)	1,550	(3,091)
Comprehensive income (loss)	(38,609)	(25,186)	(127,988)	133,192
Comprehensive loss attributable to noncontrolling interests	—	(86)	(179)	(1,713)
Comprehensive income (loss) attributable to Cullinan	$ (38,609)	$ (25,100)	$ (127,809)	$ 134,905
Net income (loss) per share attributable to common stockholders of Cullinan:				
Basic	$ (0.91)	$ (0.54)	$ (3.15)	$ 3.07
Diluted	$ (0.91)	$ (0.54)	$ (3.15)	$ 2.96
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders of Cullinan:				
Basic	42,734	45,611	41,130	44,966
Diluted	42,734	45,611	41,130	46,580

See accompanying notes to the unaudited consolidated financial statements.

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

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Noncontrolling Interest in Subsidiaries	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balances at December 31, 2022	—	$ —	45,796,449	$ 5	$ 585,320	$ (2,601)	$ (47,695)	$ —	$ 535,029
Contributions from noncontrolling interests	—	—	—	—	—	—	—	179	179
Issuance of preferred stock in exchange for common stock	647,500	—	(6,475,000)	(1)	1	—	—	—	—
Net issuance of common stock under equity-based compensation plans	—	—	22,152	—	(36)	—	—	—	(36)
Equity-based compensation	—	—	—	—	7,259	—	—	—	7,259
Unrealized gain on investments	—	—	—	—	—	1,359	—	—	1,359
Net loss	—	—	—	—	—	—	(57,962)	(179)	(58,141)
Balances at March 31, 2023	647,500	—	39,343,601	4	592,544	(1,242)	(105,657)	—	485,649
Issuance of common stock	—	—	3,310,000	—	38,388	—	—	—	38,388
Net issuance of common stock under equity-based compensation plans	—	—	81,703	—	214	—	—	—	214
Equity-based compensation	—	—	—	—	7,920	—	—	—	7,920
Unrealized loss on investments	—	—	—	—	—	(383)	—	—	(383)
Net loss	—	—	—	—	—	—	(32,214)	—	(32,214)
Balances at June 30, 2023	647,500	—	42,735,304	4	639,066	(1,625)	(137,871)	—	499,574
Net issuance of common stock under equity-based compensation plans	—	—	25,340	—	112	—	—	—	112
Equity-based compensation	—	—	—	—	7,740	—	—	—	7,740
Unrealized gain on investments	—	—	—	—	—	574	—	—	574
Net loss	—	—	—	—	—	—	(39,183)	—	(39,183)
Balances at September 30, 2023	647,500	$ —	42,760,644	$ 4	$ 646,918	$ (1,051)	$ (177,054)	$ —	$ 468,817

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

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Noncontrolling Interest in Subsidiaries	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balances at December 31, 2021	—	$ —	44,292,102	$ 4	$ 584,714	$ (838)	$ (158,909)	$ 403	$ 425,374
Contributions from noncontrolling interests	—	—	—	—	—	—	—	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
Contributions from noncontrolling interests	—	—	—	—	—	—	—	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 CASH FLOWS
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2023	2022
Operating activities:		
Net income (loss)	$ (129,538)	$ 136,283
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Equity-based compensation expense	22,919	20,444
Amortization (accretion) on marketable securities	(6,533)	1,894
Impairment of long-lived assets	440	—
Depreciation and amortization	233	34
Realized (gain) loss on marketable securities	(20)	109
Non-cash contributions from noncontrolling interests	4	139
Gain on sale of Cullinan Pearl	—	(276,785)
Loss on disposal of fixed assets	—	14
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(2,650)	(507)
Accounts payable	(1,709)	(1,654)
Accrued expenses and other current liabilities	4,992	6,950
Income tax payable	(4,282)	11,398
Net cash used in operating activities	(116,144)	(101,681)
Investing activities:		
Purchase of marketable securities	(307,371)	(217,497)
Proceeds from sales and maturities of marketable securities	291,915	220,333
Purchase of property and equipment	(208)	(251)
Proceeds from sale of Cullinan Pearl, net of cash transferred with sale of $2,898	—	275,000
Net cash provided by (used in) investing activities	(15,664)	277,585
Financing activities:		
Proceeds from issuance of common stock	38,388	—
Proceeds from issuance of convertible notes	1,825	2,200
Proceeds from net issuance of common stock under equity-based compensation plans	290	5,826
Repayment of convertible note	—	(2,200)
Contributions from noncontrolling interests	—	1,153
Net cash provided by financing activities	40,503	6,979
Net increase (decrease) in cash and cash equivalents	(91,305)	182,883
Cash and cash equivalents at beginning of period	156,152	59,774
Cash and cash equivalents at end of period	$ 64,847	$ 242,657
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
Conversion of convertible note into noncontrolling interest	$ 175	$ —
Cash paid for income taxes	$ 4,708	$ 32,582

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 clinical-stage biopharmaceutical company focused on modality-agnostic targeted oncology that was incorporated in September 2016 and has a principal place of business in Cambridge, Massachusetts.

Liquidity

The Company has incurred significant operating losses, with the exception of 2022, and negative cash flows from operations since its inception and expects to continue to generate operating losses for the foreseeable future. Cullinan'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. Cullinan 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 Cullinan's expectations for a number of reasons, including reasons beyond the Company's control.

Since inception, Cullinan 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 $466.4 million and long-term investments and interest receivable of $15.5 million as of September 30, 2023, 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 Cullinan'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 its Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the "2022 10-K"), except for its accounting policy for equity-based compensation.

Basis of Presentation

The unaudited consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and in accordance with applicable rules and regulations of the Securities Exchange Commission (the "SEC") for interim financial reporting and include the accounts of the Company and its consolidated subsidiaries. Cullinan 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 Cullinan'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 2022 10-K.

Equity-Based Compensation

The fair value of equity-based awards is measured at the grant date and is recognized as expense over the requisite service period, which is generally the vesting period. Forfeitures are recognized as they occur. Cullinan classifies equity-based compensation in its consolidated statements of operations and comprehensive income (loss) in the same manner in which the award recipient's payroll costs or service payments are classified.

