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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 13, 2023

CARTESIAN THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-37798**	**26-1622110**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

704 Quince Orchard Road
Gaithersburg, Maryland 20878
(Address of principal executive offices, including Zip Code)

Registrant's telephone number, including area code: (617) 923-1400

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock (Par Value $0.0001)	RNAC	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Explanatory Note

On November 13, 2023, Cartesian Therapeutics, Inc. (formerly known as Selecta Biosciences, Inc.) (the "Company") filed a Current Report on Form 8-K (the "Original Form 8-K") reporting that pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated November 13, 2023, by and among the Company, Sakura Merger Sub I, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub I"), Sakura Merger Sub II, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Merger Sub II"), and Cartesian Bio, LLC, (formerly known as Cartesian Therapeutics, Inc.) ("Old Cartesian"), Merger Sub I merged with and into Old Cartesian (the "First Merger"), with Old Cartesian surviving such First Merger as a wholly owned subsidiary of the Company, and, as part of the same overall transaction, promptly after the First Merger, the surviving entity of the First Merger merged with and into Merger Sub II (the "Second Merger" and together with the First Merger, the "Mergers"), with Merger Sub II surviving the Second Merger.

This Current Report on Form 8-K/A, amends Item 9.01 of the Original Form 8-K to include the financial statements and unaudited pro forma financial information required by Items 9.01(a) and (b) of Form 8-K, respectively, which were not included in the Original Form 8-K pursuant to Items 9.01(a)(3) and (b)(2) of Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The audited financial statements and accompanying notes of Old Cartesian as of and for the years ended December 31, 2022 and 2021 are filed as Exhibit 99.1 to this Current Report on Form 8-K/A and incorporated herein by reference.

The unaudited financial statements and accompanying notes of Old Cartesian as of and for the nine months ended September 30, 2023 and 2022 are filed as Exhibit 99.2 to this Current Report on Form 8-K/A and incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined balance sheet as of September 30, 2023, the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2023, the unaudited pro forma combined statement of operations for the year ended December 31, 2022, and the related notes of Cartesian Therapeutics, Inc. with respect to the transaction described above, are filed as Exhibit 99.3 to this Current Report on Form 8-K/A and incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of BDO USA, P.C.
99.1	Audited financial statements of Old Cartesian, as of December 31, 2022 and 2021 and for the years then ended.
99.2	Unaudited financial statements of Old Cartesian, as of and for the nine months ended September 30, 2023 and 2022.
99.3	Unaudited pro forma condensed combined financial information of Cartesian Therapeutics, Inc. with respect to the acquisition of Old Cartesian.
104	Cover Page Interactive Data File (formatted as inline XBRL document).

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 hereunto duly authorized.

Date: January 23, 2024

CARTESIAN THERAPEUTICS, INC.

By: /s/ Carsten Brunn, Ph.D.
Name: Carsten Brunn, Ph.D.
Title: President and Chief Executive Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-275171) and Form S-8 (Nos. 333-276486, 333-274036, 333-264691, 333-256061, 333-239075, 333-230501, 333-228264, 333-224109 and 333-212215) of Cartesian Therapeutics, Inc. (formerly known as Selecta Biosciences, Inc.) of our report dated January 23, 2024, relating to the financial statements of Cartesian Therapeutics, Inc., which appears in this Form 8-K/A.

/s/ BDO USA, P.C.
Potomac, Maryland

January 23, 2024

Exhibit 99.1

Independent Auditor's Report

Board of Directors
Cartesian Therapeutics, Inc.
704 Quince Orchard Road
Gaithersburg, MD 20878

Opinion

We have audited the financial statements of Cartesian Therapeutics, Inc. (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and comprehensive loss, preferred stock and stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ BDO USA, P.C.

Potomac, Maryland
January 23, 2024

Cartesian Therapeutics, Inc.
Balance Sheets
(Amounts in thousands, except share data)

	December 31 , 2022	December 31 , 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 12,001	$ 4,735
Accounts receivable	994	3,129
Payroll tax credit receivable	351	225
Prepaid expenses and other current assets	59	50
Total current assets	$ 13,405	$ 8,139
Non-current assets:		
Property and equipment, net	197	309
Right-of-use asset, net	983	1,195
Security deposit	25	25
Total assets	$ 14,610	$ 9,668
Liabilities, preferred stock and stockholders' deficit		
Current liabilities:		
Lease liability	$ 228	$ 172
Deferred revenue	-	117
NIH liability	461	-
Accrued expenses and other current liabilities	949	978
Total current liabilities	$ 1,638	$ 1,267
Non-current liabilities:		
NIH liability	-	345
Lease liability, net of current	880	1,108
Total liabilities	$ 2,518	$ 2,720
Commitments and contingencies (Note 11)		
Series A Preferred Stock; $0.01 par value, 220 authorized, 219.125 issued and outstanding as of December 31, 2022 and December 31, 2021	9,623	9,623
Series B Preferred Stock; $0.01 par value, 110 authorized, 109.267 issued and outstanding as of December 31, 2022 and December 31, 2021	7,128	7,128
Series B-1 Preferred Stock; $0.01 par value, 77 authorized, 65.017 issued and outstanding as of December 31, 2022 and December 31, 2021	3,162	3,162
Series B-2 Preferred Stock; $0.01 par value, 195 authorized, 193.644 issued and outstanding as of December 31, 2022 and none authorized, issued and outstanding as of December 31, 2021	12,144	-
Series B-2 Preferred Stock Subscription Receivable	(1,333)	-
Stockholders' deficit:		
Common stock, $0.01 par value, 3,200 authorized, 1,240.625 issued and outstanding as of December 31, 2022 and 1,237.625 issued and outstanding as of December 31, 2021	-	-
Additional paid-in capital	7,432	6,644
Accumulated deficit	(26,064)	(19,609)
Total stockholders' deficit	$ (18,632)	$ (12,965)
Total liabilities, preferred stock and stockholders' deficit	$ 14,610	$ 9,668

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

Cartesian Therapeutics, Inc.
Statements of Operations and Comprehensive Loss
(Amounts in thousands)

	Year Ended December 31 ,	
	2022	**2021**
Grant revenue:	$ 1,449	$ 3,337
Operating expenses:		
Research and development	6,841	6,090
General and administrative	1,244	1,006
Total operating expenses	8,085	7,096
Loss from operations	(6,636)	(3,759)
Other income, net:		
Interest income	35	3
Other income, net	146	116
Total other income	181	119
Net loss	$ (6,455)	$ (3,640)

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

Cartesian Therapeutics, Inc.
Statements of Preferred Stock and Stockholders' Deficit
(Amounts in thousands, except share data)

	Series A Preferred Stock		Series B Preferred Stock		Series B-1 Preferred Stock		Series B-2 Preferred Stock		Series B-2 Preferred Stock Subscription	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Receivable	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance at December 31, 2020	-	$ -	-	$ -	-	$ -	-	$ -	$ -	169.125	$ -	109.267	$ -	1,287.625	$ -	$ 20,909	$ (15,319)	$ 5,590
Issuance of Series B-1 Preferred Stock, net of $16 of issuance costs	-	-	-	-	65.017	4,207	-	-	-	-	-	-	-	-	-	-	-	-
Exchange of Common Stock to Series A Preferred Stock	50.000	2,196	-	-	-	(1,045)	-	-	-	-	-	-	-	(50.000)	-	(500)	(650)	(1,150)
Reclassification of Series A and Series B Preferred Stock	169.125	7,427	109.267	7,128	-	-	-	-	-	(169.125)	-	(109.267)	-	-	-	(14,555)	-	(14,555)
Stock-based compensation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	790	-	790
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,640)	(3,640)
Balance at December 31, 2021	219.125	$ 9,623	109.267	$ 7,128	65.017	$ 3,162	-	$ -	$ -	-	$ -	-	$ -	1,237.625	$ -	$ 6,644	$ (19,609)	$ (12,965)
Issuance of Series B-2 Preferred Stock, net of $24 of issuance costs	-	-	-	-	-	-	193.644	12,144	(1,333)	-	-	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	719	-	719
Exercise of options to purchase common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	3.000	-	69	-	69
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,455)	(6,455)
Balance at December 31, 2022	219.125	$ 9,623	109.267	$ 7,128	65.017	$ 3,162	193.644	$ 12,144	$ (1,333)	-	$ -	-	$ -	1,240.625	$ -	$ 7,432	$ (26,064)	$ (18,632)

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

Cartesian Therapeutics, Inc.
Statements of Cash Flows
(Amounts in thousands)

	Year Ended December 31,	
	2022	**2021**
Cash flows from operating activities		
Net loss	$ (6,455)	$ (3,640)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	112	123
Non-cash lease expense	212	128
Stock-based compensation expense	719	790
Changes in operating assets and liabilities:		
Accounts receivable	2,135	(2,135)
Payroll tax credit receivable	(126)	(72)
Prepaid expenses and other current assets	(9)	(51)
Operating lease liability	(172)	(108)
Deferred revenue	(117)	117
NIH liability	116	79
Accrued expenses and other current liabilities	122	(32)
Net cash used in operating activites	(3,463)	(4,801)
Cash flows from investing activities		
Purchases of property and equipment	(151)	-
Net cash used in investing activities	(151)	-
Cash flows from financing activities		
Net proceeds from issuance of Series B-1 Preferred Stock	-	4,207
Net proceeds from issuance of Series B-2 Preferred Stock	10,811	-
Proceeds from exercise of stock options	69	-
Net cash provided by financing activities	10,880	4,207
Net change in cash and cash equivalents	7,266	(594)
Cash and cash equivalents at beginning of period	4,735	5,329
Cash and cash equivalents at end of period	$ 12,001	$ 4,735
Noncash investing and financing activities		
Issuance of Series B-2 Preferred Stock subscription	$ 1,333	$ -
Purchase of equipment not yet paid	$ -	$ 151
Increase in right-of-use asset due to lease modification	$ -	$ 893
Increase in lease liability due to lease modification	$ -	$ 893

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

Cartesian Therapeutics, Inc.
Notes to the Financial Statements

1. Description of the Business

Cartesian Therapeutics, Inc. (the Company) is a clinical-stage cell therapy company engaged in the research and development of therapies for autoimmune diseases. The Company was incorporated in Delaware in December 2010, and is based in Gaithersburg, Maryland.

Since inception, the Company has devoted its efforts principally towards research and development, recruiting personnel, and raising capital. The Company is subject to risks common to 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 need to obtain additional financing. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel, infrastructure and extensive compliance-reporting capabilities.

There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, or maintained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies.

Liquidity and Management's Plan

To date, the Company has financed its operations primarily through private sales of its securities and funding received from research grants. The Company currently has no source of product revenue, and it does not expect to generate product revenue in the near term. The Company has devoted substantially all of its financial resources and efforts to developing its RNA cell therapies for autoimmune diseases.

