

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

FORM 10-Q

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

For the quarterly period ended September 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 001-36517

Minerva Neurosciences, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

**1500 District Avenue
Burlington, MA**
(Address of Principal Executive Offices)

26-0784194
(I.R.S. Employer
Identification No.)

01803
(Zip Code)

Registrant's telephone number, including area code: (617) 600-7373

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	NERV	The Nasdaq Capital Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares of Registrant's Common Stock, \$0.0001 par value per share, outstanding as of November 4, 2022 was 5,340,193.

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Unless the context suggests otherwise, references in this Quarterly Report on Form 10-Q, or Quarterly Report, to “Minerva,” “the Company,” “we,” “us,” and “our” refer to Minerva Neurosciences, Inc. and, where appropriate, its subsidiaries.

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements reflect our plans, estimates and beliefs. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “would” and similar expressions intended to identify forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Because of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not transpire. These risks and uncertainties include, but are not limited to, the risks included in this Quarterly Report on Form 10-Q under Part II, Item 1A, “Risk Factors” and in our Annual Report on Form 10-K for the year ended December 31, 2021 under Part I, Item 1A, “Risk Factors.”

Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our estimates and assumptions only as of the date of this document. You should read this document with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we do not undertake any obligation to publicly update or revise any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise.

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

PART I – Financial Information
Item 1 – Financial Statements

MINERVA NEUROSCIENCES, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 40,220,008	\$ 60,755,080
Restricted cash	100,000	100,000
Refundable regulatory fee	3,117,218	—
Prepaid expenses and other current assets	1,403,532	1,346,359
Total current assets	44,840,758	62,201,439
Capitalized software, net	48,952	51,080
Goodwill	14,869,399	14,869,399
Total assets	\$ 59,759,109	\$ 77,121,918
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities		
Accounts payable	\$ 532,888	\$ 1,853,215
Accrued expenses and other current liabilities	1,663,971	965,739
Total current liabilities	2,196,859	2,818,954
Liability related to the sale of future royalties	71,808,096	66,327,321
Total liabilities	74,004,955	69,146,275
Commitments and contingencies (Note 8)		
Stockholders' (deficit) equity		
Preferred stock; \$0.0001 par value; 100,000,000 shares authorized; none issued or outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Common stock; \$0.0001 par value; 125,000,000 shares authorized; 5,340,193 and 5,340,196 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	534	534
Additional paid-in capital	345,837,638	342,676,508
Accumulated deficit	(360,084,018)	(334,701,399)
Total stockholders' (deficit) equity	(14,245,846)	7,975,643
Total liabilities and stockholders' (deficit) equity	\$ 59,759,109	\$ 77,121,918

See accompanying notes to condensed consolidated financial statements

Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Expenses				
Research and development	\$ 2,367,364	\$ 4,512,853	\$ 11,459,205	\$ 13,292,488
General and administrative	2,839,784	3,004,765	8,702,390	10,695,944
Total expenses	<u>5,207,148</u>	<u>7,517,618</u>	<u>20,161,595</u>	<u>23,988,432</u>
Loss from operations	(5,207,148)	(7,517,618)	(20,161,595)	(23,988,432)
Foreign exchange gains (losses)	2,063	(4,855)	(135)	(28,708)
Investment income	180,091	4,156	259,886	12,822
Non-cash interest expense for the sale of future royalties	(1,875,482)	(1,687,090)	(5,480,775)	(4,594,985)
Net loss	<u>\$ (6,900,476)</u>	<u>\$ (9,205,407)</u>	<u>\$ (25,382,619)</u>	<u>\$ (28,599,303)</u>
Net loss per share, basic and diluted	<u>\$ (1.29)</u>	<u>\$ (1.72)</u>	<u>\$ (4.75)</u>	<u>\$ (5.36)</u>
Weighted average shares outstanding, basic and diluted	<u>5,340,193</u>	<u>5,340,196</u>	<u>5,340,195</u>	<u>5,340,196</u>

See accompanying notes to condensed consolidated financial statements.

**Condensed Consolidated Statements of Stockholders' (Deficit) Equity
(Unaudited)**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Amount			
Balances at January 1, 2021	5,340,196	\$ 534	\$ 337,457,514	\$ (284,795,447)	\$ 52,662,601
Stock-based compensation	—	—	1,516,064	—	1,516,064
Net loss	—	—	—	(8,804,733)	(8,804,733)
Balances at March 31, 2021	5,340,196	\$ 534	\$ 338,973,578	\$ (293,600,180)	\$ 45,373,932
Stock-based compensation	—	—	1,384,060	—	1,384,060
Net loss	—	—	—	(10,589,163)	(10,589,163)
Balances at June 30, 2021	5,340,196	\$ 534	\$ 340,357,638	\$ (304,189,343)	\$ 36,168,829
Stock-based compensation	—	—	1,114,526	—	1,114,526
Net loss	—	—	—	(9,205,407)	(9,205,407)
Balances at September 30, 2021	5,340,196	\$ 534	\$ 341,472,164	\$ (313,394,750)	\$ 28,077,948
Balances at January 1, 2022	5,340,196	\$ 534	\$ 342,676,508	\$ (334,701,399)	\$ 7,975,643
Stock-based compensation	—	—	1,052,656	—	1,052,656
Net loss	—	—	—	(9,764,429)	(9,764,429)
Balances at March 31, 2022	5,340,196	\$ 534	\$ 343,729,164	\$ (344,465,828)	\$ (736,130)
Stock-based compensation	—	—	1,071,605	—	1,071,605
Adjustments due to the rounding impact from the reverse stock split for fractional shares	(3)	—	(5)	—	(5)
Net loss	—	—	—	(8,717,714)	(8,717,714)
Balances at June 30, 2022	5,340,193	\$ 534	\$ 344,800,764	\$ (353,183,542)	\$ (8,382,244)
Stock-based compensation	—	—	1,036,874	—	1,036,874
Net loss	—	—	—	(6,900,476)	(6,900,476)
Balances at September 30, 2022	5,340,193	\$ 534	\$ 345,837,638	\$ (360,084,018)	\$ (14,245,846)

See accompanying notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (25,382,619)	\$ (28,599,303)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of right-of-use assets	—	101,786
Amortization of capitalized software	2,128	—
Stock-based compensation expense	3,161,135	4,014,650
Non-cash interest expense associated with the sale of future royalties	5,480,775	4,594,985
Changes in operating assets and liabilities		
Refundable regulatory fee	(3,117,218)	—
Prepaid expenses and other current assets	(57,173)	232,813
Capitalized software	—	(51,080)
Other noncurrent assets	—	14,808
Accounts payable	(1,320,327)	204,895
Accrued expenses and other current liabilities	698,232	(171,158)
Operating lease liabilities, current	—	(111,229)
Net cash used in operating activities	<u>(20,535,067)</u>	<u>(19,768,833)</u>
Cash flows from investing activities:		
Net cash provided by investing activities	<u>—</u>	<u>—</u>
Cash flows from financing activities:		
Fees paid in connection with the reverse stock split fractional shares	(5)	—
Proceeds from the sale of future royalties	—	60,000,000
Net cash (used in) provided by financing activities	<u>(5)</u>	<u>60,000,000</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(20,535,072)</u>	<u>40,231,167</u>
Cash, cash equivalents and restricted cash		
Beginning of period	60,855,080	25,456,952
End of period	<u>\$ 40,320,008</u>	<u>\$ 65,688,119</u>
Reconciliation of the Condensed Consolidated Statements of Cash Flows to the Condensed Consolidated Balance Sheets		
Cash and cash equivalents	\$ 40,220,008	\$ 65,588,119
Restricted cash	100,000	100,000
Total cash, cash equivalents and restricted cash	<u>\$ 40,320,008</u>	<u>\$ 65,688,119</u>

See accompanying notes to condensed consolidated financial statements.