The fair value of service-based restricted stock units ("RSUs") is the closing market price of the Company's common stock on the grant date. Cullinan measures the fair value of market-based RSUs on the grant date using a Monte Carlo simulation model. The Company estimates the fair value of stock options using the Black-Scholes option pricing model. Both the Monte Carlo simulation model and the Black-Scholes option pricing model require the input of objective and subjective assumptions. Certain assumptions used, including Cullinan's expected stock price volatility, involve inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different assumptions, equity-based compensation expense could be materially different for future awards.

Prior to 2023, the expected volatility used in the Black-Scholes option pricing model for new options was based on historical volatilities of the stock prices of similar entities within the Company's industry over a period of time commensurate with the expected term assumption. In 2023, Cullinan determined that a sufficient amount of historical information was available regarding the volatility of its stock price to begin using a blended rate that combines the Company's historical volatility with the historical volatilities of the stock prices of similar entities within the Company's industry over a period of time commensurate with the expected term assumption.

Recently Issued Accounting Pronouncements

There are no recently issued accounting pronouncements that will have a material impact on Cullinan's consolidated financial statements.

(3) Sale of Cullinan Pearl

In June 2022, the Company sold its equity interest in its subsidiary, Cullinan Pearl Corp. ("Cullinan Pearl"), which had worldwide rights to zipalertinib, excluding Japan, mainland China, Hong Kong, Macau, and Taiwan, to Taiho Pharmaceutical Co., Ltd ("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, Cullinan 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 were 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. Cullinan recognized a gain on sale of Cullinan Pearl of $276.8 million within income from operations in its consolidated statement 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.

(4) Financial Instruments

Investments

Cullinan recognized its short-term and long-term investments by security type at September 30, 2023 as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
Short-term investments				
U.S. government notes	$ 193,069	$ 1	$ (131)	$ 192,939
Corporate notes	148,890	13	(612)	148,291
Asset-backed securities	60,574	—	(221)	60,353
Total short-term investments	402,533	14	(964)	401,583
Long-term investments				
Corporate notes	13,646	—	(101)	13,545
Total long-term investments	13,646	—	(101)	13,545
Total investments	$ 416,179	$ 14	$ (1,065)	$ 415,128

The Company recognized its short-term and long-term investments by security type at December 31, 2022 as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Short-term investments				
Corporate notes	$ 244,498	$ 11	$ (1,743)	$ 242,766
U.S. government notes	34,029	—	(290)	33,739
Commercial paper	18,035	3	(13)	18,025
Asset-backed securities	16,625	—	(15)	16,610
Total short-term investments	313,187	14	(2,061)	311,140
Long-term investments				
Corporate notes	81,436	18	(572)	80,882
Total long-term investments	81,436	18	(572)	80,882
Total investments	$ 394,623	$ 32	$ (2,633)	$ 392,022

Fair Value of Financial Instruments

The following table sets forth the fair value of Cullinan's financial assets that were measured at fair value on a recurring basis as of September 30, 2023:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Short-term investments				
U.S. government notes	$ —	$ 192,939	$ —	$ 192,939
Corporate notes	—	148,291	—	148,291
Asset-backed securities	—	60,353	—	60,353
Total short-term investments	—	401,583	—	401,583
Long-term investments				
Corporate notes	—	13,545	—	13,545
Total long-term investments	—	13,545	—	13,545
Total investments	$ —	$ 415,128	$ —	$ 415,128

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, 2022:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Short-term investments				
Corporate notes	$ —	$ 242,766	$ —	$ 242,766
U.S. government notes	—	33,739	—	33,739
Commercial paper	—	18,025	—	18,025
Asset-backed securities	—	16,610	—	16,610
Total short-term investments	—	311,140	—	311,140
Long-term investments				
Corporate notes	—	80,882	—	80,882
Total long-term investments	—	80,882	—	80,882
Total investments	$ —	$ 392,022	$ —	$ 392,022

As of September 30, 2023 and December 31, 2022, the fair values of Cullinan's cash and cash equivalents, prepaid expenses and other current assets, accounts payable, accrued expenses and other current liabilities approximated their carrying values due to the short-term nature of these instruments.

(5) Accrued Expenses and Other Current Liabilities

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

	September 30, 2023	December 31, 2022
	(in thousands)	
Accrued research and development expenses	$ 9,607	$ 7,486
Accrued bonus	4,337	4,516
Due to Taiho under collaboration agreement, net	3,502	—
Convertible note and accrued interest	1,922	178
Other current liabilities	1,578	1,955
Total accrued expenses and other current liabilities	$ 20,946	$ 14,135

(6) License and Collaboration Agreements

Harbour License Agreement

In February 2023, the Company and Harbour BioMed US Inc. (“Harbour”) entered into a license and collaboration agreement (the “Harbour License Agreement”), pursuant to which Harbour granted to Cullinan an exclusive license for the development, manufacturing and commercialization of HBM7008 (CLN-418) in the U.S.

Under the terms of the Harbour License Agreement, the Company paid Harbour an upfront license fee of $25.0 million at signing. Harbour will be eligible to receive up to $148.0 million in milestone payments based on the achievement of pre-specified development and regulatory milestones. Harbour is also eligible to receive up to an additional $415.0 million in sales-based milestones as well as tiered royalties up to the high teens on a licensed product-by-licensed product basis, as a percentage of U.S. commercial sales. In addition, under the Harbour License Agreement, Harbour granted Cullinan certain intellectual property rights to enable the Company to perform its obligations and exercise its rights under the Harbour License Agreement.

Unless earlier terminated, the Harbour License Agreement will continue in effect until the expiration of Cullinan’s royalty obligations. The Harbour License Agreement may be terminated by either party for a material breach by the other party, subject to notice and cure provisions, or in the event of the other party’s insolvency. The Company may terminate the Harbour License Agreement for convenience by providing 90 days written notice to Harbour. In the Harbour License Agreement, each party made customary representations and warranties and agreed to customary covenants, including, without limitation, with respect to indemnification, for transactions of this type.