As of December 31, 2022, the Company's cash and cash equivalents were $12.0 million. On November 13, 2023, the Company merged with Selecta Biosciences, Inc. (Selecta). See Note 14 for further details.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) and pursuant to the applicable rules and regulations of the Securities and Exchange Commission (SEC). Any reference in these notes to applicable guidance is meant to refer to the authoritative accounting principles generally accepted in the United States as found in the Accounting Standard Codification (ASC) and Accounting Standards Updates (ASU) of the Financial Accounting Standards Board (FASB).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's management considers many factors in selecting appropriate financial accounting policies and controls, and bases its estimates on historical experience and other market-specific or other relevant assumptions that it believes to be reasonable under the circumstances. In preparing these financial statements, management used significant estimates in the following areas, among others: the valuation of the Company's common stock and estimating accrued research and development expenses. The Company assesses the above estimates on an ongoing basis; however, actual results could materially differ from those estimates.

Cash Equivalents

Cash equivalents include all highly liquid investments maturing within 90 days from the date of purchase. As of December 31, 2022 and 2021, the Company's cash held in money market funds and certificate of deposits were classified as cash and cash equivalents on the accompanying balance sheets.

Concentrations of Credit Risk and Off-Balance Sheet Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash, cash equivalents, and accounts receivable. Cash and cash equivalents are deposited with federally insured financial institutions in the United States and may, at times, exceed federally insured limits. Management believes that the financial institutions that hold the Company's deposits are financially creditworthy and, accordingly, minimal risk exists with respect to those balances.

Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash and cash equivalents, accounts receivable, and accounts payable. The carrying amounts of cash and cash equivalents, prepaid assets, accounts receivable, and accounts payable approximate their estimated fair value due to their short-term maturities.

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1—Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2—Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

To the extent that a valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may change for many instruments. This condition could cause an instrument to be reclassified within levels in the fair value hierarchy.

Accounts Receivable

The Company has accounts receivable due from contracts from government sponsored organizations. Amounts payable to the Company are recorded in accounts receivable when the Company's right to consideration is unconditional. There is no allowance for doubtful accounts at December 31, 2022 or 2021. No account receivable balances were written off during the years ended December 31, 2022 or 2021.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets, which is generally five years for laboratory equipment. Maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to operations as incurred.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, assets are tested at the lowest level for which identifiable independent cash flows are available, which is at the entity level ("asset group"). An impairment loss is recognized when the sum of projected undiscounted cash flows is less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. No impairment loss has been recorded during the years ended December 31, 2022 or 2021.

Revenue Recognition

The Company has contracts with the Department of Health and Human Services National Institute of Health (NIH) and other government-sponsored organizations for research and development related activities that provide for payments for reimbursed costs, which may include overhead and general and administrative costs as well as a related profit margin. The Company recognizes grant revenue from these contracts as it performs services under these arrangements when the funding is committed. Associated expenses are recognized when incurred as research and development expense. Grant revenue and related expenses are presented gross in the statements of operations as we have determined we are the primary obligor under the arrangements relative to the research and development services we perform as lead technical expert. Prefunded grant amounts are recorded as deferred revenue on the Company's balance sheets. Amounts incurred that are subject to reimbursement from the sponsor are recorded as accounts receivable on the Company's balance sheets.

Research and Development Costs

Costs related to research, design and development of cellular therapies are charged to research and development expense as incurred unless there is an alternative future use in other research and development projects. Research and development costs include, but are not limited to, payroll and personnel expenses, including stock-based compensation, for personnel contributing to research and development activities, laboratory supplies, outside services, and licenses and patent costs acquired to be used in research and development. Payments made prior to the receipt of goods or services to be used in research and development are deferred and recognized as expense in the period in which the related goods are received or services are rendered. License costs are expensed as research and development upon execution of the license agreement unless there is an alternative future use.

Clinical Trial Costs

Clinical trial expenses are a significant component of research and development expenses, and the Company outsources a significant portion of these costs to third parties. Third party clinical trial expenses include patient costs and costs for management of the trial. The accrual for site and patient costs includes inputs such as estimates of patient enrollment, patient cycles incurred, clinical site activations, and other pass-through costs. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected on the balance sheets as a prepaid asset or accrued clinical trial cost. These third party agreements are generally cancellable, and related costs are recorded as research and development expenses as incurred. Non-refundable advance clinical payments for goods or services that will be used or rendered for future research and development activities are recorded as a prepaid asset and recognized as expense as the related goods are delivered or the related services are performed. The Company also records accrued liabilities for estimated ongoing clinical research and development costs. When evaluating the adequacy of the accrued liabilities, the Company analyzes progress of the studies, including the phase or completion of events, invoices received and contracted costs. Significant judgments and estimates may be made in determining the accrued balances at the end of any reporting period. Actual results could differ from the estimates made by the Company. The historical clinical accrual estimates made by the Company have not been materially different from the actual costs.

Payroll Tax Credits

The Company has generated research and development payroll tax credits under the provisions of the Internal Revenue Code. The Company adopted a policy to account for such government assistance as income when all conditions imposed by the government to be entitled to receive the funding have been substantially met. Therefore, the Company recognizes, as income, payroll tax credits in the period it incurs payroll taxes for which the credit is earned. Amounts recognized that have not been collected from the government are recorded as a receivable on the Company's balance sheets. The Company recognized income of $126,160 and $114,797 during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the Company has a receivable balance of $351,116 and $224,956, respectively.

Income Taxes

The Company provides deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the Company's financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates expected to be in effect in the years in which the differences are expected to reverse. A valuation allowance is provided to reduce the deferred tax assets to the amount that will more-likely-than-not be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If it is not more-likely-than-not that a position will be sustained, none of the benefit attributable to the position is recognized. The tax benefit to be recognized for any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. To date, the Company has not incurred interest and penalties related to uncertain tax positions.

Preferred Stock

The Company records all preferred stock at their respective fair values on the dates of issuance less issuance costs. The Company classifies its preferred stock outside of stockholders' deficit when the redemption of such shares is outside the Company's control. The Company does not adjust the carrying values of the preferred stock to the liquidation preferences of such stock until such time as a deemed liquidation event is probable of occurring.

Stock Issuance Costs

Stock issuance costs, consisting primarily of legal expenses, are capitalized until stock is issued, at which time the costs are recorded in stockholders' equity as a reduction of additional paid-in-capital generated as a result of the issuance.

Stock-Based Compensation

The Company accounts for all stock-based compensation granted to employees and non-employees using a fair value method. Stock-based compensation is measured at the grant date fair value and is recognized over the requisite service period of the awards, usually the vesting period, on a straight-line basis. The Company has elected to account for forfeitures as they occur. Stock-based compensation expense recognized in the financial statements is based on awards that ultimately vest.

The Company calculates the fair value of its common stock by considering independent valuations by a third-party valuation specialist and considers factors it believes are material to the valuation process, including but not limited to, the price at which recent equity was issued by the Company to independent third parties or transacted between third parties, actual and projected financial results, risks, prospects, economic and market conditions, and estimates of weighted average cost of capital. The Company believes the combination of these factors provides an appropriate estimate of the expected fair value of the Company and reflects the best estimate of the fair value of the Company's common stock at each grant date.

Leases

The Company accounts for its leases in accordance with ASC Topic 842, Leases (ASC 842), and determines whether the arrangement is or contains a lease based on the unique facts and circumstances present. Leases with a term greater than one year are recognized on the balance sheet as right-of-use assets, lease liabilities and, if applicable, long-term lease liabilities. The Company elected not to recognize leases with an original term less than one year on its balance sheet. Operating lease right-of-use (ROU) assets and their corresponding lease liabilities are recorded based on the present value of lease payments over the expected remaining lease term. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rates, which are the rates incurred to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment.

In accordance with the guidance in ASC 842, the fixed and in-substance fixed contract consideration must be allocated to lease and non-lease components based on their relative fair values. Non-components of a contract (e.g., administrative tasks that do not transfer a good or service to the Company, reimbursement or payment of a lessor's cost, etc.) do not receive an allocation of the consideration in the contract. Although allocation of consideration of lease and non-lease components is required, the Company elected the practical expedient to not separate lease components (e.g. land, building, etc.) and non-lease components (e.g., common area maintenance, consumables, etc.). The lease component results in an operating right-of-use asset being recorded on the balance sheet and amortized on a straight-line basis as lease expense. Right-of-use assets and operating lease liabilities are remeasured upon certain modifications to leases using the present value of remaining lease payments and the estimated incremental borrowing rate upon lease modification.

Recent Accounting Pronouncements

Recently Adopted

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40)*. ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The Company has adopted ASU 2020-06 as of January 1, 2021 using the full retrospective method. The adoption of ASU 2020-06 had no impact on the Company's financial statements and disclosures.

Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. Subsequently, in November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*. ASU 2016-13 requires entities to measure all expected credit losses for most financial assets held at the reporting date based on an expected loss model which includes historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses. This ASU is effective for smaller reporting companies for fiscal years beginning after December 15, 2022, with early adoption permitted. The adoption of ASU 2016-13 is not expected to have an impact on the Company's financial position or results of operations upon adoption.

3. Fair Value Measurements

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022 and 2021 (in thousands):

	December 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Money market funds (included in cash equivalents)	$ 1,004	$ 1,004	$ —	$ —
Certificates of deposit (included in cash equivalents)	25	25	—	—
Total assets	$ 1,029	$ 1,029	$ —	$ —
Liabilities:				
Contingent payment to NIH	$ 461	$ —	$ —	$ 461
Total liabilities	$ 461	$ —	$ —	$ 461

	December 31, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Money market funds (included in cash equivalents)	$ 4,502	$ 4,502	$ —	$ —
Certificates of deposits (included in cash equivalents)	25	25	—	—
Total assets	$ 4,527	$ 4,527	$ —	$ —
Liabilities:				
Contingent payment to NIH	$ 345	$ —	$ —	$ 345
Total liabilities	$ 345	$ —	$ —	$ 345

The fair value of the payment to NIH that is contingent upon certain liquidity or financing events (See Note 13) was based on significant inputs not observable in the market, including estimates regarding the probability of certain future events and outcomes and estimates regarding timing of those events and outcomes, with an applied discount representative of time value, that represents a Level 3 measurement within the fair value hierarchy. The following table summarizes the change in the fair value of the Company's contingent payment to NIH, which is classified within the Level 3 fair value hierarchy (in thousands):

	Total
Balance at December 31, 2020	$ 266
Change in fair value of contingent payment to NIH	79
Balance at December 31, 2021	$ 345
Change in fair value of contingent payment to NIH	116
Balance at December 31, 2022	$ 461

There were no transfers within the fair value hierarchy during the years ended December 31, 2022 or 2021.

4. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31,	
	2022	2021
Laboratory equipment	$ 779	$ 779
Less accumulated depreciation	(582)	(470)
Property and equipment, net	$ 197	$ 309

Depreciation expense was approximately $112,000 and $123,000 for the years ended December 31, 2022 and 2021, respectively.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	December 31,	
	2022	2021
Accrued external research and development costs	$ 758	$ 600
Accrued professional and consulting services	60	72
Accrued payroll	98	115
Accrued equipment	—	151
Other current liabilities	33	40
Accrued expenses and other current liabilities	$ 949	$ 978

6. Leases

The Company entered into an office lease in May 2018 for 4,762 square feet of space in an office building in Gaithersburg, Maryland. In 2021, the Company amended its lease for an additional 3,147 square feet of space in the same building and to extend the lease term for its current leased space. The lease ends for both leased spaces in December 2027. The lease does not contain any renewal rights. The Company paid the landlord a security deposit of $25,000 which is included in long term assets on the Company's balance sheets.

For the years ended December 31, 2022 and 2021, the components of lease costs were as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Operating lease cost	$ 299	$ 191
Variable lease cost	147	57
Total lease cost	$ 446	$ 248

The maturity of the Company's operating lease liabilities as of December 31, 2022 were as follows (in thousands):

	December 31, 2022
2023	$ 300
2024	309
2025	318
2026	328
2027	28
Thereafter	-
Total future minimum lease payments	1,283
Less imputed interest	(175)
Total operating lease liabilities	$ 1,108

The supplemental disclosure for the statement of cash flows related to operating leases were as follows (in thousands):

	December 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:	$ 260	$ 172

Other than the initial recording of the right-of-use asset and lease liability, which were non-cash, the changes in the Company's right-of-use asset and lease liability for the years ended December 31, 2022 and 2021 are reflected in the non-cash lease expense and accrued expenses and other liabilities, respectively, in the statements of cash flows.

The following summarizes additional information related to operating leases:

	December 31,	
	2022	**2021**
Weighted-average remaining lease term	4.1 years	5.08 years
Weighted-average discount rate	7.3 %	7.3 %

7. Preferred Stock

On January 26, 2021, the Company amended its Restated Certificate of Incorporation, to increase its authorized shares to 407 shares of preferred stock, $0.01 par value per share. In 2021, the Company issued 65.017 shares of Series B-1 preferred stock, with a par value of $0.01, at a price of $64,961.92 per share for consideration totaling $4,223,778. Upon the issuance of the Series B-1 Preferred Stock in January 2021, the Company reclassified its Series A and Series B Preferred Stock to temporary equity because such stock is redeemable upon the occurrence of certain events that are not solely within the control of the issuer. The reclassification to temporary equity of Series A and Series B Preferred Stock was recorded at the fair value.

Contemporaneous with the Series B-1 Preferred Stock offering, one of the Company's investors converted 50 shares of common stock into 50 shares of Series A Preferred Stock. The Company recorded the Series A Preferred Stock at fair value. The difference between the fair value of the Series A Preferred Stock and the fair value of the common stock at the date of the exchange was recorded as a Series B-1 Preferred Stock issuance cost. The difference between the original issuance price and the fair value of the common stock at the date of the exchange was recorded as an adjustment to retained earnings.

On December 12, 2022, the Company amended its Restated Certificate of Incorporation to increase its authorized shares to 602 shares of Preferred Stock. In December 2022, the Company issued 193.644 shares of Series B-2 preferred stock, with a par value of $0.01, at a price of $62,833.19 per share for consideration totaling $12,167,170. Cash consideration received in December 2022 was $10,834,164. The remaining $1,333,006 is included in stock subscription receivable on the accompanying December 31, 2022 balance sheet. The stock subscription receivable was collected in January 2023.

The Company's preferred stock has the following characteristics:

Conversion Features

Preferred stockholders may voluntarily convert any or all of their preferred shares into common shares at any time at a price determined by dividing the original issue price by the conversion price for each series of preferred stock. There are provisions which require adjustment to this conversion price in the event of certain dilution events. However, In the event of a liquidation, dissolution or winding up of the Company or a deemed liquidation event, the conversion rights shall terminate.

Upon either (a) the closing of the sale of shares of common stock to the public at a price of at least $62,833.19 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the common stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $50,000,000 of gross proceeds (net of underwriting discount and commissions) to the Company or (b) the date and time, or the occurrence of an event, specified by vote or written consent of at least seventy- five percent (51%) of the outstanding preferred stock, voting as a single class, then (i) all outstanding shares of preferred stock shall automatically be converted into shares of common stock, at the then effective conversion rate and (ii) such shares may not be reissued by the Company.

Voting Rights

On any matter presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of preferred stock shall be entitled to cast the number of votes equal to the number of whole shares of common stock into which the shares of preferred stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter.

The holders of record of the shares of preferred stock, exclusively and as a separate class, are entitled to elect one (1) director of the Company and the holders of record of common stock, exclusively and as a separate class, are entitled to elect one (1) director of the Company. The holders of record of common stock and preferred stock, exclusively and voting together as a single class, are entitled to elect the balance of the total number of directors of the Company.

Dividends

Dividends may be paid at the Board of Directors' discretion. However, the preferred stockholders are entitled to receive dividends prior to payment of dividends to common stockholders.

Liquidation Preference

Upon liquidation of the Company (whether voluntary or not), each preferred stockholder shall be entitled to be paid prior to common stockholders.

Redemption

The preferred stock is not redeemable at the option of the holder or the Company, except in accordance with a deemed liquidation event.

8. Common Stock

On January 26, 2021, the Company amended its Restated Certificate of Incorporation, to increase its authorized shares to 3,200 shares of Common Stock, par value $0.01 per share.

The voting, dividend and liquidation rights of the common stockholders are subject to and qualified by the rights, powers and preferences of the preferred stock. The common stock has the following characteristics:

Voting

The common stockholders are entitled to one vote for each share of common stock held with respect to all matters voted on by the stockholders of the Company.

Dividends

The common stockholders are entitled to receive dividends, if and when declared by the Board of Directors. Through December 31, 2022, no dividends have been declared or paid on common stock.

Liquidation

Upon liquidation of the Company, the common stockholders are entitled to receive all assets of the Company available for distribution to such stockholders.

9. Stock-Based Compensation Expense

The Company has a 2016 Stock Incentive Plan (the 2016 Plan) that permits granting of options or restricted stock to employees, officers, directors, consultants and advisors to the Company. The grantees, and grant dates, are determined and approved by the Board or a committee designated by the Board. The plan allows for the issuance of up to 200 shares of common stock. The awards typically include graded vesting over four years (i.e., 25% vest at the end of each year) with a ten year contractual term. Additionally, under the individual award agreements, only full shares can be exercised.

In April 2021, the Company repriced and reissued all its prior stock option awards with an exercise price above $23,005 per share to an exercise price of $23,005 per share (the 2021 Repricing). The Company accounted for the 2021 repricing as a modification for accounting purposes. For options vested at the modification date, the Company immediately recognized the difference between the fair value of the modification award and its original grant date value. For unvested awards at the modification date, the Company recognized the sum of the unrecognized compensation cost of the shares plus the incremental fair value of the modified award over the remaining service period. Additionally, in October 2022, the Company modified a stock option held by an option holder upon termination of their employment by the Company. The stock option was modified to accelerate vesting. The aggregate amount of expense recognized in connection with these modifications was approximately $8,000 and $305,000 for the years ended December 31, 2022 and 2021, respectively.

Stock-based compensation expense by classification included within the statements of operations and comprehensive income (loss) was as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Research and development	$ 719	$ 790
General and administrative	-	-
Total stock-based compensation expense	$ 719	$ 790

The estimated grant date fair values of employee stock option awards granted under the 2016 Plan were calculated using the Black-Scholes option pricing model, based on the following range of assumptions:

	Year Ended December 31,	
	2022	2021
Risk-free interest rate	1.13% - 1.96%	0.85% - 1.45%
Dividend yield	—	—
Expected term	1.0 – 7.0	5.0 - 7.0
Expected volatility	95 %	95 %
Fair value of common stock	$ 23,005	$ 23,005 – 64,962

The expected term of the Company's stock options granted to employees has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. Under the simplified method, the expected term is presumed to be the midpoint between the vesting date and the end of the contractual term. The Company utilizes this method due to lack of historical exercise data and the plain nature of its stock-based awards.

The weighted average grant date fair value of stock options granted to employees during the years ended December 31, 2022 and 2021 was $16,862 and $27,881, respectively.

As of December 31, 2022, total unrecognized compensation expense related to unvested employee stock options was approximately $969,000, which is expected to be recognized over a weighted average period of 2.13 years.

The following table summarizes the stock option activity under the 2016 Plan and includes the effect to the 2021 Repricing:

	Number of options	Weighted-average exercise price ($)	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2021	153	$ 18,755	7.88	$ 650
Granted	9	$ 23,005		
Exercised	(3)	$ 23,005		
Forfeited	(7)	$ 23,005		
Outstanding at December 31, 2022	152	$ 18,727	6.90	$ 425
Vested at December 31, 2022	110	$ 17,094	6.25	$ 425
Vested and expected to vest at December 31, 2022	152	$ 18,727	6.90	$ 425

10. Income Taxes

The Company provides for income taxes under ASC 740. Under ASC 740, the Company provides deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the Company's financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates expected to be in effect in the years in which the differences are expected to reverse.

The income tax provision shown on the statements of income for the years ended December 31, 2022 and 2021 consists of the following (in thousands):

	Year Ended December 31,	
	2022	2021
Current: Federal	$ -	$ -
State	-	-
Deferred: Federal	-	-
State	-	-
Total	$ -	$ -

The following table provides a summary of difference between income tax benefit for the year ended December 31, 2022 and 2021, computed by applying the statutory federal income tax rate to earnings before taxes:

	Year Ended December 31,	
	2022	2021
Loss before Income Tax	$ (6,455)	$ (3,640)
Tax provision (benefit) at federal statutory rate	(1,356)	(764)
State tax (net of federal benefit)	(421)	(237)
Stock Based Compensation	197	216
Non-deductible items and other permanent differences	-	(60)
Deferred Adjustments	-	-
Valuation Allowance	2,096	845
Research and development credit	(516)	-
Total Income Tax Provision	$ -	$ -

The Company's effective tax rate for the years ended December 31, 2022 and 2021 was 0.0%, primarily due to the full valuation allowance.