MINERVA NEUROSCIENCES, INC.
Notes to Condensed Consolidated Financial Statements
As of September 30, 2022 and for the Nine Months Ended September 30, 2022 and 2021
(Unaudited)

NOTE 1 — NATURE OF OPERATIONS AND LIQUIDITY

Nature of Operations

Minerva Neurosciences, Inc. (“Minerva” or the “Company”) is a clinical-stage biopharmaceutical company focused on the development and commercialization of product candidates to treat patients suffering from central nervous system (“CNS”) diseases. The Company’s lead product candidate is roluperidone (f/k/a MIN-101), a compound the Company is developing for the treatment of negative symptoms in patients with schizophrenia. The Company holds the license to roluperidone from Mitsubishi Tanabe Pharma Corporation (“MTPC”) with the rights to develop, sell and import roluperidone globally, excluding most of Asia. The Company also has exclusive rights to develop and commercialize MIN-301, a compound for the treatment of Parkinson’s disease. In addition, Minerva previously co-developed seltorexant (f/k/a MIN-202 or JNJ-42847922) with Janssen Pharmaceutica NV (“Janssen”) for the treatment of insomnia disorder and adjunctive treatment of Major Depressive Disorder (“MDD”). During 2020 Minerva exercised its right to opt out of the joint development agreement with Janssen for the future development of seltorexant. As a result, the Company was entitled to collect royalties in the mid-single digits on potential future worldwide sales of seltorexant in certain indications, with no further financial obligations to Janssen. In January 2021, the Company sold its rights to these potential royalties to Royalty Pharma plc (“Royalty Pharma”). For further discussion of the joint development agreement with Janssen and the sale of future royalties, please refer to Note 5, Sale of Future Royalties.

Liquidity

The accompanying interim condensed consolidated financial statements have been prepared as though the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has limited capital resources and has incurred recurring operating losses and negative cash flows from operations since inception. As of September 30, 2022, the Company had an accumulated deficit of approximately \$360.1 million and net cash used in operating activities was approximately \$20.5 million during the nine months ended September 30, 2022. Management expects to continue to incur operating losses and negative cash flows from operations in the future. The Company has financed its operations to date from proceeds from the sale of common stock, warrants, loans, convertible promissory notes, collaboration agreements and royalty sales.

As of September 30, 2022, the Company had cash, cash equivalents, and restricted cash of \$40.3 million. The Company believes that its existing cash, cash equivalents, and restricted cash will be sufficient to meet its cash commitments for at least the next 12 months after the date that the interim condensed consolidated financial statements are issued. The process of drug development can be costly and the timing and outcomes of clinical trials is uncertain. The assumptions upon which the Company has based its estimates are routinely evaluated and may be subject to change. The actual amount of the Company’s expenditures will vary depending upon a number of factors including but not limited to the design, timing and duration of future clinical trials, the progress of the Company’s research and development programs, the infrastructure to support a commercial enterprise, the cost of a commercial product launch, and the level of financial resources available. The Company has the ability to adjust its operating plan spending levels based on the timing of future clinical trials, which will be predicated upon adequate funding to complete the trials.

The Company will need to raise additional capital in order to continue to fund operations and fully fund any potential later stage clinical development programs. The Company believes that it will be able to obtain additional working capital through equity financings or other arrangements to fund future operations; however, there can be no assurance that such additional financing, if available, can be obtained on terms acceptable to the Company. Further, if the Company does not satisfy The Nasdaq Capital Market continued listing requirements, its common stock may be subject to delisting, which could impact the Company’s ability to complete additional equity financings on terms acceptable to the Company. If the Company is unable to obtain such additional financing, future operations would need to be scaled back or discontinued.

Significant Risks and Uncertainties

COVID-19 Pandemic

The Company's business could be adversely affected by the effects of the ongoing COVID-19 pandemic. Beginning in late 2019 and continuing into 2022, the outbreak of COVID-19 has resulted in the declaration of a global pandemic and adversely affected economic activity across virtually all sectors and industries on a local, national, and global scale. While global vaccination efforts are underway and certain jurisdictions, including Massachusetts, have reopened businesses and governmental agencies, we are unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the duration of the outbreak, the result of vaccination efforts, resurgence of the virus, actions that may be taken by governmental authorities, the impact on our business including our clinical programs and timelines, and the impact to the business of our service providers and partners.

While the COVID-19 pandemic has not had a material adverse impact on the Company's operations to date, this disruption, if sustained or recurrent, together with rising interest rates, could have a material adverse effect on the Company's operating results, its ability to raise capital needed to develop and commercialize products and the Company's overall financial condition. In addition, a recession or market correction resulting from the spread of the coronavirus could materially affect the value of the Company's common stock. The impact of the COVID-19 pandemic may also exacerbate other risks discussed in this Quarterly Report on Form 10-Q. Refer to Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q for a complete description of the material risks that the Company currently faces.

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim reporting and the requirements of the Securities and Exchange Commission ("SEC") in accordance with Regulation S-X, Rule 8-03. Under those rules, certain notes and financial information that are normally required for annual financial statements can be condensed or omitted. In the opinion of the Company's management, the accompanying financial statements contain all adjustments (consisting of items of a normal and recurring nature) necessary to present fairly the financial position as of September 30, 2022, the results of operations for the three and nine months ended September 30, 2022 and 2021 and cash flows for the nine months ended September 30, 2022 and 2021. The results of operations for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the full year. The consolidated balance sheet as of December 31, 2021 was derived from the audited annual financial statements. The accompanying unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K filed with the SEC on March 1, 2022.

Reverse Stock Split

On June 17, 2022, the Company filed a Certificate of Amendment to its Amended and Restated Certificate of Incorporation (the "Amendment") with the Secretary of State of the State of Delaware to effect a one-for-eight (1-for-8) reverse stock split of its outstanding common stock. The Amendment became effective at 5:00 p.m. Eastern Time on June 17, 2022. A series of alternate amendments to effect a reverse stock split was approved by the Company's stockholders at the Company's 2022 Annual Meeting of Stockholders held on June 10, 2022, and the specific one-for-eight (1-for-8) reverse stock split was subsequently approved by the Company's board of directors on June 10, 2022.

The Amendment provided that, at the effective time of the Amendment, every eight (8) shares of the Company's issued and outstanding common stock automatically combined into one issued and outstanding share of common stock, without any change in par value per share. The reverse stock split affected all shares of the Company's common stock outstanding immediately prior to the effective time of the Amendment. As a result of the reverse stock split, proportionate adjustments were made to the per share exercise price and/or the number of shares issuable upon the exercise or vesting of all stock options, restricted stock units and restricted stock awards issued by the Company and outstanding immediately prior to the effective time of the Amendment, which resulted in a proportionate decrease in the number of shares of the Company's common stock reserved for issuance upon exercise or vesting of such stock options, restricted stock units and restricted stock awards, and, in the case of stock options, a proportionate increase in the exercise price of all such stock options. In addition, the number of shares reserved for issuance under the Company's equity compensation plans immediately prior to the effective time of the Amendment was reduced proportionately. The reverse stock split did not affect the number of shares of common stock authorized for issuance under the Company's Amended and Restated Certificate of Incorporation, which remained at 125,000,000 shares.

No fractional shares were issued as a result of the reverse stock split. Stockholders of record who would otherwise have been entitled to receive a fractional share received a cash payment in lieu thereof. The reverse stock split affected all stockholders proportionately and did not affect any stockholder's percentage ownership of the Company's common stock (except to the extent that the reverse stock split results in any stockholder owning only a fractional share). As a result of the reverse stock split, the number of the Company's outstanding shares of common stock as of June 17, 2022 decreased from 42,721,566 (pre-split) shares to 5,340,193 (post-split) shares.