Cullinan evaluated the Harbour License Agreement and determined that the exclusive license for the development, manufacturing and commercialization of HBM7008 (CLN-418) in the U.S represented an asset acquisition of in-process research and development. The Company also determined that the asset had no alternative future use at the time of acquisition, and therefore the upfront license fee of $25.0 million was recorded within research and development expenses during the nine months ended September 30, 2023.

Co-Development Agreement with Taiho

In June 2022, Cullinan and an affiliate of Taiho entered into a co-development agreement, pursuant to which the Company will collaborate to develop zipalertinib and will retain the option to co-commercialize zipalertinib in the U.S. Under the co-development agreement, development costs for zipalertinib shall be shared equally between Taiho and Cullinan with each party receiving 50% of any future pre-tax profits from potential U.S. sales of zipalertinib.

The Company concluded that the co-development agreement with Taiho is a collaborative arrangement because Cullinan is an active participant in the development of zipalertinib. Payments made to or received from Taiho for zipalertinib development activities after the execution of the co-development agreement are recorded within research and development expenses. For the three and nine months ended September 30, 2023, the Company recorded research and development expense of $5.4 million and $15.6 million, respectively, related to its share of costs incurred by Taiho. Cullinan incurred $2.0 million and $5.1 million of costs that were reimbursable by Taiho during the three and nine months ended September 30, 2023, respectively, which were recorded as a reduction to research and development expenses. For the three and nine months ended September 30, 2022, the Company recorded research and development expense of $0.9 million related to its share of costs incurred by Taiho. Cullinan incurred $1.5 million of costs that were reimbursable by Taiho during the three and nine months ended September 30, 2022, which were recorded as a reduction to research and development expenses. The net amount of $3.5 million due to Taiho was recorded within accrued expenses and other current liabilities as of September 30, 2023.

Other License and Collaboration Expenses

During the three and nine months ended September 30, 2023, the Company recorded $0.5 million in research and development expenses relating to a collaboration agreement with Adimab, LLC. During the three and nine months ended September 30, 2023, Cullinan recorded less than $0.1 million and $0.3 million, respectively, in research and development expenses relating to the license agreement with the Massachusetts Institute of Technology (the "MIT License Agreement") for CLN-617.

During the nine months ended September 30, 2022, Cullinan recorded $0.5 million in research and development expenses relating to a collaboration agreement with Adimab, LLC and recorded $0.2 million relating to the MIT License Agreement for CLN-617 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.

(7) Stockholders' Equity

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, 2023.

At-the-Market Equity Offering Program

In May 2023, Cullinan entered into an agreement with Cowen and Company, LLC (“Cowen”) to establish an at-the-market equity offering program (the “ATM") pursuant to which the Company may offer and sell up to $125.0 million of its common stock from time to time through Cowen, acting as its sales agent. The Company made no sales under the ATM in the three months ended September 30, 2023. In the nine months ended September 30, 2023, the Company sold approximately 3.3 million shares under the ATM and received net proceeds of $38.4 million after deducting commissions. As of September 30, 2023, Cullinan had $85.6 million in shares of its common stock remaining under the ATM.

Preferred Stock

In January 2023, the Company entered into an exchange agreement with Biotechnology Value Fund, L.P., Biotechnology Value Fund II, L.P., Biotechnology Value Trading Fund OS LP and MSI BVF SPV, LLC (the “Stockholders”), pursuant to which the Stockholders exchanged 6.5 million shares of Cullinan’s common stock for 0.6 million shares of newly designated Series A convertible preferred stock, a “toothless” preferred stock, par value $0.0001 per share.

Each share of the preferred stock will be convertible into ten shares of common stock at the option of the holder at any time, subject to certain limitations, including that the holder will be prohibited from converting preferred stock into common stock if, as a result of such conversion, the holder, together with its affiliates, would beneficially own a number of shares of common stock more than 9.99% of the total common stock then issued and outstanding immediately following the conversion of such shares of preferred stock. Holders of the preferred stock are permitted to increase this percentage to an amount not to exceed 19.99% upon 60 days notice.

Shares of preferred stock will generally have no voting rights, except as required by law and except that the consent of a majority of the holders of the outstanding preferred stock will be required to amend the terms of the preferred stock. In the event of the Company’s liquidation, dissolution or winding up, holders of preferred stock will participate pari passu with any distribution of proceeds to holders of common stock. Holders of preferred stock are entitled to receive when, as, and if dividends are declared and paid on the common stock, an equivalent dividend, calculated on an as-converted basis. Shares of preferred stock are otherwise not entitled to dividends.

The preferred stock ranks (i) senior to any class or series of capital stock of Cullinan hereafter created specifically ranking by its terms junior to the preferred stock; (ii) on parity with the common stock and any class or series of capital stock of the Company created specifically ranking by its terms on parity with the preferred stock; and (iii) junior to any class or series of capital stock of Cullinan created specifically ranking by its terms senior to any preferred stock, in each case, as to distributions of assets upon liquidation, dissolution or winding up of the Company, whether voluntarily or involuntarily.

The Company evaluated the preferred stock for liability or equity classification. Cullinan determined that the preferred stock should be classified as permanent equity as it is not redeemable for cash or other assets (i) on a fixed or determinable date, (ii) at the option of the holder, or (iii) upon the occurrence of an event that is not solely within control of the Company.

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

Cullinan Amber Corp. ("Cullinan Amber") is the Company’s development subsidiary that has exclusive worldwide rights to CLN-617, its fusion protein combining two potent antitumor cytokines, IL-2 and IL-12, with tumor retention domains for the treatment of solid tumors, pursuant to a license agreement with the Massachusetts Institute of Technology.

As of September 30, 2023, the Company held common stock and Series A preferred stock that represented 94% of Cullinan Amber's outstanding equity. As of September 30, 2023, noncontrolling interests collectively held common stock that represented 6% of Cullinan Amber's outstanding equity.

In each of the three and nine months ended September 30, 2023, no losses were attributed to the noncontrolling interests of Cullinan Amber. In the three and nine months ended September 30, 2022, no losses and $0.1 million of losses, respectively, were attributed to the noncontrolling interests of Cullinan Amber.