The tax effects of temporary differences that give rise to the Company's net deferred tax assets are as follows (in thousands):

	Year Ended December 31,	
	2022	2021
Deferred Tax Assets		
Net operating loss carryforwards	$ 4,711	$ 5,012
Intangibles	7	7
Operating lease right-of-use liabilities	305	352
Stock based compensation	45	44
Research and development expenses	1,293	-
Charitable contribution carryforward	10	41
Accrual to cash	63	-
Research and development credit carryforward	784	268
Gross deferred tax assets	$ 7,218	$ 5,724

Deferred Tax Liabilities		
Fixed Assets	$ (54)	$ (85)
Accrual to cash	-	(513)
Operating lease right-of-use assets	(271)	(329)
Gross deferred tax liabilities	(325)	(927)
Net deferred tax assets before valuation allowance	6,894	4,798
Valuation allowance	(6,894)	(4,798)
Net deferred tax assets	$ —	$ —

The Company has provided a full valuation allowance against its net deferred tax assets, as the Company believes that it is more likely than not that the deferred tax assets will not be realized. As of December 31, 2022, the Company has a net operating loss carryforward totaling $17.2 million (gross) that may be offset against future taxable income, of which $17.0 million can be carried forward indefinitely but will be subject to an 80% limitation. The Company has $0.5 million and $0.0 million, respectively, of federal and state research and development tax credit carryforwards, which will expire at various times through 2038. Utilization of the NOL carryforwards and research credit carryforwards may be subject to a substantial annual limitation under Section 382 of the Internal Revenue Code of 1986, as amended (the Code), and similar state law due to ownership changes that could occur in the future.

The Company applies ASC 740, *Income Taxes* to uncertain tax positions. As of the adoption date and through December 31, 2022, the Company had no unrecognized tax benefits or related interest and penalties accrued. The Company files income tax returns in the U.S. federal and Maryland jurisdictions. The Company is no longer subject to U.S. federal and Maryland income tax examinations by tax authorities for years before 2019. There are currently no federal, state or foreign audits in progress.

11. Commitments and Contingencies

As of December 31, 2022, the Company was not a party to any litigation that could have a material effect on the Company's business, financial position, results of operations or cash flows. The Company is a party in various other contractual disputes and potential claims arising from the ordinary course of business. The Company does not believe that the resolution of these matters will have a material adverse effect on the Company's business, financial position, results of operations or cash flows.

12. Defined Contribution Plan

The Company maintains a defined contribution plan, or the 401(k) Plan, under Section 401(k) of the Internal Revenue Code. The 401(k) Plan covers all employees who meet defined minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pretax basis. The 401(k) Plan provides for matching contributions on a portion of participant contributions pursuant to the 401(k) Plan's matching formula. The Company did not make any matching contributions during each of the years ended December 31, 2022 and 2021, respectively.

13. License Agreements

National Institutes of Health – multiple myeloma

In September 2015, the Company entered into an exclusive license agreement, which was subsequently amended in December 2022, with the National Institutes of Health (NIH) for rights relating to anti-BCMA CARs and CAR T-cells for treatment of multiple myeloma, wherein the CAR is expressed by certain non-viral methods. The license granted is worldwide and sublicensable. The Company agreed to pay, with certain exceptions, minimum five-figure annual license fees, which shall increase to $150,000 beginning in 2025. Additionally, the Company will incur a low single-digit royalty on Net Sales, plus a low double-digit sublicensing royalty, if any, on any sublicense consideration.

Additionally, the Company agreed to a non-refundable license royalty of either i) three-quarters of one percent (0.75%) of the Company's fair market value at the time of its first Liquidity Event; or ii) $579,000 upon reaching forty million dollars ($40,000,000) in cumulative investor financing. The Company concluded the contingent payment met the definition of a derivative liability under ASC 815. As such, the Company recorded a liability on its balance sheet of $460,758 and $345,322 as of December 31, 2022 and 2021, respectively. The associated expense was recorded as research and development expense in the respective periods. The Company estimated the liability at each balance sheet date as the present value of the probability weighted contingent payment amounts. In November 2023, the Company entered into a merger agreement with Selecta (see Subsequent Events note below), whereby the Company elected to pay $579,000 to the NIH in full satisfaction of the royalty provision. Payment was made in December 2023.

National Institutes of Health - autoimmune diseases

In July 2019, the Company entered into a nonexclusive license agreement with the National Institutes of Health for rights relating to certain anti-BCMA CARs and CAR T-cells for treatment of certain autoimmune diseases, wherein the CAR is expressed by certain mRNA methods. The license granted is worldwide and sublicensable.

In connection with this license agreement, the Company agreed to an upfront $100,000 license fee. The Company agreed to pay, with certain exceptions, minimum low five-figure annual license fees. Additionally, the Company will incur low single-digit royalties on Net Sales. The Company also agreed to pay up to $0.8 million upon the achievement of designated milestones.

14. Subsequent Events

In September 2023, the Company entered into a non-exclusive license agreement with Biogen MA, Inc. (Biogen) for rights related to certain anti-BCMA proteins. The license granted is worldwide and sublicensable. In connection with this license agreement, the Company agreed to an upfront payment of $500,000 license fee that was paid in October 2023. Additionally, the Company agreed to pay a mid-five-figure annual fee to Biogen. There are no other fees or royalties associated with the license. Biogen remains responsible for maintenance of the licensed patents and costs thereof.

On November 13, 2023, the Company entered into an Agreement and Plan of Merger with Selecta Biosciences, Inc. under which the existing shareholders of the Company received 6,723,639 shares of Selecta common stock and 384,930.724 shares of Selecta Series A Non-Voting Convertible Preferred Stock in exchange for all of the Company's assets. Upon the merger, the Company became a wholly owned subsidiary of Selecta, which on the merger date, changed its name to Cartesian Therapeutics, Inc.

Exhibit 99.2

Cartesian Therapeutics, Inc.
Balance Sheets
(Amounts in thousands, except share data)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 6,875	$ 12,001
Accounts receivable	994	994
Payroll tax credit receivable	248	351
Prepaid expenses and other current assets	51	59
Total current assets	$ 8,168	$ 13,405
Non-current assets:		
Property and equipment, net	228	197
Right-of-use asset, net	891	983
Security deposit	25	25
Total assets	$ 9,312	$ 14,610
Liabilities, preferred stock and stockholders' deficit		
Current liabilities:		
Lease liability	$ 273	$ 228
NIH liability	569	461
Accrued expenses and other current liabilities	1,513	949
Total current liabilities	$ 2,355	$ 1,638
Non-current liabilities:		
Lease liability, net of current	743	880
Total liabilities	$ 3,098	$ 2,518
Commitments and contingencies (Note 10)		
Series A Preferred Stock; $0.01 par value, 220 authorized, 219.125 issued and outstanding as of September 30, 2023 and December 31, 2022	9,623	9,623
Series B Preferred Stock; $0.01 par value, 110 authorized, 109.267 issued and outstanding as of September 30, 2023 and December 31, 2022	7,128	7,128
Series B-1 Preferred Stock; $0.01 par value, 77 authorized, 65.017 issued and outstanding as of September 30, 2023 and December 31, 2022	3,162	3,162
Series B-2 Preferred Stock; $0.01 par value, 195 authorized, 193.644 issued and outstanding as of September 30, 2023 and December 31, 2022	12,144	12,144
Series B-2 Preferred Stock Subscription Receivable	-	(1,333)
Stockholders' deficit:		
Common stock, $0.01 par value, 3,200 authorized, 1,244.625 issued and outstanding as of September 30, 2023 and 1,240.625 issued and outstanding as of December 31, 2022	-	-
Additional paid-in capital	7,985	7,432
Accumulated deficit	(33,828)	(26,064)
Total stockholders' deficit	$ (25,843)	$ (18,632)
Total liabilities, preferred stock and stockholders' deficit	$ 9,312	$ 14,610

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

Cartesian Therapeutics, Inc.
Statements of Operations and Comprehensive Loss
(Amounts in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Grant revenue:	$ -	$ 1,035
Operating expenses:		
Research and development	6,965	5,273
General and administrative	1,286	1,069
Total operating expenses	8,251	6,342
Loss from operations	(8,251)	(5,307)
Other income, net:		
Interest income	311	20
Other income, net	176	101
Total other income	487	121
Net loss	$ (7,764)	$ (5,186)

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

Cartesian Therapeutics, Inc.
Statements of Preferred Stock and Stockholders' Deficit
(Amounts in thousands, except share amounts)
(Unaudited)

	Series A Preferred Stock		Series B Preferred Stock		Series B-1 Preferred Stock		Series B-2 Preferred Stock		Series B-2 Preferred Stock Subscription	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Receivable	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance at December 31, 2022	219.125	$9,623	109.267	$7,128	65.017	$3,162	193.644	$12,144	$(1,333)	-	$-	-	$-	1,240.625	$-	$7,432	$(26,064)	$(18,632)
Subscription Receivable from preferred stockholders	-	-	-	-	-	-	-	-	1,333	-	-	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	461	-	461
Exercise of options to purchase common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	4.000	-	92	-	92
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,764)	(7,764)
Balance at September 30, 2023	219.125	$9,623	109.267	$7,128	65.017	$3,162	193.644	$12,144	$-	-	$-	-	$-	1,244.625	$-	$7,985	$(33,828)	$(25,843)

	Series A Preferred Stock		Series B Preferred Stock		Series B-1 Preferred Stock		Series B-2 Preferred Stock		Series B-2 Preferred Stock Subscription	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Receivable	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Deficit
Balance at December 31, 2021	219.125	$9,623	109.267	$7,128	65.017	$3,162	-	$-	$-	-	$-	-	$-	1,237.625	$-	$6,644	$(19,609)	$(12,965)
Stock-based compensation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	579	-	579
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,186)	(5,186)
Balance at September 30, 2022	219.125	$9,623	109.267	$7,128	65.017	$3,162	-	$-	$-	-	$-	-	$-	1,237.625	$-	$7,223	$(24,795)	$(17,572)

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

Cartesian Therapeutics, Inc.
Statements of Cash Flows
(Amounts in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities		
Net loss	$ (7,764)	$ (5,186)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	69	88
Non-cash lease expense	92	157
Stock-based compensation expense	461	579
Changes in operating assets and liabilities:		
Accounts receivable	-	2,377
Payroll tax credit receivable	103	(99)
Prepaid expenses and other current assets	8	15
Operating lease liability	(92)	(120)
Deferred revenue	-	54
NIH liability	108	39
Accrued expenses and other current liabilities	514	240
Net cash used in operating activites	(6,501)	(1,856)
Cash flows from investing activities		
Purchases of property and equipment	(50)	(151)
Net cash used in investing activities	(50)	(151)
Cash flows from financing activities		
Net proceeds from issuance of Series B-2 Preferred Stock	1,333	-
Proceeds from exercise of stock options	92	-
Net cash provided by financing activities	1,425	-
Net change in cash and cash equivalents	(5,126)	(2,007)
Cash and cash equivalents at beginning of period	12,001	4,735
Cash and cash equivalents at end of period	$ 6,875	$ 2,728
Noncash investing and financing activities		
Purchase of equipment not yet paid	$ 50	$ -

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

Cartesian Therapeutics, Inc.
Notes to the Unaudited Financial Statements

1. Description of the Business

Cartesian Therapeutics, Inc. (the Company) is a clinical-stage cell therapy company engaged in the research and development of therapies for autoimmune diseases. The Company was incorporated in Delaware in December 2010, and is based in Gaithersburg, Maryland.