All share and per share amounts in the accompanying financial statements, related footnotes, and management's discussion and analysis have been adjusted retroactively to reflect the reverse stock split as if it had occurred at the beginning of the earliest period presented. The Company's common stock began trading on The Nasdaq Global Market on a split-adjusted basis when the market opened on June 21, 2022. Effective September 12, 2022, the Company transferred the listing of its common stock from The Nasdaq Global Market to The Nasdaq Capital Market.

Consolidation

The accompanying consolidated financial statements include the results of the Company and its wholly-owned subsidiaries, Mind-NRG Sarl and Minerva Neurosciences Securities Corporation. Intercompany transactions have been eliminated.

Significant risks and uncertainties

The Company's operations are subject to a number of factors that can affect its operating results and financial condition. Such factors include, but are not limited to: the results of clinical testing and trial activities of the Company's products, the Company's ability to obtain regulatory approval to market its products, competition from products manufactured and sold or being developed by other companies, the price of, and demand for, Company products, the Company's ability to negotiate favorable licensing or other manufacturing and marketing agreements for its products, and the Company's ability to raise capital.

The Company currently has no commercially approved products and there can be no assurance that the Company's research and development will be successfully commercialized. Developing and commercializing a product requires significant time and capital and is subject to regulatory review and approval as well as competition from other biotechnology and pharmaceutical companies. The Company operates in an environment of rapid change and is dependent upon the continued services of its employees and consultants and obtaining and protecting intellectual property.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash equivalents include short-term, highly-liquid instruments, consisting of money market accounts and short-term investments with maturities from the date of purchase of 90 days or less. The majority of cash and cash equivalents are maintained with major financial institutions in North America. Deposits with these financial institutions may exceed the amount of insurance provided on such deposits. These deposits may be redeemed upon demand which reduces counterparty performance risk.

Restricted cash

Cash accounts with any type of restriction are classified as restricted. The Company maintained restricted cash balances as collateral for corporate credit cards in the amount of \$0.1 million at each of September 30, 2022 and December 31, 2021.

Refundable regulatory fee

On August 12, 2022, the Company paid \$3,117,218 to the U.S. Food and Drug Administration ("FDA") for the New Drug Application ("NDA") user fee related to roluperidone. The Company met the conditions of the Federal Food, Drug, and Cosmetic Act, as amended, for the small business waiver of the user fees and its request for a waiver of an application user fee was granted by the FDA on November 2, 2022.

Recent accounting pronouncements

From time to time, new accounting pronouncements are issued by the FASB and are adopted by the Company as of the specified effective date. The Company believes that the impact of recently issued, but not yet adopted, accounting pronouncements will not have a material impact on the condensed consolidated financial statements or do not apply to the Company.

NOTE 3 — ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Research and development costs and other accrued expenses	\$ 116,338	\$ 902,803
Accrued bonus	1,143,199	—
Professional fees	338,129	62,936
Vacation pay	66,305	—
Total	<u>\$ 1,663,971</u>	<u>\$ 965,739</u>

NOTE 4 — NET LOSS PER SHARE OF COMMON STOCK

Diluted loss per share is the same as basic loss per share for all periods presented as the effects of potentially dilutive items were anti-dilutive given the Company's net loss. Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding, plus potential outstanding common stock for the period. Potential outstanding common stock includes stock options and shares underlying RSUs, but only to the extent that their inclusion is dilutive. The following table sets forth the computation of basic and diluted loss per share for common stockholders:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net loss	\$ (6,900,476)	\$ (9,205,407)	\$ (25,382,619)	\$ (28,599,303)
Weighted average shares of common stock outstanding	5,340,193	5,340,196	5,340,195	5,340,196
Net loss per share of common stock – basic and diluted	\$ (1.29)	\$ (1.72)	\$ (4.75)	\$ (5.36)

The following securities outstanding at September 30, 2022 and 2021 have been excluded from the calculation of weighted average shares outstanding as their effect on the calculation of loss per share is antidilutive:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Common stock options	467,429	224,308	467,429	224,308
Performance-based restricted stock units	456,422	456,422	456,422	456,422
Common stock warrants	5,099	5,099	5,099	5,099

NOTE 5 — SALE OF FUTURE ROYALTIES

The Company had previously co-developed seltorexant with Janssen for the treatment of insomnia disorder and adjunctive treatment of MDD. During 2020, the Company exercised its right to opt out of the joint development agreement with Janssen for the future development of seltorexant and, as a result, the Company was entitled to collect royalties in the mid-single digits on potential future sales of seltorexant worldwide in certain indications, with no further financial obligations to Janssen.

On January 19, 2021, the Company entered into an agreement with Royalty Pharma under which Royalty Pharma acquired the Company's royalty interest in seltorexant for an upfront payment of \$60 million and up to an additional \$95 million in potential milestone payments. These milestone payments are contingent upon the achievement of certain clinical, regulatory and commercial milestones for seltorexant by Janssen or any other party in the event that Janssen sells seltorexant. Under the terms of the agreement, the Company has significant continuing involvement as Royalty Pharma has recourse against the Company relating to the payments due from Janssen. As such, the Company applied the debt recognition guidance under ASC 470, *Debt*, and recorded the upfront payment of \$60 million as a liability related to the sale of future royalties ("Royalty Obligation"), which will be amortized under the interest method over the estimated life of the agreement. Under the terms of the agreement, all payments from Royalty Pharma to the Company, including the initial upfront payment of \$60 million as well as amortized interest expense and potential milestone payments, are not repayable to Royalty Pharma in the event that Janssen discontinues the clinical development of seltorexant or ceases to pursue its commercialization at a future date for any reason. In addition, in accordance with ASC 470, *Debt*, the Company will account for any royalties received in the future as non-cash royalty revenue.

As royalties are remitted from Janssen to Royalty Pharma, the balance of the Royalty Obligation will be effectively repaid over the life of the co-development and license agreement (the "Agreement") with Janssen. In order to determine the amortization of the Royalty Obligation, the Company is required to estimate the total amount of future royalty payments to Royalty Pharma over the life of the Agreement. In addition to the \$60 million upfront payment, up to an additional \$95 million in potential milestone payments will also be recorded as a liability related to the sale of future royalties and amortized as interest expense over the estimated remaining life of the agreement. At execution, the Company's estimate of this total interest expense resulted in an effective annual interest rate of approximately 10.5%. As of September 30, 2022, the Company estimated the effective annual interest rate to be approximately 10.7%. This estimate contains significant assumptions, which are considered Level 3 fair value inputs, regarding the timing and amount of expected royalty and milestone payments that impact the interest expense that will be recognized over the royalty period. The Company will periodically assess the estimated royalty payments to Royalty Payments from Janssen and to the extent the amount or timing of such payments is materially different than the original estimates, an adjustment will be recorded prospectively to increase or decrease interest expense. There are a number of factors that could materially affect the amount and timing of royalty payments to Royalty Pharma from Janssen, and correspondingly, the amount of interest expense recorded by the Company, most of which are not within the Company's control. Such factors include, but are not limited to, delays or discontinuation of development of seltorexant, regulatory approval, changing standards of care, the introduction of competing products, manufacturing or other delays, generic competition, intellectual property matters, adverse events that result in governmental health authority imposed restrictions on the use of the drug products, significant changes in foreign exchange rates as the royalties remitted to Royalty Pharma are made in U.S. dollars ("USD") while the underlying sales of seltorexant will be made in currencies other than USD, the ongoing COVID-19 pandemic, and other events or circumstances that are not currently foreseen. Changes to any of these factors could result in increases or decreases to both royalty revenues and interest expense.