Cullinan Florentine

Cullinan Florentine Corp. ("Cullinan Florentine") is the Company's development subsidiary that has exclusive worldwide rights to CLN-049, its bispecific antibody targeting FLT3 and CD3, pursuant to an exclusive license agreement with Deutsches Krebsforschungszentrum, Eberhard Karls University of Tübingen, Faculty of Medicine, and Universitätsmedizin Gesellschaft für Forschung und Entwicklung mbH, Tübingen.

As of September 30, 2023, Cullinan held common stock, Series A preferred stock and Series B preferred stock that represented 96% of Cullinan Florentine's outstanding equity. As of September 30, 2023, noncontrolling interests collectively held common stock that represented 4% of Cullinan Florentine's outstanding equity.

In each of the three and nine months ended September 30, 2023 and 2022, no losses were attributed to the noncontrolling interests of Cullinan Florentine.

Cullinan MICA

Cullinan MICA Corp. ("Cullinan MICA") is the Company's development subsidiary that has exclusive worldwide rights to CLN-619, its MICA/B-targeted humanized IgG1 monoclonal antibody.

As of September 30, 2023, Cullinan held common stock and Series A preferred stock that represented 96% of Cullinan MICA's outstanding equity. As of September 30, 2023, noncontrolling interests collectively held common stock and Series A preferred stock that represented 4% of Cullinan MICA's outstanding equity.

In the three and nine months ended September 30, 2023, no losses and $0.2 million of losses, respectively, were attributed to the noncontrolling interests of Cullinan MICA. In the three and nine months ended September 30, 2022, $0.1 million and $1.2 million of losses, respectively, were attributed to the noncontrolling interests of Cullinan MICA.

Cullinan Pearl

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

In the nine months ended September 30, 2022, $0.3 million of losses were attributed to the noncontrolling interests of Cullinan Pearl.

(8) Equity-Based Compensation

Cullinan recorded equity-based compensation in the following expense categories in the consolidated statements of operations and comprehensive income (loss) for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
General and administrative	$ 4,536	$ 4,163	$ 13,412	$ 12,297
Research and development	3,204	1,108	9,507	8,147
Total equity-based compensation	$ 7,740	$ 5,271	$ 22,919	$ 20,444

Determining Fair Value of Options

The fair value of options is estimated using the Black-Scholes option pricing model, which takes into account inputs such as the exercise price, the value of the underlying common stock at the grant date, expected term, expected volatility, risk-free interest rate and dividend yield. The fair value of each grant of options during the nine months ended September 30, 2023 and 2022 were determined using the methods and assumptions discussed below:

- The expected term of options is determined using the "simplified" method, as prescribed in the SEC Staff Accounting Bulletin No. 107, whereby the expected life equals the arithmetic average of the vesting term and the original contractual term of the option due to the Company's lack of sufficient historical data.
- The risk-free interest rate is based on implied yields available from U.S. Treasury securities with a remaining term equal to the expected term assumed at the grant date.

- Prior to 2023, the expected volatility used in the Black-Scholes option pricing model for new options was based on historical volatilities of the stock prices of similar entities within Cullinan's industry over a period of time commensurate with the expected term assumption. In 2023, the Company determined that a sufficient amount of historical information was available regarding the volatility of its stock price to begin using a blended rate that combines its historical volatility with the historical volatilities of the stock prices of similar entities within Cullinan's industry over a period of time commensurate with the expected term assumption.
- The estimated annual dividend yield was based on the Company's expectation of not paying dividends on its common stock in the foreseeable future.

The grant date fair value was estimated at the time of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions in the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,	
	2023	2022
Risk-free interest rate	3.9%	2.4%
Expected term (in years)	6.0	6.0
Expected volatility	79.1%	79.5%
Expected dividend yield	0.0%	0.0%

(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, the Foundations are collectively entitled to receive a low single digit royalty percentage 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. Cullinan has deemed these royalty transfer agreements to be freestanding financial instruments that should be accounted for at fair value. The Company concluded that these instruments had no value at the inception of the agreements.

Cullinan has not had 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, 2023. 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, 2023 and December 31, 2022.

(10) Income Taxes

During each of the three and nine months ended September 30, 2023, Cullinan did not record an income tax expense or benefit.

During the three 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 expected utilization of tax attributes generated during the period and the release of valuation allowance for the expected utilization of certain historical tax attributes against the gain from the sale. The income tax benefit recorded for the three months ended September 30, 2022 was due to the expected utilization of tax attributes generated during the period against the gain from the sale of Cullinan Pearl. Refer to Note 3 for additional details on this transaction.

The Company has evaluated the positive and negative evidence bearing upon its ability to realize its deferred tax assets, which primarily consist of capitalized research and development costs, temporary differences on equity-based compensation, and net operating loss carryforwards. Cullinan has considered its history of cumulative net losses and its estimated future taxable income and has concluded that it is more likely than not that the Company will not realize the benefits of its deferred tax assets. As a result, Cullinan has maintained a full valuation allowance against its remaining net deferred tax assets as of September 30, 2023.

(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, Cullinan 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 Cullinan, 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, Cullinan 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, 2023 and December 31, 2022.

Legal Proceedings

Cullinan 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. Cullinan 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 (the "Suite 520 Lease"). In August 2022, Cullinan entered into an additional operating 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 $0.4 million and $1.3 million for the three and nine months ended September 30, 2023, respectively. 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.

The following table summarizes supplemental cash flow information for nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,378	$ 456
Right-of-use 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 as of September 30, 2023:

	September 30, 2023
	(in thousands)
Remainder of 2023	$ 503
2024	1,738
2025	1,461
2026	872
Total future minimum lease payments	4,574
Less: imputed interest	(581)
Total lease liabilities at present value	$ 3,993

The following table summarizes the weighted-average remaining lease term and discount rate as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Weighted-average remaining lease term (in years)	2.6	3.2
Weighted-average discount rate	10.8%	10.8%

As Cullinan’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. Cullinan’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.