Since inception, the Company has devoted its efforts principally towards research and development, recruiting personnel, and raising capital. The Company is subject to risks common to 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 need to obtain additional financing. Product candidates currently under development will require significant additional research and development efforts, including extensive preclinical and clinical testing and regulatory approval, prior to commercialization. These efforts require significant amounts of additional capital, adequate personnel infrastructure and extensive compliance-reporting capabilities.

There can be no assurance that the Company's research and development will be successfully completed, that adequate protection for the Company's intellectual property will be obtained, or maintained, that any products developed will obtain necessary government regulatory approval or that any approved products will be commercially viable. Even if the Company's product development efforts are successful, it is uncertain when, if ever, the Company will generate significant revenue from product sales. The Company operates in an environment of rapid change in technology and substantial competition from pharmaceutical and biotechnology companies.

Unaudited Interim Financial Information

The accompanying unaudited financial statements for the nine months ended September 30, 2023 and 2022 have been prepared by the Company, pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC, for interim financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2022. The unaudited interim financial statements have been prepared on the same basis as the audited financial statements. In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments that are necessary for a fair statement of the Company's financial position as of September 30, 2023 and December 31, 2022, the results of operations for the nine months ended September 30, 2023 and 2022, and cash flows for the nine months ended September 30, 2023 and 2022. Such adjustments are of a normal and recurring nature. The results of operations for the nine months ended September 30, 2023 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2023.

Liquidity and Management's Plan

To date, the Company has financed its operations primarily through private sales of its securities and funding received from research grants. The Company currently has no source of product revenue, and it does not expect to generate product revenue in the near term. The Company has devoted substantially all of its financial resources and efforts to developing its RNA cell therapies for autoimmune diseases.

As of September 30, 2023, the Company's cash and cash equivalents were $6.9 million. On November 13, 2023, the Company merged with Selecta Biosciences, Inc. (Selecta). See Note 12 for further details.

2. Summary of Significant Accounting Policies

The Company disclosed its significant accounting policies in Note 2 – Summary of Significant Accounting Policies included in the Company's annual financial statements for the year ended December 31, 2022 included elsewhere in this filing. There have been no material changes to the Company's significant accounting policies during the nine months ended September 30, 2023, with the exception of the matters discussed in recent accounting pronouncements.

Recent Accounting Pronouncements

Recently Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. Subsequently, in November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*. ASU 2016-13 requires entities to measure all expected credit losses for most financial assets held at the reporting date based on an expected loss model which includes historical experience, current conditions, and reasonable and supportable forecasts. ASU 2016-13 also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses. This ASU is effective for smaller reporting companies for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted the new standard effective January 1, 2023, using a modified retrospective transition method, and there was no impact on its consolidated financial statements or results of operations upon adoption.

3. Fair Value Measurements

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	September 30, 2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds (included in cash equivalents)	$ 6,531	$ 6,531	$ —	$ —
Total assets	$ 6,531	$ 6,531	$ —	$ —
Liabilities:				
Contingent payment to NIH	$ 569	$ —	$ —	$ 569
Total liabilities	$ 569	$ —	$ —	$ 569

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds (included in cash equivalents)	$ 1,004	$ 1,004	$ —	$ —
Certificates of deposits (included in cash equivalents)	25	25	—	—
Total assets	$ 1,029	$ 1,029	$ —	$ —
Liabilities:				
Contingent payment to NIH	$ 461	$ —	$ —	$ 461
Total liabilities	$ 461	$ —	$ —	$ 461

The following table provides a reconciliation of all assets and liabilities measured at fair value using Level 3 significant unobservable inputs which were settled during the period from December 31, 2022 to September 30, 2023 (in thousands):

	Total
Balance at December 31, 2022	$ 461
Change in fair value of contingent payment to NIH	108
Balance at September 30, 2023	$ 569

There were no transfers within the fair value hierarchy during the nine months ended September 30, 2023 or the year ended December 31, 2022.

4. Property and Equipment

Property and equipment consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Laboratory equipment	$ 879	$ 779
Less accumulated depreciation	(651)	(582)
Property and equipment, net	$ 228	$ 197

Depreciation expense was approximately $69,000 and $88,000 for the nine months ended September 30,2023 and 2022, respectively.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Accrued external research and development costs	$ 1,317	$ 758
Accrued professional and consulting services	48	60
Accrued payroll	42	98
Accrued equipment	50	—
Other current liabilities	56	33
Accrued expenses and other current liabilities	$ 1,513	$ 949

6. Leases

The Company entered into an office lease in May 2018 for 4,762 square feet of space in an office building in Gaithersburg, Maryland. In 2021, the Company amended its lease for an additional 3,147 square feet of space in the same building and to extend the lease term for its current leased space. The lease ends for both leased spaces in December 2027. The lease does not contain any renewal rights.

In September 2023, the Company entered into an operating lease for a piece of lab equipment.

For the nine month ended September 30, 2023 and 2022, the components of lease costs were as follows (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Operating lease cost	$ 227	$ 224
Variable lease cost	143	113
Total lease cost	$ 370	$ 337

The maturity of the Company's operating lease liabilities as of September 30, 2023 were as follows (in thousands):

	September 30, 2023
2023	$ 82
2024	336
2025	346
2026	346
2027	28
Thereafter	-
Total future minimum lease payments	1,138
Less imputed interest	(122)
Total operating lease liabilities	$ 1,016

The supplemental disclosure for the statement of cash flows related to operating leases were as follows (in thousands):

	September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:	$ 227	$ 187

Other than the initial recording of the right-of-use asset and lease liability, which were non-cash, the changes in the Company's right-of-use asset and lease liability for the nine months ended September 30, 2023 and 2022 are reflected in the non-cash lease expense and accrued expenses and other liabilities, respectively, in the consolidated statements of cash flows.

The following summarizes additional information related to operating leases:

	September 30,	
	2023	2022
Weighted-average remaining lease term	3.03 years	4.33 years
Weighted-average discount rate	7.09 %	7.34 %

7. Stock-Based Compensation Expense

The Company has a 2016 Stock Incentive Plan (the 2016 Plan) that permits granting of options or restricted stock to employees, officers, directors, consultants and advisors to the Company. The grantees, and grant dates, are determined and approved by the Board or a committee designated by the Board. The plan allows for the issuance of up to 200 shares of common stock. The awards typically include graded vesting over four years (i.e., 25% vest at the end of each year) with a ten year contractual term. Additionally, under the individual award agreements, only full shares can be exercised.

Stock-based compensation expense by classification included within the statements of operations and comprehensive income (loss) was as follows (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Research and development	$ 461	$ 579
General and administrative	-	-
Total stock-based compensation expense	$ 461	$ 579

The estimated grant date fair values of employee stock option awards granted under the 2016 Plan were calculated using the Black-Scholes option pricing model, based on the following range of assumptions:

	Nine Months Ended September 30,	
	2023	2022
Risk-free interest rate	3.6 – 4.0%	1.3% - 2.0%
Dividend yield	—	—
Expected term	6.20 - 6.25	5.0 - 6.25
Expected volatility	95%	95%
Fair value of common stock	$ 18,505	$ 23,005

The expected term of the Company's stock options granted to employees has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. Under the simplified method, the expected term is presumed to be the midpoint between the vesting date and the end of the contractual term. The Company utilizes this method due to lack of historical exercise data and the plain nature of its stock-based awards.

The weighted average grant date fair value of stock options granted to employees during the nine months ended September 30, 2023 and 2022 was $14,159.28 and $16,862.94, respectively.

As of September 30, 2023, total unrecognized compensation expense related to unvested employee stock options was $0.9 million, which is expected to be recognized over a weighted average period of 2.18 years.

The following table summarizes the stock option activity under the 2016 Plan:

	Number of options	Weighted-average exercise price ($)	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Outstanding at December 31, 2022	152	$ 18,727	6.90	$ 425
Granted	29	$ 23,005		
Exercised	(4)	$ 23,005		
Forfeited	(4)	$ 23,005		
Outstanding at September 30, 2023	173	$ 19,246	6.60	$ 425
Vested at September 30, 2023	119	$ 17,541	5.72	$ 425
Vested and expected to vest at September 30, 2023	173	$ 19,246	6.60	$ 425

8. Income Taxes

The Company provides for income taxes under ASC 740. Under ASC 740, the Company provides deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the Company's financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates expected to be in effect in the years in which the differences are expected to reverse.

The Company has provided a full valuation allowance against its net deferred tax assets, as the Company believes that it is more likely than not that the deferred tax assets will not be realized.

The Company files income tax returns in the U.S. federal and Maryland jurisdictions. The Company is no longer subject to U.S. federal and Maryland income tax examinations by tax authorities for years before 2019. There are currently no federal, state or foreign audits in progress.

9. Defined Contribution Plan

The Company maintains a defined contribution plan, or the 401(k) Plan, under Section 401(k) of the Internal Revenue Code. The 401(k) Plan covers all employees who meet defined minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pretax basis. The 401(k) Plan provides for matching contributions on a portion of participant contributions pursuant to the 401(k) Plan's matching formula. The Company did not make any matching contributions during the nine months ended September 30, 2023 and 2022, respectively.

10. Commitments and Contingencies

As of September 30, 2023, the Company was not a party to any litigation that could have a material adverse effect on the Company's business, financial position, results of operations or cash flows.

11. License Agreements

National Institutes of Health – multiple myeloma

In September 2015, the Company entered into an exclusive license agreement, which was subsequently amended in December 2022, with the National Institutes of Health (NIH) for rights relating to anti-BCMA CARs and CAR T-cells for treatment of multiple myeloma, wherein the CAR is expressed by certain non-viral methods. The license granted is worldwide and sublicensable. The Company agreed to pay, with certain exceptions, minimum five-figure annual license fees, which shall increase to $150,000 beginning in 2025. Additionally, the Company will incur a low single-digit royalty on Net Sales, plus a low double-digit sublicensing royalty, if any, on any sublicense consideration.

Additionally, the Company agreed to a non-refundable license royalty of either i) three-quarters of one percent (0.75%) of the Company's fair market value at the time of its first Liquidity Event; or ii) $579,000 upon reaching forty million dollars ($40,000,000) in cumulative investor financing. The Company concluded the contingent payment met the definition of a derivative liability under ASC 815. As such, the Company recorded a liability on its balance sheet of $569,194 and 460,758 as of September 30, 2023 and December 31, 2022, respectively. The associated expense was recorded as research and development expense in the respective periods. The Company estimated the liability at each balance sheet date as the present value of the probability weighted continent payment amounts. In November 2023, the Company entered into a merger agreement with Selecta (see Subsequent Event note below), whereby the Company elected to pay $579,000 to the NIH in full satisfaction of the royalty provision. Payment was made in December 2023.