The following table shows the activity of the Royalty Obligation since the transaction inception through September 30, 2022:

	September 30, 2022
Upfront payment from the sale of future royalties	\$ 60,000,000
Non-cash interest expense associated with the sale of future royalties	11,808,096
Liability related to the sale of future royalties	\$ 71,808,096

NOTE 6 — STOCKHOLDERS' EQUITY

At-the-Market Equity Offering Program

In September 2022, the Company entered into an Open Market Sale Agreement (the "Sales Agreement") with Jefferies LLC ("Jefferies") pursuant to which the Company may offer and sell, from time to time, through Jefferies shares of the Company's common stock, by any method permitted by law deemed to be an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. During the nine months ended September 30, 2022, no shares of the Company's common stock were issued or sold under the Sales Agreement. As of September 30, 2022, an aggregate of \$22.6 million was eligible for sale pursuant to the Sales Agreement under the Company's effective registration statement on Form S-3 (File No. 333-267424).

The Company's previous sales agreement with Jefferies entered into in August 2018 terminated pursuant to its terms in August 2021.

Term Loan Warrants

In connection with the Company's former Loan and Security Agreement with Oxford Finance LLC and Silicon Valley Bank (the "Lenders"), which provided for term loans to the Company in an aggregate principal amount of up to \$15 million in two tranches on January 15, 2016, the Company issued the Lenders warrants to purchase 5,099 shares of common stock at a per share exercise price of \$44.13. The warrants were immediately exercisable upon issuance, and other than in connection with certain mergers or acquisitions, will expire on the ten-year anniversary of the date of issuance. The fair value of the warrants was estimated at \$0.2 million using a Black-Scholes model and assuming: (i) expected volatility of 100.8%, (ii) risk free interest rate of 1.83%, (iii) an expected life of 10 years and (iv) no dividend payments. The fair value of the warrants was included as a discount to the term loans drawn at such time and also as a component of additional paid-in capital and were amortized to interest expense over the term of the loan. Although the term loans were repaid in August 2018, all related warrants were outstanding and exercisable as of September 30, 2022.

NOTE 7 — STOCK AWARD PLAN AND STOCK-BASED COMPENSATION

In December 2013, the Company adopted the 2013 Equity Incentive Plan (as subsequently amended and restated, the "Plan"), which provides for the issuance of options, stock appreciation rights, stock awards and stock units.

Option Exchange Program

On June 11, 2021, the Company's stockholders, upon recommendation of the board of directors of the Company, approved a one-time stock option exchange program (the "Exchange Program") for certain employee option holders (including its named executive officers) (the "Eligible Participants") who remained employed by the Company through the completion of the Exchange Program. The Exchange Program permitted Eligible Participants to surrender stock options issued and outstanding under the Plan granted before July 1, 2020, with a per-share exercise price of \$35.76 or greater (the "Eligible Options"), in exchange for a grant of performance-based restricted stock units ("PRSUs") that will settle in shares of the Company's common stock upon vesting. 50% of the new PRSUs will vest upon the FDA acceptance of a new drug application for roluperidone, provided that such acceptance is not "over protest" and occurs within three years after the grant date. The remaining new PRSUs will vest upon roluperidone receiving FDA marketing approval provided that such approval occurs within five years after the grant date.

On July 6, 2021, the Company filed with the SEC a Tender Offer Statement on Schedule TO disclosing the terms and conditions of the Exchange Program. The Exchange Program closed on August 3, 2021. On August 6, 2021, options to purchase 953,980 shares of the Company's common stock were exchanged for 476,640 PRSUs. Options surrendered in the Exchange Program were cancelled and shares subject to the cancelled options again became available for issuance under the Plan.

The non-cash incremental stock-based compensation cost associated with the Exchange Program was \$0.5 million. This incremental cost was measured as the excess of the fair value of each new PRSU, measured as of the date the new PRSUs were granted, over the fair value of the stock options surrendered in exchange for the new PRSU, measured immediately prior to the cancellation. This incremental compensation cost will be recognized when it is deemed probable that the two vesting conditions of the PRSUs will be achieved.

Stock Option Awards

Stock option activity for employees and non-employees for the nine months ended September 30, 2022 is as follows:

	Shares Issuable Pursuant to Stock Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Terms (years)	Total Intrinsic Value (in thousands)
Outstanding January 1, 2022	264,929	\$ 34.10	7.9	\$ —
Granted	202,500	\$ 6.11		
Exercised	—			
Forfeited	—			
Outstanding September 30, 2022	467,429	\$ 21.97	8.1	\$ 632
Exercisable September 30, 2022	174,471	\$ 39.42	6.6	\$ 22
Available for future grant	352,166			

The weighted average grant-date fair value of stock options outstanding on September 30, 2022 was \$14.94 per share. Total unrecognized compensation costs related to non-vested stock options at September 30, 2022 were approximately \$1.4 million and are expected to be recognized within future operating results over a weighted-average period of 2.2 years. The total intrinsic value of the options exercised during the nine months ended September 30, 2022 and 2021 was zero.

The expected term of the employee-related options was estimated using the “simplified” method as defined by the SEC’s Staff Accounting Bulletin No. 107, *Share-Based Payment*. The volatility assumption was determined by examining the historical volatilities for industry peer companies, as the Company did not have sufficient trading history for its common stock. The risk-free interest rate assumption is based on the U.S. Treasury instruments, the term of which was consistent with the expected term of the options. The dividend assumption is based on the Company’s history and expectation of dividend payouts. The Company has never paid dividends on its common stock and does not anticipate paying dividends on its common stock in the foreseeable future. Accordingly, the Company has assumed no dividend yield for purposes of estimating the fair value of the options.

The Company uses the Black-Scholes model to estimate the fair value of stock options granted. For stock options granted during the nine months ended September 30, 2022 and 2021, the Company utilized the following assumptions:

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Expected term (years)	5.50 - 6.25	5.50
Risk free interest rate	1.96% - 3.25%	0.86%
Volatility	76% - 97%	75%
Dividend yield	0%	0%
Weighted average grant date fair value per share of common stock	\$4.78	\$14.64

Performance-Based Restricted Stock Units

On August 6, 2021, the Company granted 476,640 PRSUs through the Exchange Program. The Exchange Program was treated as a Type II modification (Probable-to improbable) under ASC 718. The total PRSUs outstanding at September 30, 2022 was 456,422. The Company will recognize the unrecognized grant-date fair value of the pre-modification stock options as well as any incremental non-cash compensation cost of the PRSUs granted in the Exchange Program, if the vesting conditions of the PRSUs are achieved or if they become probable. The Company is using the pre-modification stock options for determining the compensation cost related to the PRSUs as the vesting conditions remain uncertain for the new PRSUs. The total unrecognized compensation costs related to non-vested stock options at September 30, 2022 were approximately \$1.6 million and are expected to be recognized within future operating results over a weighted-average period of 1.0 year. As of September 30, 2022, no PRSUs have vested and 20,218 have been cancelled.

The following table presents stock-based compensation expense included in the Company’s consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Research and development	\$ 518,920	\$ 541,332	\$ 1,534,899	\$ 1,826,881
General and administrative	517,954	573,194	1,626,236	2,187,769
Total	\$ 1,036,874	\$ 1,114,526	\$ 3,161,135	\$ 4,014,650

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Company may be subject to various legal proceedings and claims that arise in the ordinary course of the Company’s business activities. At this time, the Company is not aware of any such legal proceedings or claims. The Company is not aware of any claim or litigation, the outcome of which, if determined adversely to the Company, would have a material effect on the Company’s financial position or results of operations.

Leases

Please refer to Note 9 for the Company’s current lease commitments.

NOTE 9 — LEASES***Operating leases***

On May 5, 2021, the Company entered into an office lease agreement with BP Reservoir Place to lease approximately 5,923 rentable square feet of office space located at 1601 Trapelo Road, Waltham, MA 02451. The term of the lease agreement began on August 1, 2021 and expired on July 31, 2022, with an annual rate of \$239,881.50 payable in equal monthly installments. The Company has elected to not recognize the lease agreement on the balance sheet as the term of the agreement is 12 months or less. The total operating lease costs during the nine months ended September 30, 2022 were \$139,931.