Sublease Agreement

In September 2022, Cullinan entered into a sublease agreement through May 2024 for the office space that the Company leases under the Suite 520 Lease. For the three and nine months ended September 30, 2023, the Company recorded sublease income of $0.2 million and $0.5 million, respectively, within other income (expense), net. In September 2023, Cullinan and its subtenant cancelled the sublease agreement for the office space that the Company leases under the Suite 520 Lease, and Cullinan determined that the remaining right-of-use asset for the Suite 520 Lease and the related leasehold improvements ("Suite 520 Asset Group") was not recoverable. Upon determining that the remaining Suite 520 Asset Group was not recoverable, the Company recorded an impairment of long-lived assets of $0.4 million for the carrying value in excess of the fair value of the Suite 520 Asset Group within income from operations in its consolidated statements of operations and other comprehensive income (loss) for the three and nine months ended September 30, 2023.

(13) Net Income (Loss) per Share Attributable to Common Stockholders of Cullinan

The following table sets forth the calculation of basic and diluted net income (loss) per share attributable to common stockholders of Cullinan for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except per share data)			
Numerator:				
Net income (loss) attributable to common stockholders of Cullinan	$ (39,183)	$ (24,804)	$ (129,359)	$ 137,996
Denominator:				
Weighted-average common stock outstanding - basic	42,734	45,611	41,130	44,966
Dilutive effect of common stock issuable from assumed exercise of equity awards	—	—	—	1,614
Weighted-average common stock outstanding - diluted	42,734	45,611	41,130	46,580
Net income (loss) per share attributable to common stockholders of Cullinan:				
Basic	$ (0.91)	$ (0.54)	$ (3.15)	$ 3.07
Diluted	$ (0.91)	$ (0.54)	$ (3.15)	$ 2.96

Cullinan used the treasury stock and if-converted methods to determine the number of dilutive shares. The following table sets forth potential common shares that were excluded from the computation of diluted net income (loss) per share attributable to common stockholders of Cullinan for the nine months ended September 30, 2023 and 2022 because their effect would have been anti-dilutive:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Stock options	9,355	6,643
Preferred stock	6,024	—
Restricted stock awards and RSUs	158	24
Employee stock purchase plan	1	12
Total	15,538	6,679

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, 2022 (the "2022 10-K"), filed with the Securities and Exchange Commission (the "SEC") on March 9, 2023. 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. Please also refer to those factors described in "Part I, Item 1A. Risk Factors" of our 2022 10-K for important factors that we believe could cause actual results to differ materially from those in our forward-looking statements.

Overview

We are a clinical-stage biopharmaceutical company focused on modality-agnostic targeted oncology therapies. Our strategy is to identify high-impact cancer targets and then select what we believe is the optimal therapeutic modality for those targets. We source innovation both internally and externally, focusing on product candidates with novel technology platforms or 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 built a broad and deep pipeline of targeted oncology programs that includes six distinct product candidates, all of which are clinical-stage, as well as multiple research and discovery programs.

- Our lead unpartnered program, CLN-619, is a monoclonal antibody that stabilizes expression of MICA/B on the tumor cell surface to promote tumor cell lysis mediated by both cytotoxic innate and adaptive immune cells. CLN-619 is being investigated as both monotherapy and in combination with checkpoint inhibitor therapy in an ongoing Phase 1 trial in patients with advanced solid tumors. Given MICA/B is expressed on a wide range of solid tumors and hematological malignancies, we believe CLN-619 has broad therapeutic potential.
    - We presented initial clinical data for CLN-619 monotherapy in patients with advanced solid tumors at the 2023 American Society of Clinical Oncology Annual Meeting in June 2023. Data demonstrated monotherapy anti-tumor activity of CLN-619 in heavily pre-treated patients with multiple tumor types with no dose limiting toxicities up to the highest dose tested. Best responses among 22 evaluable patients receiving doses greater than one milligram per kilogram included one confirmed complete response (parotid cancer), two confirmed partial responses (endometrial cancer), and seven patients with stable disease (cervical, ovarian, breast, and salivary gland cancers).
    - Based on these initial clinical observations, we have initiated monotherapy expansion cohorts in endometrial and cervical cancers and are evaluating additional disease-specific expansion cohorts.
    - In November 2023, we presented a poster at the Society for Immunotherapy Conference ("SITC") that contained initial biomarker data from the ongoing Phase 1 study of CLN-619 providing evidence for CLN-619's mechanism of action and demonstrating that clinical activity, including objective response, has been observed in patients with tumor characteristics not typically responsive to checkpoint inhibitor therapy.
    - We intend to present initial data from the checkpoint inhibitor therapy combination dose escalation module of the study, as well as updated data from the monotherapy dose escalation module, in the second quarter of 2024. Initial data from the disease specific expansion cohorts are anticipated in the first half of 2025.
- Zipalertinib (CLN-081/TAS6417), which we are co-developing with an affiliate of 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 ("EGFRex20") insertion mutations with relative sparing of cells expressing wild-type EGFR. The United States ("U.S.") Food and Drug Administration (the "FDA") has granted Breakthrough Therapy designation to zipalertinib. In collaboration with our partners at Taiho, we are evaluating zipalertinib in a pivotal Phase 2b trial in patients with EGFRex20 non-small-cell lung cancer ("NSCLC") who progressed after prior systemic therapy, and in a global Phase 3 trial ("REZILIENT3") in combination with chemotherapy as a potential first-line treatment for EGFRex20 NSCLC adult patients.
    - We expect to complete enrollment in the Phase 2b pivotal portion of the REZILIENT1 study of zipalertinib in patients with EGFRex20 NSCLC who have progressed after prior systemic therapy by year-end 2024.
- CLN-049 is a FLT3xCD3 T cell engaging bispecific antibody being investigated in patients with relapsed/refractory acute myeloid leukemia or myelodysplastic syndrome.
    - Preliminary safety data from an ongoing first-in-human study were published in abstract form as part of the 2023 European Hematology Association Congress.
    - Enrollment continues in the ongoing Phase 1 multi-ascending dose study using subcutaneous administration, and we expect to report updated data in the second half of 2024.