National Institutes of Health - autoimmune diseases

In July 2019, the Company entered into a nonexclusive license agreement with the National Institutes of Health for rights relating to certain anti-BCMA CARs and CAR T-cells for treatment of certain autoimmune diseases, wherein the CAR is expressed by certain mRNA methods. The license granted is worldwide and sublicensable.

In connection with this license agreement, the Company agreed to an upfront $100,000 license fee. The Company agreed to pay, with certain exceptions, minimum low five-figure annual license fees. Additionally, the Company will incur low single-digit royalties on Net Sales. The Company also agreed to pay up to $0.8 million upon the achievement of designated milestones.

Biogen MA, Inc,- Multiple Myeloma

In September 2023, the Company entered into a non-exclusive license agreement with Biogen MA, Inc. (Biogen) for rights related to certain anti-BCMA proteins. The license granted is worldwide and sublicensable. In connection with this license agreement, the Company agreed to an upfront payment of $500,000 license fee that was paid in October 2023. Additionally, the Company agreed to pay a mid-five-figure annual fee to Biogen. There are no other fees or royalties associated with the license. Biogen remains responsible for maintenance of the licensed patents and costs thereof.

12. Subsequent Events

The Company has evaluated subsequent events through the date on which the consolidated financial statements were issued. The Company has concluded that no subsequent events have occurred that require disclosure, except as disclosed within these financial statements.

On November 13, 2023, the Company entered into an Agreement and Plan of Merger with Selecta Biosciences, Inc. under which the existing shareholders of the Company received 6,723,639 shares of Selecta common stock and 384,930.724 shares of Selecta Series A Non-Voting Convertible Preferred Stock in exchange for all of the Company's assets. Upon the merger, the Company became a wholly owned subsidiary of Selecta, which on the merger date, changed its name to Cartesian Therapeutics, Inc.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On November 13, 2023, Selecta Biosciences, Inc., a Delaware corporation ("Selecta"), acquired Cartesian Therapeutics, Inc., a Delaware corporation ("Old Cartesian"), in accordance with the terms of an Agreement and Plan of Merger, dated November 13, 2023 (the "Merger Agreement"), by and among Selecta, Sakura Merger Sub I, Inc., a Delaware corporation and wholly owned subsidiary of Selecta ("First Merger Sub"), Sakura Merger Sub II, LLC, a Delaware limited liability company and wholly owned subsidiary of Selecta ("Second Merger Sub"), and Old Cartesian. Pursuant to the Merger Agreement, First Merger Sub merged with and into Old Cartesian, pursuant to which Old Cartesian was the surviving corporation and became a wholly owned subsidiary of Selecta (the "First Merger"). Immediately following the First Merger, Old Cartesian merged with and into Second Merger Sub, pursuant to which Second Merger Sub was the surviving entity (the "Second Merger" and, together with the First Merger, the "Merger"). In connection with the Second Merger, Old Cartesian changed its name to Cartesian Bio, LLC.

The Merger is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes. As a result of the Merger, Selecta changed its corporate name to Cartesian Therapeutics, Inc. ("Cartesian" or the "Company") and commenced trading under the symbol "RNAC" beginning on November 14, 2023.

The Board of Directors of Selecta (the "Board") unanimously approved the Merger Agreement and the related transactions. The Merger has been consummated substantially concurrently with the entry into the Merger Agreement and was not subject to approval of Selecta stockholders.

Under the terms of the Merger Agreement, following the consummation of the Merger (the "Closing"), in exchange for the outstanding shares of capital stock of Old Cartesian immediately prior to the effective time of the First Merger, the Company agreed to issue to the stockholders of Old Cartesian (A) 6,723,639 shares of common stock of the Company, par value $0.0001 per share (the "Common Stock"), and (B) 384,930.724 shares of Series A Non-Voting Convertible Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock"), each share of which is convertible into 1,000 shares of Common Stock, subject to certain conditions. The issuance of the shares of Common Stock and Series A Preferred Stock occurred after the December 4, 2023 record date for the distribution of contingent value rights discussed below. The Old Cartesian stockholders did not have rights as holders of Common Stock or holders of Series A Preferred Stock until such issuance. Additionally, the Company assumed all outstanding stock options of Old Cartesian, subject to an exercise blackout period that ended December 8, 2023.

Pursuant to the Merger Agreement, the Company will hold a special stockholders' meeting to submit the following proposals to a vote of its stockholders: (i) the approval of the conversion of shares of Series A Preferred Stock into shares of Common Stock in accordance with the rules of the Nasdaq Stock Market LLC (the "Conversion Proposal"), and (ii) either or both of (A) the approval of an amendment to the Company's restated certificate of incorporation, as amended (the "Charter"), to increase the number of shares of Common Stock authorized under the Charter and (B) the approval of an amendment to the Charter to effect a reverse stock split of all outstanding shares of Common Stock, in either case (A) or (B) by a number of authorized shares or at a stock split ratio, as the case may be, sufficient to allow the conversion of all shares of Series A Preferred Stock issued in the Merger.

Following stockholder approval of the Conversion Proposal, each share of Series A Preferred Stock will automatically convert into 1,000 shares of Common Stock, subject to certain limitations, including that a holder of Series A Preferred Stock is prohibited from converting shares of Series A Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own more than a specified percentage (to be established by the holder between 0% and 19.9%) of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion; provided, however, that such beneficial ownership limitation does not apply to TAS Partners, LLC, an affiliate of Dr. Springer, or any of its affiliates.

Each share of Series A Preferred Stock will be redeemable at the option of the holder at any time following the date that is 18 months after the initial issuance date of the Series A Preferred Stock, other than any shares of Series A Preferred Stock that would not be convertible into shares of Common Stock as a result of the beneficial ownership limitation referred to in the foregoing paragraph (without regard to whether the requisite stockholder approval to convert the Series A Preferred Stock into Common Stock has been obtained).

Contingent Value Rights Agreement

On December 6, 2023, as contemplated in the Merger Agreement, the Company entered into a contingent value rights agreement (the "CVR Agreement") pursuant to which each holder of Common Stock as of December 4, 2023 was entitled to one contractual contingent value right (each, a "CVR") issued by the Company for each share of Common Stock held by such holder as of December 4, 2023, which CVRs were distributed to such holders on December 13, 2023. Holders of the warrants to purchase Common Stock of the Company outstanding as of such date (each, a "Selecta Warrant") will be entitled to receive, upon exercise of such Selecta Warrant and in accordance with the terms thereof, one CVR per each such share of Common Stock underlying such Selecta Warrant, assuming the same had been exercised on December 4, 2023; except that the holders of the warrants issued by Selecta on April 11, 2022 (the "Selecta Warrants"), as required by the terms of such Selecta Warrants, received such CVRs on December 13, 2023, together with the distribution of CVRs made to the holders of Common Stock, even if such Selecta Warrants were not exercised.

Each CVR entitles its holder to distributions of the following, pro-rated on a per-CVR basis, during the period ending on the date on which the Royalty Term (as defined in the Company's License and Development Agreement, as amended, with Swedish Orphan Biovitrum AB (publ.) (the "Sobi License")) ends (the "Termination Date"):

- 100% of all milestone payments, royalties and other amounts paid to the Company or its controlled affiliates (the "Company Entities") under the Sobi License or, following certain terminations of the Sobi License, any agreement a Company Entity enters into that provides for the development and commercialization of SEL-212; and

- 100% of all cash consideration and the actual liquidation value of any and all non-cash consideration of any kind that is paid to or is actually received by any Company Entity prior to the Termination Date pursuant to an agreement relating to a sale, license, transfer or other disposition of any transferable asset of the Company existing as of immediately prior to the Merger, other than those exclusively licensed under the Sobi License or which the Company Entities are required to continue to own in order to comply with the Sobi License.

The distributions in respect of the CVRs will be made on a semi-annual basis, and will be subject to a number of deductions, subject to certain exceptions or limitations, including for (i) certain taxes payable on the proceeds subject to the CVR distribution, (ii) certain out of pocket costs incurred by the Company Entities, including audit and accounting fees incurred in connection with reporting obligations relating to the CVRs and other expenses incurred in the performance of their obligations and other actions under the CVR Agreement, (iii) a fixed semi-annual amount of $750,000 for general and administrative overhead, (iv) payments made and remaining obligations on lease liabilities of Selecta immediately prior to the Merger and (v) amounts paid and remaining obligations with regard to Selecta's Xork product candidate. Each of the deductions described in (iv) and (v) will be made only if certain milestone payments under the Sobi License are made, and are also subject to certain adjustments as contemplated in the CVR Agreement.

Series A Preferred Stock Financing

On November 13, 2023, the Company entered into a Securities Purchase Agreement (the "Securities Purchase Agreement") with (i) Timothy A. Springer, a member of the Company's Board; (ii) TAS Partners, LLC, and (iii) Seven One Eight Three Four Irrevocable Trust, a trust associated with Dr. Murat Kalayoglu, a co-founder and the former chief executive officer of Old Cartesian, who joined the Board effective immediately after the effective time of the Merger (the "Investors"). Pursuant to the Securities Purchase Agreement, the Company agreed to issue and sell an aggregate of 149,330.115 shares of Series A Preferred Stock for an aggregate purchase price of $60.25 million (collectively, the "Financing"). Each share of Series A Preferred Stock is convertible into 1,000 shares of Common Stock.

In the Financing, each of TAS Partners, LLC and Dr. Springer agreed to settle its purchases in three approximately equal tranches of shares of Series A Preferred Stock, each for a purchase price of approximately $20.0 million, with the three tranches settling 30, 60, and 90 days, respectively, following the Closing. The first and second tranches were settled on December 13, 2023 and January 12, 2024, respectively, under which (i) 24,785.081 shares of Series A Preferred Stock were issued to each of TAS Partners, LLC and Dr. Springer in the first tranche, and (ii) 49,570.163 shares of Series A Preferred Stock were issued to Dr. Springer in the second tranche. The third tranche is expected to settle on February 11, 2024.

Settlement of Selecta Equity Awards

Upon consummation of the First Merger, the equity compensation awards of Selecta were settled as follows:

- Each option to acquire shares of Common Stock and each restricted stock unit award with respect to shares of Common Stock, in each case that was outstanding and unvested immediately prior to the Merger, was accelerated and vested in full at the effective time of the First Merger;

- each option to acquire shares of Common Stock was canceled and in exchange therefor, former holders became entitled to receive an amount in cash equal to the product of (A) the total number of shares of Common Stock subject to the unexercised portion the stock option (determined after giving effect to the accelerated vesting) multiplied by (B) the excess, if any, of $2.06 (the "Cash-out Amount") over the applicable exercise price per share of Common Stock under such stock option; and

- each restricted stock unit award with respect to shares of Common Stock was cancelled and the former holder of such canceled restricted stock unit became entitled, in exchange therefor, to receive an amount in cash equal to the product of (A) the total number of shares of Common Stock deliverable under such restricted stock unit (determined after giving effect to the accelerated vesting) multiplied by (B) the Cash-out Amount.