On May 26, 2022, the Company entered into an office lease agreement with Regus to lease office space located at 1500 District Avenue, Burlington, MA 01803. The term of the lease agreement began on July 15, 2022 and will expire on January 31, 2023, with a monthly rate of \$7,533. The Company has elected to not recognize the lease agreement on the balance sheet as the term of the agreement is 12 months or less. The total operating lease costs during the nine months ended September 30, 2022 were \$19,197.

Future minimum lease payments under the Company's non-cancelable operating lease as of September 30, 2022 were as follows:

Future Operating Lease Payments	Nine Months Ended September 30, 2022
2022	\$ 22,599
2023	7,533
Thereafter	—
Total operating lease liabilities at September 30, 2022	\$ 30,132

NOTE 10 — SUBSEQUENT EVENTS***Operating leases***

On October 11, 2022, the Company entered into an office lease agreement with Regus to lease office space located at 1500 District Avenue, Burlington, MA 01803. The term of the lease agreement will begin on February 1, 2023 and will be month-to-month, with a monthly rate of \$8,290.

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

You should read the following discussion of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our annual audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on March 1, 2022. This discussion and analysis contains forward-looking statements that involve significant risks and uncertainties. Our actual results, performance or experience could differ materially from what is indicated by any forward-looking statement due to various important factors, risks and uncertainties, including, but not limited to, those set forth under "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q. Such factors may be amplified by the potential impact on our business of the global economic slowdown, the overall disruption of global healthcare systems and the other risks and uncertainties associated with the COVID-19 pandemic.

Overview

We are a clinical-stage biopharmaceutical company focused on the development and commercialization of proprietary product candidates to treat patients suffering from central nervous system ("CNS") diseases. Leveraging our scientific insights and clinical experience, we have acquired or in-licensed compounds that we believe have innovative mechanisms of actions and therapeutic profiles that potentially address the unmet needs of patients with these diseases.

We are developing roluperidone for the treatment of negative symptoms in patients with schizophrenia and have exclusive rights to develop and commercialize MIN-301 for the treatment of Parkinson's disease. In addition, we previously co-developed seltorexant with Janssen Pharmaceutica NV ("Janssen") for the treatment of insomnia disorder and adjunctive treatment of Major Depressive Disorder ("MDD"). During 2020, we exercised our right to opt out of a joint development agreement with Janssen for the future development of seltorexant. As a result, we were entitled to collect royalties in the mid-single digits on potential future sales of seltorexant worldwide in certain indications, with no further financial obligations to Janssen. In January 2021, we sold our rights to these potential royalties to Royalty Pharma plc ("Royalty Pharma").

We have not received regulatory approvals to commercialize any of our product candidates, and we have not generated any revenue from the sales or license of our product candidates. We have incurred significant operating losses every year since inception. We expect to incur net losses and negative cash flow from operating activities for the foreseeable future in connection with the clinical development and the potential regulatory approval, infrastructure development and potential commercialization of our product candidates.

Clinical and Regulatory Updates

On October 17, 2022, we announced that we received a Refusal to File ("RTF") letter from the U.S. Food and Drug Administration ("FDA") regarding our New Drug Application ("NDA") for roluperidone for the treatment of negative symptoms in patients with schizophrenia. The FDA indicated that we may request a Type A meeting to discuss the content of the RTF letter. We have requested a Type A meeting with the FDA and anticipate it to occur before the end of 2022.

Financial Overview

Revenue. None of our product candidates have been approved for commercialization and we have not received any revenue in connection with the sale or license of our product candidates.

Research and Development Expenses. Research and development costs are expensed as they are incurred and consist principally of costs incurred in connection with the development of our product candidates including: fees paid to consultants and clinical research organizations ("CROs"), investigator grants, patient screening, lab work, database management, material management, statistical analysis, license fees, regulatory compliance, and costs related to salaries, benefits, bonuses and stock-based compensation granted to employees in research and development functions.

Completion dates and costs can vary significantly by product candidate and are difficult to predict. We anticipate making determinations as to which programs to pursue and the level of funding to direct to each program on an ongoing basis in response to the scientific and clinical success or failure of each product candidate, the estimated costs to continue the development program relative to our available resources, as well as an ongoing assessment of each product candidate's commercial potential. We will need to raise additional capital or may seek additional product collaborations in the future to complete the development and commercialization of our product candidates.

General and Administrative Expenses. General and administrative costs are expensed as they are incurred and consist principally of costs for facility and information systems, professional fees for auditing, consulting and legal services and costs related to salaries, benefits, bonuses and stock-based compensation granted to employees in administrative functions. General and administrative expenses also include costs for maintaining a publicly listed company including increased audit and legal fees, compliance with securities laws, corporate governance and investor relations.

Foreign Exchange Gains (Losses). Foreign exchange gains (losses) are comprised primarily of gains and losses on foreign currency transactions primarily related to research and development expenses. We incur certain expenses, primarily in Euros, and record these expenses in United States Dollars at the time the liability is incurred. Changes in the applicable foreign currency rate between the date that an expense is recorded and the payment date is recorded as a foreign currency gain or loss.

Investment Income. Investment income consists of income earned on our cash equivalents and marketable securities.

Non-cash interest expense for the sale of future royalties. Non-cash interest expense for the sale of future royalties consists of the non-cash interest expense associated with the Royalty Pharma agreement.

Results of Operations

Comparison of Three Months Ended September 30, 2022 versus September 30, 2021

Research and Development Expenses

Research and development expenses were \$2.4 million and \$4.5 million for the three months ended September 30, 2022 and 2021, respectively, a decrease of approximately \$2.1 million. The decrease in research and development expenses was primarily due to lower costs for the Phase 3 clinical trial of roluperidone due to the completion of the 40-week open-label extension in 2021, partially offset by higher consulting fees in support of the NDA submission in August 2022. Non-cash stock compensation expense included in research and development expenses was \$0.5 million for both the three months ended September 30, 2022 and 2021.

General and Administrative Expenses

General and administrative expenses were \$2.8 million and \$3.0 million for the three months ended September 30, 2022 and 2021, respectively, a decrease of approximately \$0.2 million. The decrease in general and administrative expenses was primarily due to lower legal and insurance costs. Non-cash stock compensation expense included in general and administrative expenses was \$0.5 million and \$0.6 million for the three months ended September 30, 2022 and 2021, respectively.

Foreign Exchange Gains (Losses)

Foreign exchange gains were \$2,000 and foreign exchange losses were \$5,000 for the three months ended September 30, 2022 and 2021, respectively, an increase of \$7,000. The increase in foreign exchange gains was primarily due to positive currency movements.

Investment Income

Investment income was \$180,000 and \$4,000 for the three months ended September 30, 2022 and 2021, respectively, an increase of \$176,000 primarily due to higher interest rates.

Non-cash interest expense for the sale of future royalties

Non-cash interest expense for the sale of future royalties was \$1.9 million and \$1.7 million for the three months ended September 30, 2022 and 2021, respectively, an increase of \$0.2 million. The increase was due to an increase in the carrying value of the liability related to the sale of future royalties for seltorexant to Royalty Pharma in accordance with ASC 470, Debt.

Comparison of Nine Months Ended September 30, 2022 versus September 30, 2021

Research and Development Expenses

Research and development expenses were \$11.5 million and \$13.3 million for the nine months ended September 30, 2022 and 2021, respectively, a decrease of approximately \$1.8 million. The decrease in research and development expenses was primarily due to lower costs for the Phase 3 clinical trial of roluperidone due to the completion of the 40-week open-label extension in 2021, partially offset by higher consulting fees in support of the NDA submission in August 2022. Non-cash stock compensation expense included in research and development expenses was \$1.5 million and \$1.8 million for the nine months ended September 30, 2022 and 2021, respectively.