- CLN-418 is a B7H4x4-1BB fully human bispecific immune activator designed to achieve conditional activation of 4-1BB by targeting B7H4, a tumor-associated antigen that is highly expressed across multiple cancers with minimal expression on normal tissues. CLN-418 is being investigated in an ongoing Phase 1 trial in patients with advanced solid tumors with initial clinical data expected in the second half of 2024.
- CLN-978 is a CD19xCD3 T cell engager with extended serum half-life and robust potency against target cells expressing low levels of CD19. In August 2023, we dosed the first patient in our Phase 1 trial of CLN-978 in patients with relapsed/refractory B-cell non-Hodgkin lymphoma.
- CLN-617 is a fusion protein combining two potent antitumor cytokines, interleukin-2 ("IL-2") and interleukin-12 ("IL-12"), with tumor retention domains for the treatment of solid tumors. We anticipate dosing the first patient in the CLN-617 first-in-human Phase 1 study by year-end 2023.

In addition to the product candidates described above, we are actively developing several preclinical oncology programs, all in the discovery stage, including our collaboration with Icahn School of Medicine at Mount Sinai for the development of novel hematopoietic progenitor kinase 1 (HPK1) degraders.

We have the option to co-commercialize zipalertinib with Taiho in the United States. We hold worldwide development and commercialization rights to CLN-619, CLN-049, CLN-978 and CLN-617, and we hold U.S. development and commercialization rights to CLN-418. 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. 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, 2023, we have received net proceeds of $579.6 million from equity financings, $18.9 million in revenue from a previous license agreement, and cash proceeds of $275.0 million from the sale of our equity interest in Cullinan Pearl Corp. ("Cullinan Pearl") to Taiho in June 2022.

As of September 30, 2023, we had cash, cash equivalents and short-term investments of $466.4 million and long-term investments and interest receivable of $15.5 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. We have incurred significant operating losses, with the exception of 2022, and have had negative cash flows from operations since our inception. As of September 30, 2023, we had an accumulated deficit of $177.1 million. 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.

Basis of Presentation and Consolidation

When we were a private company, we established or acquired development subsidiaries to hold the intellectual property rights for several of our product candidates. As a publicly held company, we do not intend to create new development subsidiaries in the future. Losses attributed to noncontrolling interests in our development subsidiaries are reported separately in our consolidated statements of operations and comprehensive income (loss).

The following table shows our ownership interest as of September 30, 2023 in our development subsidiaries:

Name	Ownership as of September 30, 2023
Cullinan MICA Corp.	96%
Cullinan Florentine Corp.	96%
Cullinan Amber Corp.	94%
Cullinan Pearl Corp.	—

Cullinan MICA

Cullinan MICA Corp. is our development subsidiary that has exclusive worldwide rights to CLN-619, our MICA/B-targeted humanized IgG1 monoclonal antibody.

Cullinan Florentine

Cullinan Florentine Corp. is our development 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, Eberhard Karls University of Tübingen, Faculty of Medicine, and Universitätsmedizin Gesellschaft für Forschung und Entwicklung mbH, Tübingen.

Cullinan Amber

Cullinan Amber Corp. is our development subsidiary that has exclusive worldwide rights to CLN-617, our fusion protein combining two potent antitumor cytokines, IL-2 and IL-12, with tumor retention domains for the treatment of solid tumors, pursuant to a license agreement with the Massachusetts Institute of Technology ("MIT"). The license agreement with MIT 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.

Cullinan Pearl

We sold our equity interest in our development subsidiary, Cullinan Pearl, to Taiho in June 2022, which provided Taiho with worldwide rights to zipalertinib outside of Japan, mainland China, Hong Kong, Macau, and Taiwan.

Components of Our Results of Operations

Revenue

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.

Research and Development Expenses

Research and development expenses consist primarily of costs incurred in connection with the research and development of our product candidates and programs. These expenses include:

- compensation costs 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.

Following the sale of our equity interest in Cullinan Pearl in the second quarter of 2022, development costs and any future potential pre-tax profits from U.S. sales of zipalertinib are shared equally between us and Taiho.

General and Administrative Expenses

General and administrative expenses consist primarily of compensation costs for personnel in executive management, finance, legal, 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.

Impairment of Long-Lived Assets

Impairment of long-lived assets represents the impairment charge for the carrying value in excess of the fair value of the assets. Refer to Note 12 of our notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for additional details relating to the impairment.

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 in this Quarterly Report on Form 10-Q 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, 2023 and 2022

The following table presents our results of operations for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Operating expenses:				
Research and development	$ 33,821	$ 19,680	$ 113,308	$ 70,627
General and administrative	10,982	10,086	31,856	28,902
Total operating expenses	44,803	29,766	145,164	99,529
Impairment of long-lived assets	(440)	—	(440)	—
Gain on sale of Cullinan Pearl	—	—	—	276,785
Income (loss) from operations	(45,243)	(29,766)	(145,604)	177,256
Other income (expense):				
Interest income	5,880	2,353	15,710	3,247
Other income (expense), net	180	—	356	(241)
Net income (loss) before income taxes	(39,183)	(27,413)	(129,538)	180,262
Income tax expense (benefit)	—	(2,523)	—	43,979
Net income (loss)	(39,183)	(24,890)	(129,538)	136,283
Net loss attributable to noncontrolling interests	—	(86)	(179)	(1,713)
Net income (loss) attributable to common stockholders of Cullinan	$ (39,183)	$ (24,804)	$ (129,359)	$ 137,996

Research and Development Expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
CLN-619	$ 7,301	$ 2,442	$ 17,804	$ 11,608
Zipalertinib	6,593	1,308	20,005	14,291
CLN-049	2,045	2,611	6,838	4,960
CLN-418	5,535	—	33,505	—
CLN-978	2,231	1,838	3,874	8,696
CLN-617	2,146	5,050	6,191	9,569
Clinical-stage product candidates	25,851	13,249	88,217	49,124
Early-stage research	1,288	1,902	3,839	5,170
Unallocated personnel and other	3,478	3,421	11,745	8,185
Equity-based compensation	3,204	1,108	9,507	8,148
Total research and development expenses	$ 33,821	$ 19,680	$ 113,308	$ 70,627

The $14.1 million increase in research and development expenses in the three months ended September 30, 2023 compared to the same period in 2022 was primarily related to increased clinical costs ($8.7 million), increased chemistry, manufacturing and controls ("CMC") costs ($3.5 million), higher personnel costs due to increased headcount and expansion of operations to support our research and development activities ($2.2 million), and higher equity-based compensation costs ($2.1 million), partially offset by a decrease in preclinical costs ($2.3 million), some of which is allocated to product candidates in the above table.