Pro Forma Presentation

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X. The Selecta and Old Cartesian unaudited pro forma condensed combined balance sheet data assume that the Merger took place on September 30, 2023, and combines the Selecta and Old Cartesian historical balance sheets at September 30, 2023. The Selecta and Old Cartesian unaudited pro forma condensed combined statements of operations data assume that the Merger took place as of January 1, 2022, and combine the historical results of Selecta and Old Cartesian for the year ended December 31, 2022, and for the nine months ended September 30, 2023. The historical financial statements of Selecta and Old Cartesian have been adjusted to give pro forma effect to events that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the statements of operations, expected to have a continuing impact on the combined results.

The unaudited pro forma condensed combined financial statements are based on the assumptions and adjustments that are described in the accompanying notes. The unaudited pro forma condensed combined financial statements and pro forma adjustments have been prepared based on preliminary estimates of fair value of assets acquired and liabilities assumed. The final determination of these estimated fair values will be based on the actual net tangible assets of Old Cartesian that existed as of the date of completion of the Merger.

The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the Merger. The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had Selecta and Old Cartesian been a combined company during the specified period. The unaudited pro forma condensed combined financial statements, including the notes thereto, should be read in conjunction with the separate historical audited financial statements of Selecta and Old Cartesian.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2023
(in thousands)

	Selecta Biosciences, Inc.	Cartesian Therapeutics, Inc. (Old Cartesian)	Transaction Adjustments	Notes	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 79,603	$ 6,875	$ (9,423)	**B**	$ 137,305
			60,250	**G**	
Accounts receivable	4,898	994	-		5,892
Unbilled receivables	1,875	-	-		1,875
Prepaid expenses and other current assets	3,493	299	-		3,792
Total current assets	89,869	8,168	50,827		148,864
Non-current assets:					
Property and equipment, net	2,421	228	-		2,649
Right-of-use asset, net	10,339	891	-		11,230
Intangible assets	-	-	150,700	**F**	150,700
Goodwill	-	-	48,062	**F**	48,062
Other assets	3,405	25	-		3,430
TOTAL ASSETS	$ 106,034	$ 9,312	$ 249,589		$ 364,935
LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable and accrued expenses	$ 14,012	$ 2,082	$ 4,895	**A**	$ 20,989
Lease liability	1,787	273	-		2,060
Deferred revenue	4,140	-	-		4,140
Total current liabilities	19,939	2,355	4,895		27,189
Non-current liabilities:					
Lease liability	8,694	743	-		9,437
Deferred revenue	3,981	-	-		3,981
Warrant liabilities	13,091	-	-		13,091
Deferred tax liability	-	-	34,853	**F**	15,854
			(18,999)	**J**	
Contingent value right obligation	-	-	340,300	**H**	340,300
Total liabilities	45,705	3.098	361,049		409,852
Commitments and contingencies					
Convertible Preferred Stock	-	32,057	155,308	**F**	215,558
			60,250	**G**	
			(32,057)	**I**	
Stockholders' equity (deficit):					
Common stock	15	-	-	**F I**	15
Additional paid-in capital	501,919	7,985	6,977	**B**	182,372
			619	**D**	
			13,157	**F**	
			(340,300)	**H**	
			(7,985)	**I**	
Accumulated deficit	(436,989)	(33,828)	(4,895)	**A**	(438,246)
			(16,400)	**B**	
			(619)	**D**	
			35,486	**I**	
			18,999	**J**	
Accumulated other comprehensive loss	(4,616)	-	-		(4,616)
Total stockholders' equity (deficit)	60,329	(25,843)	(294,961)		(260,475)
TOTAL LIABILITIES, PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 106,034	$ 9,312	$ 249,589		$ 364,935

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2022
(in thousands, except share and per share amounts)

	Selecta Biosciences, Inc.	Cartesian Therapeutics, Inc. (Old Cartesian)	Transaction Adjustments	Notes	Pro Forma Combined
Revenue:					
Collaboration and license revenue	$ 110,777	$ -	$ -		$ 110,777
Grant revenue	-	1,449	-		1,449
Total revenue	110,777	1,449	-		112,226
Operating expenses:					
Research and development	72,377	6,841	7,462	B	88,488
			619	D	
			1,189	E	
General and administrative	23,862	1,244	4,895	A	38,939
			8,938	B	
Total operating expenses	96,239	8,085	23,103		127,427
Operating income (loss)	14,538	(6,636)	(23,103)		(15,201)
Investment income	2,073	35	-		2,108
Foreign currency transaction, net	(22)	-	-		(22)
Interest (expense) income, net	(3,031)	-	-		(3,031)
Change in fair value of warrant liabilities	20,882	-	-		20,882
Other income, net	330	146	(108)	C	368
Income (loss) before income taxes	34,770	(6,455)	(23,211)		5,104
Income tax benefit	609	-	18,999	J	19,608
Net income (loss)	35,379	(6,455)	(4,212)		24,712
Other comprehensive income (loss)					
Foreign currency translation adjustment	18	-	-		18
Unrealized gain on marketable securities	(10)	-	-		(10)
Total comprehensive income (loss)	$ 35,387	$ (6,455)	$ (4,212)		$ 24,720
Net (loss) income per share					
Basic	$ 0.24			K	$ (0.08)
Diluted	$ 0.10			K	$ (0.22)
Weighted-average common shares outstanding					
Basic	144,758,555			K	151,482,194
Diluted	145,874,889			K	152,282,286

Unaudited Pro Forma Condensed Combined Statements of Operations
For the period ended September 30, 2023
(in thousands, except share and per share amounts)

	Selecta Biosciences, Inc.	Cartesian Therapeutics, Inc. (Old Cartesian)	Transaction Adjustments	Notes	Pro Forma Combined
Collaboration and license revenue	$ 17,738	$ -	$ -		$ 17,738
Operating expenses:					
Research and development	49,408	6,965	684	**E**	57,057
General and administrative	18,414	1,286	-		19,700
Total operating expenses	67,822	8,251	684		76,757
Operating loss	(50,084)	(8,251)	(684)		(59,019)
Investment income	4,024	311	-		4,335
Foreign currency transaction, net	39	-	-		39
Interest expense	(2,833)	-	-		(2,833)
Change in fair value of warrant liabilities	6,049	-	-		6,049
Other income, net	753	176	108	**C**	1,037
Loss before income taxes	(42,052)	(7,764)	(576)		(50,392)
Income tax (expense) benefit	-	-	-		-
Net loss	(42,052)	(7,764)	(576)		(50,392)
Other comprehensive income (loss):					
Foreign currency translation adjustment	(69)	-	-		(69)
Unrealized gain on marketable securities	11	-	-		11
Total comprehensive loss	$ (42,110)	$ (7,764)	$ (576)		$ (50,450)
Net loss per share					
Basic	$ (0.27)				$ (0.31)
Diluted	$ (0.27)				$ (0.31)
Weighted-average common shares outstanding					
Basic	153,870,912			**F K**	160,594,551
Diluted	153,870,912			**F K**	160,594,551

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. **Description of Transaction**

Merger Transaction

The Merger occurred on November 13, 2023, as a result of which Selecta acquired all of the equity of Old Cartesian. Selecta, as the surviving corporation, was renamed "Cartesian Therapeutics, Inc." and is trading under the symbol "RNAC" on the Nasdaq Global Market as of November 14, 2023.

In exchange for the outstanding shares of capital stock of Old Cartesian immediately prior to the effective time of the First Merger, the Company issued to the stockholders of Old Cartesian (A) 6,723,639 shares of Common Stock and (B) 384,930.724 shares of Series A Preferred Stock, each share of which is convertible into 1,000 shares of Common Stock, subject to certain conditions.

Pursuant to the Merger Agreement, the Company will hold a special stockholders' meeting to submit the following proposals to a vote of its stockholders: (i) the approval of the conversion of shares of Series A Preferred Stock into shares of Common Stock in accordance with the rules of the Nasdaq Stock Market LLC, and (ii) either or both of (A) the approval of an amendment to the Charter to increase the number of shares of Common Stock authorized under the Charter and (B) the approval of an amendment to the Charter to effect a reverse stock split of all outstanding shares of Common Stock, in either case (A) or (B) by a number of authorized shares or at a stock split ratio, as the case may be, sufficient to allow the conversion of all shares of Series A Preferred Stock issued in the Merger.

Following stockholder approval of the Conversion Proposal, each share of Series A Preferred Stock will automatically convert into 1,000 shares of Common Stock, subject to certain limitations, including that a holder of Series A Preferred Stock is prohibited from converting shares of Series A Preferred Stock into shares of Common Stock if, as a result of such conversion, such holder, together with its affiliates, would beneficially own more than a specified percentage (to be established by the holder between 0% and 19.9%) of the total number of shares of Common Stock issued and outstanding immediately after giving effect to such conversion; provided, however, that such beneficial ownership limitation does not apply to TAS Partners, LLC or any of its affiliates.

Each share of Series A Preferred Stock will be redeemable at the option of the holder at any time following the date that is 18 months after the initial issuance date of the Series A Preferred Stock, other than any shares of Series A Preferred Stock that would not be convertible into shares of Common Stock as a result of the beneficial ownership limitation referred to in the foregoing paragraph (without regard to whether the requisite stockholder approval to convert the Series A Preferred Stock into Common Stock has been obtained).

The outstanding stock option awards of Old Cartesian were assumed by the Company in connection with the Merger. As a result, the Company issued (i) stock options in respect of 23,306,661 shares of Common Stock and (ii) stock options in respect of 14,112.299 shares of Series A Preferred Stock.

Additionally, Selecta accelerated the vesting of unvested equity compensation awards and settled such awards as follows: (i) each Selecta stock option was canceled and its holder received an amount in cash equal to the product of (A) the total number of shares of Common Stock subject to the unexercised portion the stock option (determined after giving effect to the accelerated vesting) multiplied by (B) the excess, if any, of the Cash-out Amount over the applicable exercise price per share of Common Stock under such stock option; and (ii) each Selecta restricted stock unit award was cancelled and its holder received an amount in cash equal to the product of (A) the total number of shares of Common Stock deliverable under such restricted stock unit multiplied by (B) the Cash-out Amount. Stock options with an exercise price in excess of the Cash-out Amount received no cash payment. The total cash payment to cancel such equity compensation awards amounted to $9.4 million.