General and Administrative Expenses

General and administrative expenses were \$8.7 million and \$10.7 million for the nine months ended September 30, 2022 and 2021, respectively, a decrease of approximately \$2.0 million. The decrease in general and administrative expenses was primarily due to lower legal and insurance costs. Non-cash stock compensation expense included in general and administrative expenses was \$1.6 million and \$2.2 million for the nine months ended September 30, 2022 and 2021, respectively.

Foreign Exchange Losses

Foreign exchange losses were zero and \$29,000 for the nine months ended September 30, 2022 and 2021, respectively, a decrease of \$29,000. The decrease in foreign exchange losses was primarily due to positive currency movements.

Investment Income

Investment income was \$260,000 and \$13,000 for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$247,000. The increase was primarily due to higher interest rates.

Non-cash interest expense for the sale of future royalties

Non-cash interest expense for the sale of future royalties was \$5.5 million and \$4.6 million for the nine months ended September 30, 2022 and 2021, respectively, an increase of \$0.9 million. The increase was due to a higher effective interest rate during 2022 and an increase in the carrying value of the liability related to the sale of future royalties for seltorexant to Royalty Pharma in accordance with ASC 470, Debt.

Liquidity and Capital Resources

Sources of Liquidity

As of September 30, 2022, we had an accumulated deficit of approximately \$360.1 million. We anticipate that we will continue to incur net losses for the foreseeable future as we continue the development and potential commercialization of our product candidates and to support our operations as a public company. At September 30, 2022, we had approximately \$40.3 million in cash, cash equivalents, and restricted cash. In January 2021, Royalty Pharma acquired our royalty interest in seltorexant for an upfront payment of \$60 million and up to an additional \$95 million in potential milestone payments. The potential future milestone payments to us will be contingent on the achievement of certain clinical, regulatory and commercialization milestones for seltorexant by Janssen. Seltorexant is currently in Phase 3 development for the treatment of MDD with insomnia symptoms by Janssen. We believe that our existing cash, cash equivalents and restricted cash will be sufficient to meet our cash commitments for at least the next 12 months after the date that the financial statements are issued. Our material cash requirements primarily relate to expenditures for the continued development of roluperidone and activities in support of the NDA submission.

Sources of Funds

At-the-Market Equity Offering Program

In September 2022, we entered into an Open Market Sale Agreement (the "Sales Agreement") with Jefferies LLC ("Jefferies") pursuant to which we may offer and sell, from time to time, through Jefferies shares of our common stock, by any method permitted by law deemed to be an "at-the-market" offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. During the nine months ended September 30, 2022, no shares of our common stock were issued or sold under the Sales Agreement. As of September 30, 2022, an aggregate of \$22.6 million was eligible for sale pursuant to the Sales Agreement under our effective registration statement on Form S-3 (File No. 333-267424).

Our previous sales agreement with Jefferies entered into in August 2018 terminated pursuant to its terms in August 2021.

Seltorexant Royalties

We previously co-developed seltorexant with Janssen for the treatment of insomnia disorder and adjunctive treatment of MDD. During 2020, we exercised our right to opt out of a joint development agreement with Janssen for the future development of seltorexant. As a result, we were entitled to collect royalties in the mid-single digits on potential future sales of seltorexant worldwide in certain indications, with no further financial obligations to Janssen.

On January 19, 2021, we entered into an agreement under which Royalty Pharma acquired our royalty interest in seltorexant for an upfront payment of \$60 million and up to an additional \$95 million in potential milestone payments, contingent upon the achievement of certain clinical, regulatory and commercial milestones for seltorexant by Janssen.

Uses of Funds

To date, we have not generated any revenue from sales of products. We have only generated collaborative revenue due to opting out of our license and co-development agreement with Janssen. Furthermore, the \$60 million payment received from Royalty Pharma for the sale of our royalty interests in seltorexant has been included on our balance sheet under Liability related to the sale of future royalties. We do not know when, or if, we will generate any revenue from sales of our products, or from the potential future non-cash royalty revenue associated with the sale of our royalty interests in seltorexant to Royalty Pharma. We do not expect to generate significant revenue from product sales unless and until we obtain regulatory approval of and commercialize any of our product candidates. At the same time, we expect our expenses to increase in connection with our ongoing development activities, particularly as we continue the research, development and clinical trials of, and seek regulatory approval for, our product candidates. We also expect to continue to incur costs associated with operating as a public company. In addition, subject to obtaining regulatory approval of any of our product candidates, we expect to incur significant commercialization expenses for product sales, marketing, manufacturing and distribution.

Until such time, if ever, as we can generate substantial revenue from product sales, we expect to finance our cash needs through a combination of equity offerings, debt financings, government or other third-party funding, commercialization, marketing and distribution arrangements and other collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Additional debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through government or other third-party funding, commercialization, marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. There can be no assurance that such additional funding, if available, can be obtained on terms acceptable to us, and the uncertainty and volatility in the capital markets caused by the continuing COVID-19 pandemic may negatively impact the availability and cost of capital. If we are unable to obtain additional financing, future operations would need to be scaled back or discontinued. We believe that our existing cash, cash equivalents, and restricted cash will be sufficient to meet our cash commitments for at least the next 12 months after the date that the interim condensed consolidated financial statements are issued. The timing of future capital requirements depends upon many factors including the size and timing of future clinical trials, the timing and scope of any strategic partnering activity and the progress of other research and development activities.

Cash Flows

The tables below set forth our significant sources and uses of cash for the periods.

	Nine Months Ended September 30,	
	2022	2021
	(dollars in millions)	
Net cash (used in) provided by:		
Operating activities	\$ (20.5)	\$ (19.8)
Investing activities	—	—
Financing activities	—	60.0
Net (decrease) increase in cash	<u>\$ (20.5)</u>	<u>\$ 40.2</u>

Net Cash Used in Operating Activities

Net cash used in operating activities of approximately \$20.5 million during the nine months ended September 30, 2022 was primarily due to our net loss of \$25.4 million, a \$3.1 million increase in refundable regulatory fees, a \$1.3 million decrease in accounts payable, and a \$0.1 million increase in prepaid expense, partially offset by non-cash interest expense for the sale of future royalties of \$5.5 million, stock-based compensation expense of \$3.2 million, and an increase in accrued expenses of \$0.7 million.

Net cash used in operating activities of approximately \$19.8 million during the nine months ended September 30, 2021 was primarily due to our net loss of \$28.6 million, a \$0.1 million increase in capitalized software, and approximately a \$0.1 million decrease in accrued expenses, partially offset by stock-based compensation expense of \$4.0 million, non-cash interest expense for the sale of future royalties of \$4.6 million, a \$0.2 million decrease in prepaid expense, and a \$0.2 million increase in accounts payable.

Net Cash Provided by Investing Activities

Net cash provided by investing activities was zero during the nine months ended September 30, 2022 and 2021.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was zero during the nine months ended September 30, 2022.

Net cash provided by financing activities of \$60 million during the nine months ended September 30, 2021 was due to the proceeds from the sale of future royalties of \$60 million.

Reverse Stock Split

On June 17, 2022, we filed a Certificate of Amendment to our Amended and Restated Certificate of Incorporation (the "Amendment") with the Secretary of State of the State of Delaware to effect a one-for-eight (1-for-8) reverse stock split of our outstanding common stock. The Amendment became effective at 5:00 p.m. Eastern Time on June 17, 2022. A series of alternate amendments to effect a reverse stock split was approved by our stockholders at our 2022 Annual Meeting of Stockholders held on June 10, 2022, and the specific one-for-eight (1-for-8) reverse stock split was subsequently approved by our board of directors on June 10, 2022.