The $42.7 million increase in research and development expenses in the nine months ended September 30, 2023 compared to the same period in 2022 was primarily related to the upfront fee due upon in-licensing CLN-418 ($25.0 million), increased clinical costs ($20.5 million), higher personnel costs due to increased headcount and expansion of operations to support our research and development activities ($7.6 million), and higher equity-based compensation costs ($1.4 million), partially offset by lower preclinical costs ($9.3 million) some of which is allocated to product candidates in the above table, and a decrease in CMC costs ($2.2 million).

General and Administrative Expenses

The increase of $0.9 million in general and administrative expenses in the three months ended September 30, 2023 compared to the same period in 2022 was primarily due to increases in other personnel costs ($0.9 million) relating to increased headcount, and equity-based compensation costs ($0.4 million), partially offset by decreases in legal and other professional fees ($0.7 million).

The increase of $2.9 million in general and administrative expenses in the nine months ended September 30, 2023 compared to the same period in 2022 was primarily due to increases in personnel costs ($2.4 million), equity-based compensation costs ($1.1 million), legal and other professional fees ($0.5 million), and occupancy and other costs to support our expanded operations ($1.0 million), partially offset by a decrease in one-time expenses related to the sale of Cullinan Pearl in 2022 that did not recur in 2023 ($2.0 million).

Impairment of Long-Lived Assets

Impairment of long-lived assets represents the impairment charge for the carrying value in excess of the fair value of the assets. Refer to Note 12 of our notes to the consolidated financial statements in this Quarterly Report on Form 10-Q for additional details relating to the impairment.

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 in this Quarterly Report on Form 10-Q for additional details relating to the transaction.

Other Income

The $3.7 million increase in other income in the three months ended September 30, 2023 compared to the same period in 2022 was primarily related to higher investment income.

The $13.1 million increase in other income in the nine months ended September 30, 2023 compared to the same period in 2022 was primarily related to higher investment income.

Income Tax Expense (Benefit)

We did not record income tax expense or benefit for the three and nine months ended September 30, 2023.

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 represented the expected tax from the gain on sale of Cullinan Pearl, partially offset by the expected utilization of tax attributes generated during the period and the release of valuation allowance for the expected utilization of certain historical tax attributes against the gain from the sale.

Net Loss Attributable to Noncontrolling Interests

There was no net loss attributable to noncontrolling interests during the three months ended September 30, 2023. Net loss attributable to noncontrolling interests was $0.2 million for the nine months ended September 30, 2023. Net loss attributable to noncontrolling interests was $0.1 million and $1.7 million during the three and nine months ended September 30, 2022, respectively.

Net loss attributable to noncontrolling interests is determined as the difference in the noncontrolling interest in the consolidated balance sheets between the start and end of each reporting period, after taking into account any capital transactions between our development subsidiaries and third parties. Refer to Note 7 of our notes to the consolidated financial statements included in this Quarterly Report on Form 10-Q for additional details of capital transactions between our development subsidiaries and third parties.

Liquidity and Capital Resources

Overview

We have a history of significant operating losses, with the exception of 2022, and have had 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, 2023, we had cash, cash equivalents and short-term investments of $466.4 million and long-term investments and interest receivable of $15.5 million.

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 February 2023, we entered into a license and collaboration agreement (the “Harbour License Agreement”) with Harbour BioMed US Inc. ("Harbour"), pursuant to which Harbour granted us an exclusive license for the development, manufacturing and commercialization of CLN-418 in the U.S. Under the terms of the Harbour License Agreement, we paid Harbour an upfront license fee of $25.0 million in February 2023.

In May 2023, we entered into an agreement with Cowen and Company, LLC (“Cowen”) to establish an at-the-market equity offering program (the "ATM"), pursuant to which we may offer and sell up to $125.0 million of our common stock from time to time through Cowen, acting as our sales agent. We made no sales under the ATM in the three months ended September 30, 2023. In the nine months ended September 30, 2023, we sold approximately 3.3 million shares under the ATM and received net proceeds of $38.4 million, after deducting commissions. As of September 30, 2023, we had $85.6 million in shares of our common stock remaining under the ATM.

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

The following table summarizes our sources and uses of cash for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (116,144)	$ (101,681)
Net cash provided by (used in) investing activities	(15,664)	277,585
Net cash provided by financing activities	40,503	6,979
Net increase (decrease) in cash and cash equivalents	$ (91,305)	$ 182,883

Cash Flow from Operating Activities

For the nine months ended September 30, 2023, operating activities used $116.1 million of cash, which primarily consisted of our operating expenses of $145.2 million, and $4.7 million used to pay for a portion of our estimated tax liability resulting from the gain on sale of Cullinan Pearl, partially offset by net non-cash charges of $17.0 million, interest income of $15.7 million, a benefit of $0.6 million from the net change in our non-tax operating assets and liabilities, and sublease income of $0.5 million. The net non-cash charges primarily consisted of $22.9 million of equity-based compensation expense, partially offset by $6.5 million in accretion on our marketable securities.

For the nine months ended September 30, 2022, operating activities used $101.7 million of cash, which primarily consisted of operating expenses of $99.5 million, and $32.6 million used to pay for a portion of our estimated tax liability resulting from the gain on sale of Cullinan Pearl, partially offset by non-cash charges of $22.6 million, a benefit of $4.8 million from the net change in our non-tax operating assets and liabilities and interest income of $3.2 million. The non-cash charges primarily consisted of $20.4 million from equity-based compensation expense and $1.9 million in amortization on marketable securities.