Financing

On November 13, 2023, certain investors entered into the Securities Purchase Agreement with the Company, pursuant to which such investors committed to purchasing Series A Preferred Stock for an aggregate purchase price of $60.25 million.

Contingent Value Rights Agreement

On December 6, 2023, as contemplated in the Merger Agreement, the Company entered into the CVR Agreement, pursuant to which each holder of Common Stock as of December 4, 2023 was entitled to one CVR issued by the Company for each share of Common Stock held by such holder as of December 4, 2023, which CVRs were distributed to such holders on December 13, 2023. Holders of the Selecta Warrants will be entitled to receive, upon exercise of such Selecta Warrant and in accordance with the terms thereof, one CVR per each such share of Common Stock underlying such Selecta Warrant, assuming the same had been exercised on December 4, 2023; except that the holders of the Selecta Warrants issued on April 11, 2022, as required by the terms of such Selecta Warrants, received such CVRs on December 13, 2023, together with the distribution of CVRs made to the holders of Common Stock, even if such Selecta Warrants were not exercised.

Each CVR represents the contractual right to receive contingent cash payments upon the receipt by the Company of (i) certain amounts payable by Sobi, if any, pursuant to the Sobi License, upon the achievement by Sobi of certain milestones or on the account of royalties, in each due as set forth in the Sobi License, and (ii) the proceeds from any sale, license, transfer or other disposition of any transferable asset of the Company existing as of immediately prior to the Merger, other than those exclusively licensed under the Sobi License or which the Company Entities are required to continue to own in order to comply with the Sobi License. The distributions in respect of the CVRs are subject to certain deductions, including for specified expenses, taxes and obligations of Selecta as of prior to the Merger or in connection with performance of the Company's obligations under the CVR Agreement. The CVRs do not have any voting or dividend rights and do not represent any equity or ownership interest in the Company.

The CVR will be recognized as a distribution to the Selecta stockholders and warrant holders upon the record date for its distribution, which was December 4, 2023, in an amount equal to the fair value of the right conveyed under the CVR.

2. Basis for Presentation

The unaudited pro forma condensed combined balance sheet as of September 30, 2023, is presented as if the Merger had been completed on September 30, 2023. The unaudited pro forma condensed combined statements of operations for the years ended December 31, 2022, and the nine months ended September 30, 2023, assumes that the Merger occurred on January 1, 2022, and combines the historical results of Selecta and Old Cartesian.

The Merger is accounted for as a business combination under U.S. GAAP because Selecta has obtained control of Old Cartesian as a result of the Merger. As such, for financial reporting purposes, Selecta has been determined to be the accounting acquirer as Old Cartesian is deemed to be a variable interest entity to which Selecta is the primary beneficiary as Selecta has (i) the power to direct the activities that most significantly impact the economic performance of Old Cartesian and (ii) the obligation to absorb losses or the right to receive benefits of Old Cartesian. Under the terms of the Merger: (A) the pre-Merger stockholders of Selecta continue to control the combined company, as the Series A Preferred Stock issued in connection with the Merger and Financing are non-voting shares, unless and until there is a stockholder vote which approves the Conversion Proposal, (B) Selecta holds the majority of Board seats of the combined company, and (C) Selecta's management holds all key positions in the management of the combined company.

The pro forma adjustments are subject to further adjustments as additional information becomes available and as additional analyses are conducted following the completion of the Merger. There can be no assurances that these additional analyses will not result in material changes to the estimates of fair value.

3. Purchase Price Allocation

The net purchase price of Old Cartesian was approximately $168.5 million and was funded by the issuance of Common Stock, Series A Preferred Stock and the exchange of stock options of Old Cartesian for stock options of the Company. The total purchase price has been allocated to Old Cartesian's tangible assets, identifiable intangible assets and assumed liabilities based on their estimated fair values as of November 13, 2023. The excess of the purchase price over the tangible assets, identifiable intangible assets and assumed liabilities will be recorded as goodwill. The Company's estimates and assumptions in determining the estimated fair values of certain assets and liabilities are preliminary and are subject to change. The total estimated purchase price was allocated as follows (in thousands):

		Amounts
Total purchase consideration		
Common Stock	$	2,713
Series A Preferred Stock		155,308
Assumption of Cartesian stock options		10,444
Total purchase price	$	168,465
Allocation of the purchase consideration		
Tangible assets	$	8,000
Liabilities assumed		(3,444)
Intangible assets		150,700
Deferred tax liabilities		(34,853)
Goodwill		48,062
Total purchase price allocation	$	168,465

The preliminary fair value of the intangible assets has been estimated using the income approach in which the after-tax cash flows are discounted to present value. The cash flows are based on estimates used to price the transaction, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as the weighted average cost of capital. Based on the preliminary valuation, the acquired intangible assets are comprised of in-process research and development associated with Descartes-08 for myasthenia gravis and Descartes-08 for systemic lupus erythematosus development programs. These preliminary estimates of fair value may vary materially from the final acquisition accounting, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial statements.

After allocation of the preliminary purchase price to the estimated fair values of acquired assets and liabilities as of November 13, 2023, goodwill is approximately $48.1 million. The factors contributing to the recognition of the amount of goodwill are primarily attributable to the value of the assembled workforce and deferred tax liabilities associated with the transaction.

4. Pro Forma Adjustments

The pro forma adjustments were based on the preliminary information available at the time of the preparation of the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with, the separate historical audited financial statements of Selecta and Old Cartesian for the years ended December 31, 2022, and 2021 and for the nine months ended September 30, 2023.

Merger Transaction Adjustments

A To accrue additional $4.9 million of transaction costs incurred by Selecta subsequent to September 30, 2023.

B Recognize total research and development expense of $7.5 million and general and administrative expense of $8.9 million associated with the modification of Selecta stock options and restricted stock units to accelerate the vesting of all awards upon the Merger and the cash settlement of certain awards.

The modification resulted in full recognition of unrecognized compensation of $13.1 million of which $5.9 million and $7.2 million was classified as research and development expense and general and administrative expense, respectively.

In addition, with the exception of any options with an exercise price greater than $2.06 per share, all awards were settled in cash for an amount equal to $2.06 less any exercise price associated with the awards. The total cash payment made to the holders of stock options and restricted stock units was $9.4 million. The fair value of the awards prior to the settlement was recorded to additional paid in capital in an amount of $6.2 million and the amount in excess of fair value was recognized as additional compensation expense in an amount of $3.3 million, of which $1.6 million and $1.7 million was classified as research and development expense and general and administrative expense, respectively.

C An in-license agreement held by Old Cartesian included a payment to the licensor that is contingent upon certain corporate transactions. In connection with the Merger, a payment in the amount of $0.6 million was due to the licensor and fully accrued as of September 30, 2023. The Company accounted for the obligation as a derivative which was remeasured at fair value at the end of each reporting period. The expense related to the remeasurement of the contingent liability which is recorded in other income, net for the nine months ended September 30, 2023 ($0.1 million) was removed. The expense has been reflected in the year ended December 31, 2022, as the Merger is assumed to have occurred on January 1, 2022, for pro forma purposes.

D In connection with the Merger, one Old Cartesian employee had a pre-existing provision in the employee's stock option agreement, which provided for an acceleration of vesting upon a change in control, which was triggered as a result of the Merger. The additional expense of $0.6 million will be included in Old Cartesian's pre-acquisition net loss, upon the Merger. This amount is included as a pro forma adjustment as the expense is not included in the historical financial statements presented.

E To record stock compensation expense for the assumed unvested stock option awards (valued at approximately $2.6 million) that is to be recorded prospectively over the remaining service period of the awards. Total expense of $1.2 million and $0.7 million was classified as research and development expense during the year ended December 31, 2022 and the nine months ended September 30, 2023, respectively. There are no awards related to general and administrative activities.

F To record purchase consideration and acquired intangible assets, goodwill and deferred tax liabilities.

G To reflect the $60.25 million Financing associated with the issuance of Series A Preferred Stock under the Securities Purchase Agreement.

H In connection with the Merger, the Company entered into the CVR Agreement to distribute the rights to future cash flows associated with certain licensed products and other assets to its stockholders. One CVR was distributed with respect to each share of Common Stock outstanding as of December 4, 2023 and each share of Common Stock underlying the Selecta Warrants issued on April 11, 2022. Further, one CVR will be distributed in respect of each share of Common Stock underlying the other Selecta Warrants, in each case if and to the extent each such Selecta Warrant is exercised in the future in accordance with its own terms. Each CVR was valued at $1.83 per Common Stock equivalent. The aggregate fair value of the CVR obligation on November 13, 2023 (the date that the CVR dividend was declared) was $340.3 million, which is recognized as a liability with the dividend recognized to additional paid in capital.

I To eliminate the historical equity of Cartesian Therapeutics, Inc. (Old Cartesian).

J To recognize the tax benefit associated with the deferred tax liability recorded as part of the purchase price allocation.

K The Series A Preferred Stock and the Selecta Warrants issued on April 11, 2022 are considered participating securities and therefore the Company follows the two-class method when computing pro forma net loss (income) per share. During periods of net loss, there is no allocation of undistributed earnings required under the two-class method since the participating securities do not have a contractual obligation to fund the losses of the Company. The following represents the pro forma calculation of basic EPS for the year ended December 31, 2022:

Net income	$	24,712
Less: CVR distribution to participating securities		(37,550)
Net loss allocable to shares of common stock, basic		(12,838)
Net loss per share, basic	$	(0.08)
Weighted-average shares of common stock outstanding, basic		151,482,194

The CVR distribution to participating securities represents the amount of the CVR distribution attributable to the Selecta Warrants issued on April 11, 2022 which participated in that distribution. The Series A Preferred Stock did not participate in the CVR distribution. During the nine months ended September 30, 2023, there were no adjustments to net loss to determine net loss allocable to shares of Common Stock, basic. The following represents the pro forma calculation of diluted earnings per share for the year ended December 31, 2022:

Net loss allocable to shares of common stock, basic	$	(12,838)
Less: change in fair value of dilutive warrants		(21,029)
Net loss allocable to shares of common stock, diluted		(33,867)
Net loss per share, diluted	$	(0.22)
Weighted-average shares of common stock outstanding, diluted		152,282,286

During the nine months ended September 30, 2023, there were no adjustments to net loss to determine net loss allocable to shares of Common Stock, diluted.

Potentially dilutive Common Stock equivalents excluded from the computation of diluted net loss per share at September 30, 2023 and December 31, 2022, as the effect would have been anti-dilutive, are as follows:

	September 30, 2023	December 31, 2022
Warrants to purchase Common Stock	31,224,703	22,807,755
Series A preferred stock issued to Cartesian stockholders	384,930,724	384,930,724
Series A preferred stock issued in Financing	149,330,115	149,330,115
Common Stock options	23,306,661	23,306,661
Series A Preferred Stock options	14,112,299	14,112,299
Total	602,904,502	594,487,554