The Amendment provided that, at the effective time of the Amendment, every eight (8) shares of our issued and outstanding common stock automatically combined into one issued and outstanding share of common stock, without any change in par value per share. The reverse stock split affected all shares of our common stock outstanding immediately prior to the effective time of the Amendment. As a result of the reverse stock split, proportionate adjustments were made to the per share exercise price and/or the number of shares issuable upon the exercise or vesting of all stock options, restricted stock units and restricted stock awards issued by us and outstanding immediately prior to the effective time of the Amendment, which resulted in a proportionate decrease in the number of shares of our common stock reserved for issuance upon exercise or vesting of such stock options, restricted stock units and restricted stock awards, and, in the case of stock options, a proportionate increase in the exercise price of all such stock options. In addition, the number of shares reserved for issuance under our equity compensation plans immediately prior to the effective time of the Amendment was reduced proportionately. The reverse stock split did not affect the number of shares of common stock authorized for issuance under our Amended and Restated Certificate of Incorporation, which remained at 125,000,000 shares.

No fractional shares were issued as a result of the reverse stock split. Stockholders of record who would otherwise have been entitled to receive a fractional share received a cash payment in lieu thereof. The reverse stock split affected all stockholders proportionately and did not affect any stockholder's percentage ownership of our common stock (except to the extent that the reverse stock split results in any stockholder owning only a fractional share). As a result of the reverse stock split, the number of our outstanding shares of common stock as of June 17, 2022 decreased from 42,721,566 (pre-split) shares to 5,340,193 (post-split) shares.

All share and per share amounts in the accompanying financial statements, related footnotes, and management's discussion and analysis have been adjusted retroactively to reflect the reverse stock split as if it had occurred at the beginning of the earliest period presented. Our common stock began trading on The Nasdaq Global Market on a split-adjusted basis when the market opened on June 21, 2022. Effective September 12, 2022, we transferred the listing of our common stock from The Nasdaq Global Market to The Nasdaq Capital Market.

Critical Accounting Policies and Estimates

In our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, our most critical accounting policies and estimates upon which our financial status depends were identified as those relating to research and development costs; in-process research and development; goodwill; income taxes; and the liability related to the sale of future royalties. We reviewed our policies and determined that those policies were our most critical accounting policies for the nine months ended September 30, 2022.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board and are adopted by us as of the specified effective date. See Note 2 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and Note 2 in our condensed consolidated financial statements appearing elsewhere in this Form 10-Q for a description of recent accounting pronouncements applicable to our financial statements. We believe that the impact of recently issued, but not yet adopted, accounting pronouncements will not have a material impact on the condensed consolidated financial statements or do not apply to our operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Not applicable.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”), that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2022. Based on the evaluation of our disclosure controls and procedures as of September 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting during our latest fiscal quarter that would have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. *Legal Proceedings*

From time to time, we may be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Although the results of litigation and claims cannot be predicted with certainty, as of the date of this Quarterly Report on Form 10-Q, we do not believe we are party to any claim or litigation, the outcome of which, if determined adversely to us, would individually or in the aggregate be reasonably expected to have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. *Risk Factors*

We operate in a rapidly changing environment that involves a number of risks which could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I-Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the Securities and Exchange Commission ("SEC") on March 1, 2022. The risk factors set forth below are risk factors containing changes, which may be material, from the risk factors previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as filed with the SEC.

We have incurred significant losses since our inception. We expect to continue to incur losses over the next several years and may never achieve or maintain profitability.

We are a clinical development-stage biopharmaceutical company. In November 2013, we merged with Sonkei Pharmaceuticals, Inc. ("Sonkei"), and, in February 2014, we acquired Mind-NRG, which were also clinical development-stage biopharmaceutical companies. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that any potential product candidate will fail to demonstrate adequate effect or an acceptable safety profile, gain regulatory approval or become commercially viable. As an early stage company, we have limited experience and have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly the biopharmaceutical area. We have no products approved for commercial sale and have not generated any revenue from product sales to date, and we continue to incur significant research and development and other expenses related to our ongoing operations. Our recent collaborative revenue was due to the recognition of deferred revenue as a result of opting out of an agreement, and is not a recurring source of revenue.

As of September 30, 2022, we had an accumulated deficit of \$360.1 million.

We expect to continue to incur significant losses for the foreseeable future, and we expect these losses to increase as we continue our research and development of, and seek regulatory approvals for, our product candidates. If any of our product candidates fail in clinical trials or do not gain regulatory approval, or if any of our product candidates, if approved, fail to achieve market acceptance, we may never generate revenue or become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues. Our prior losses and expected future losses have had and will continue to have an adverse effect on our stockholders' (deficit) equity and working capital.

We will require additional capital to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates.

Our operations and the historic operations of Sonkei and Mind-NRG have consumed substantial amounts of cash since inception. As of September 30, 2022, we had cash, cash equivalents, and restricted cash of \$40.3 million. We believe that our existing cash, cash equivalents, and restricted cash will be sufficient to meet our cash commitments for at least the next 12 months after the date that our interim condensed financial statements are issued. The process of drug development can be costly and the timing and outcomes of clinical trials is uncertain. The assumptions upon which we have based our estimates are routinely evaluated and may be subject to change. The actual amount of our expenditures will vary depending upon a number of factors including but not limited to the design, timing and duration of future clinical trials, the progress of our research and development programs, the infrastructure to support a commercial enterprise, the cost of a commercial product launch and the level of financial resources available.

Our future funding requirements, both short and long-term, will depend on many factors, including:

- the initiation, progress, timing, costs and results of pre-clinical studies and clinical trials for our product candidates and future product candidates we may develop;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the EMA, FDA, and comparable foreign regulatory authorities, including the potential for such authorities to require that we perform more studies than those that we currently expect;
- the cost to establish, maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with licensing, preparing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- the effect of competing technological and market developments;
- market acceptance of any approved product candidates;
- the costs of acquiring, licensing or investing in additional businesses, products, product candidates and technologies; and
- the cost of establishing sales, marketing and distribution capabilities for our product candidates for which we may receive regulatory approval and that we determine to commercialize ourselves or in collaboration with our partners.

When we need to secure additional financing, such additional fundraising efforts may divert our management from our day-to-day activities, which may adversely affect our ability to develop and commercialize our product candidates. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we raise additional equity financing, our stockholders may experience significant dilution of their ownership interests, and the per-share value of our common stock could decline. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness and force us to maintain specified liquidity or other ratios. Further, the evolving and volatile global economic climate and global financial market conditions could limit our ability to raise funding and otherwise adversely impact our business or those of our collaborators and providers. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. Any of these events could significantly harm our business, financial condition and prospects.

We are subject to risks and uncertainties as a result of the ongoing COVID-19 pandemic, and could be subject to risks from further health pandemics or epidemics, as well as uncertainty regarding returning to work.

Our business could be adversely affected by the effects of health pandemics or epidemics, including the ongoing COVID-19 pandemic. Beginning in late 2019 and continuing into 2022, the outbreak of COVID-19 has resulted in the declaration of a global pandemic and adversely affected economic activity across virtually all sectors and industries on a local, national, and global scale. While global vaccination efforts are underway and certain jurisdictions, including Massachusetts, where our headquarters are located, have reopened businesses and governmental agencies, we are unable to accurately predict the full impact that COVID-19 will have due to numerous uncertainties, including the duration of the outbreak, the result of vaccination efforts, resurgence of the virus including any new variants, actions that may be taken by governmental authorities, the impact on our business including our clinical programs and timelines, and the impact to the business of our service providers and partners. The magnitude of the negative effects of COVID-19 will depend, in part, on the length and severity of the restrictions and other limitations on our ability to conduct our business in the ordinary course, and our ability to respond with minimal disruptions to the evolving restrictions, reopenings, and any future curtailment. These and similar, and perhaps more severe, disruptions in our operations in response to the ongoing COVID-19 pandemic and any future health pandemics or epidemics could negatively impact our business, operating results and financial condition.