Cash Flow from Investing Activities

For the nine months ended September 30, 2023, net cash used by investing activities was $15.7 million, which primarily consisted of $307.4 million of purchases of marketable securities, partially offset by $291.9 million of proceeds from the sales and maturities of marketable securities.

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.

Cash Flow from Financing Activities

For the nine months ended September 30, 2023, net cash provided by financing activities was $40.5 million, which primarily consisted of $38.4 million of net proceeds from the issuance of common stock under our ATM, and $1.8 million from the issuance of a convertible note by Cullinan MICA to a noncontrolling interest.

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.

Future Funding Requirements

We expect our expenses to continue to increase in connection with our ongoing activities, particularly as we advance the clinical trials and manufacturing of our product candidates along with preclinical studies for our current and future 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 investigational new drug applications (“IND") for our product candidates and programs;
- conduct preclinical studies and clinical trials for our current and future product candidates;
- experience any delays or encounter any issues with any of the above, including but not limited to failed studies or trials, 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.

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 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;
- 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, 2023 and December 31, 2022.

As of September 30, 2023, total future minimum lease payments were $4.6 million with $1.9 million payable within twelve months. See Note 12 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for further detail on our lease 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 2022 10-K, except for our accounting policy for equity-based compensation.

Equity-Based Compensation

We measure the fair value of market-based RSUs on the grant date using a Monte Carlo simulation model. We estimate the fair value of stock options using the Black-Scholes option pricing model. Both the Monte Carlo simulation model and the Black-Scholes option pricing model require the input of objective and subjective assumptions. Certain assumptions used, including our expected stock price volatility, involve inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different assumptions, equity-based compensation expense could be materially different for future awards.

Prior to 2023, the expected volatility used in the Black-Scholes option pricing model for new options was based on historical volatilities of the stock prices of similar entities within our industry over a period of time commensurate with the expected term assumption. In 2023, we determined that a sufficient amount of historical information was available regarding the volatility of our stock price to begin using a blended rate that combines our historical volatility with the historical volatilities of the stock prices of similar entities within our industry over a period of time commensurate with the expected term assumption.

Emerging Growth Company Status

In April 2012, the Jumpstart Our Business Startups Act (the “JOBS Act") was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" ("EGC") can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. Thus, an EGC can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period for new or revised accounting standards during the period in which we remain an emerging growth company; however, we may adopt certain new or revised accounting standards early.

We will remain an emerging growth company until the earliest to occur 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 $700.0 million as of the prior June 30th, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Recently Issued and Adopted Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 of our consolidated financial statements included in 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, 2023, 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, 2023.

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, 2023 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.

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 10-K"), which could materially affect our business, financial condition or future results. The risk factors disclosure in our 2022 10-K is qualified by the information that is described in this Quarterly Report on Form 10-Q. The risks described in our 2022 10-K are not our only risks. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

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 Securities Exchange Commission (the "SEC") for our initial public offering ("IPO"). The aggregate net proceeds to us from our IPO, after underwriting discounts and offering expenses, were $264.5 million. As of September 30, 2023, we have used $151.5 million of the net proceeds from the IPO. We have invested the unused net proceeds from the IPO 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 of 1933, as amended. 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).
3.3	Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on January 19, 2023).
10.1*	Amendment No. 1 to Employment Agreement, by and between the Registrant and Nadim Ahmed
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, 2023, 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.

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 8, 2023

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

Date: November 8, 2023

By: /s/ Jeffrey Trigilio
Name: Jeffrey Trigilio
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 10.1

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This Amendment No. 1 to Employment Agreement (the "Amendment") is made between Cullinan Oncology, Inc., a Delaware corporation (the "Company"), and Nadim Ahmed (the "Executive") and is effective as of May 1, 2023 (the "Effective Date"). Reference is made to that certain Employment Agreement, by and between the Company and the Executive, effective as of October 18, 2021 (the "Employment Agreement"). All capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Employment Agreement.

WHEREAS, the Executive and the Company desire to amend the Employment Agreement as set out in this Amendment;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the Executive and the Company hereby agree as follows:

1. Section 2(d) of the Employment Agreement shall be amended as follows:

   "(d) Expenses. The Executive shall be entitled to receive prompt reimbursement for all reasonable expenses (including business travel expenses) incurred by the Executive during the Term in performing services hereunder, in accordance with the policies and procedures then in effect and established by the Company for its executive officers."

2. Section 2(e) of the Employment Agreement shall be deleted in its entirety and replaced with the following:

   "(e) Location. The Executive's work location is New Jersey. The Executive will be required to travel for business as necessary."

3. Section 2(f) of the Employment Agreement shall be deleted in its entirety and replaced with the following:

   "(f) Other Benefits. The Executive shall be eligible to participate in or receive benefits under the Company's employee benefit plans in effect from time to time, subject to the terms of such plans. During the Executive's employment with the Company, the Executive shall use a corporate apartment, leased and provided by the Company for use by Company executives, when traveling to Boston, MA in lieu of a hotel, subject to advanced scheduling and availability of such apartment."

4. No amendment, modification, or supplement of any provision of this Amendment No. 1 shall be valid or effective unless made in writing and signed by a duly authorized officer of each party.

5. Except as amended and supplemented hereby, all terms and conditions of the Employment Agreement shall remain in full force and effect. The Employment Agreement as amended herein constitutes the entire understanding of the parties with respect to the subject matter thereof. This Amendment No. 1 may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

6. This Amendment No. 1 will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 effective as of the Effective Date.

CULLINAN ONCOLOGY, INC.

/s/ Anthony Rosenberg
By: Anthony Rosenberg
Its: Chairman of the Board of Directors

EXECUTIVE

/s/ Nadim Ahmed
Nadim Ahmed

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, 2023 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 8, 2023

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, 2023 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 8, 2023

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, 2023 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 results of operations of the Company.

Date: November 8, 2023

By: /s/ Nadim Ahmed

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

Date: November 8, 2023

By: /s/ Jeffrey Trigilio

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