In addition, our clinical trials may be affected by the COVID-19 pandemic. We may face difficulties enrolling or retaining patients in future clinical trials if patients are affected by the COVID-19 virus or are unable to travel to the clinical trial sites or obtain study medication. Our clinical trials may further be delayed due to prioritization of hospital resources toward the COVID-19 pandemic, and some patients may not be able to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services. Similarly, our ability to recruit and retain principal investigators and site staff who, as healthcare providers, may have heightened exposure to the COVID-19 virus, could be delayed or disrupted, which would adversely impact our clinical trial operations. As a result, we could experience delays in the completion of our trials, which could result in a material adverse impact on our clinical trial plans and timelines.

Furthermore, the COVID-19 pandemic has caused a broad negative impact globally on capital markets and economies worldwide, which could have a negative impact on us economically. While the potential economic impact brought by, and the duration of, the COVID-19 pandemic, may be difficult to assess or predict, it is currently resulting in significant disruption of global financial markets. This disruption, if sustained or recurrent, together with rising interest rates, could have a material adverse effect on our operating results, our ability to raise capital needed to develop and commercialize products and our overall financial condition. In addition, a recession or market correction resulting from the spread of the coronavirus could materially affect the value of our common stock.

The extent of the impact of the COVID-19 pandemic on our business is uncertain and difficult to predict, as the pandemic continues to rapidly evolve. The ultimate impact of the COVID-19 pandemic or a similar health pandemic or epidemic is highly uncertain and subject to change. While we are experiencing limited financial impacts at this time, given the global economic slowdown, the overall disruption of global healthcare systems and the other risks and uncertainties associated with the COVID-19 pandemic, our business, financial condition, and results of operations could be materially adversely affected.

A variety of risks associated with international operations could materially adversely affect our business.

We own one Swiss subsidiary, expect to engage in significant cross-border activities, and we will be subject to risks related to international operations, including:

- different regulatory requirements for maintaining approval of drugs in foreign countries;
- reduced protection for contractual and intellectual property rights in certain countries;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation, political instability in particular foreign economies and markets, such as the instability caused by Russia's invasion of Ukraine, or public health issues or pandemics, such as the coronavirus;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- compliance with tax laws of various jurisdictions, including with respect to intercompany transfer pricing arrangements and taxable nexus;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- workforce uncertainty in countries where labor unrest is more common than in North America;
- tighter restrictions on privacy and the collection and use of patient data; and
- business interruptions resulting from geopolitical actions, including political instability, hostilities, war and terrorism, such as the military conflict involving Russia and Ukraine, or natural disasters including pandemics, earthquakes, typhoons, floods and fires.

If any of these issues were to occur, our business could be materially harmed.

We are subject to U.S. and certain foreign export and import controls, sanctions, embargoes, anti-corruption laws, and anti-money laundering laws and regulations. Compliance with these legal standards could impair our ability to compete in domestic and international markets. We can face criminal liability and other serious consequences for violations, which can harm our business.

We are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls, the U.S. Foreign Corrupt Practices Act of 1977, as amended, or FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and other state and national anti-bribery and anti-money laundering laws in the countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees, agents, contractors, and other collaborators from authorizing, promising, offering, or providing, directly or indirectly, improper payments or anything else of value to recipients in the public or private sector. The Foreign Corrupt Practices Act ("FCPA"), prohibits any U.S. individual or business from paying, offering, or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations. Activities that violate the FCPA, even if they occur wholly outside the United States, can result in criminal and civil fines, imprisonment, disgorgement, oversight, and debarment from government contracts.

We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities, and other organizations. We can be held liable for the corrupt or other illegal activities of our employees, agents, contractors, and other collaborators, even if we do not explicitly authorize or have actual knowledge of such activities. Any violations of the laws and regulations described above may result in substantial civil and criminal fines and penalties, imprisonment, the loss of export or import privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences.

We are subject to stringent and evolving U.S. and foreign laws, regulations, rules, contractual obligations, policies and other obligations related to data privacy and security. Our actual or perceived failure to comply with such obligations could lead to regulatory investigations or actions; litigation; fines and penalties; disruptions of our business operations; reputational harm; loss of revenue or profits; and other adverse business consequences.

In the ordinary course of business, we collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of, transmit, and share (collectively, processing) personal data and other sensitive data, including proprietary and confidential business data, trade secrets, intellectual property, data we collect about trial participants in connection with clinical trials, sensitive third-party data, and employee data. Our data processing activities may subject us to numerous data privacy and security obligations, such as various laws, regulations, guidance, industry standards, external and internal privacy and security policies, contractual requirements, and other obligations relating to data privacy and security.

In the United States, federal, state, and local governments have enacted numerous data privacy and security laws, including data breach notification laws, personal data privacy laws, and consumer protection laws (e.g. Section 5 of the Federal Trade Commission Act). For example, the federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act ("HITECH"), imposes specific requirements relating to the privacy, security, and transmission of individually identifiable health information. In addition, the California Consumer Privacy Act of 2018 ("CCPA") requires businesses to provide specific disclosures in privacy notices and honor requests of California residents to exercise certain privacy rights. The CCPA provides for civil penalties of up to \$7,500 per violation and allows private litigants affected by certain data breaches to recover significant statutory damages. Although the CCPA exempts some data processed in the context of clinical trials, the CCPA may increase compliance costs and potential liability with respect to other personal data maintained about California residents. In addition, the California Privacy Rights Act of 2020 ("CPRA"), effective January 1, 2023, will expand the CCPA's requirements and establish a new regulatory agency to implement and enforce the law. Other states, such as Virginia, Colorado and Utah, have also passed comprehensive privacy laws, and similar laws are being considered in several other states. These developments may further complicate compliance efforts, and may increase legal risk and compliance costs for us, the third parties upon whom we rely. In addition, data privacy and security laws have been proposed at the federal, state, and local levels in recent years, which could further complicate compliance efforts.

Outside the United States, an increasing number of laws, regulations, and industry standards may apply to data privacy and security. For example, the European Union’s General Data Protection Regulation (“EU GDPR”), and the United Kingdom’s GDPR (“UK GDPR”) impose strict requirements for processing personal data, and violators of these laws face significant penalties. For example, under the EU GDPR, government regulators may impose temporary or definitive bans on data processing, as well as fines of up to 20 million euros or 4% of annual global revenue, whichever is greater; or private litigation related to processing of personal data brought by classes of data subjects or consumer protection organizations authorized at law to represent their interests.

Certain jurisdictions, such as the EU, Switzerland and the UK, have enacted cross-border personal data transfer laws regulating personal data flows to third countries. In addition to personal data transfer restrictions, other countries (such as Russia and China) have adopted or proposed laws prohibiting certain businesses from transferring data outside those countries, which may increase the cost and complexity of doing business or require us not to conduct business in certain countries. Existing mechanisms that facilitate cross-border personal data transfers may change or be invalidated and may pose additional compliance burdens. For example, absent appropriate safeguards or other circumstances, the EU GDPR generally restricts the transfer of personal data to countries outside of the European Economic Area (“EEA”) that the European Commission does not consider to provide an adequate level of data privacy and security, such as the United States. The European Commission released a set of “Standard Contractual Clauses” (“SCCs”) that are designed to be a valid mechanism to facilitate personal data transfers out of the EEA to these jurisdictions. Currently, these SCCs are a valid mechanism to transfer personal data outside of the EEA. Additionally, the SCCs impose additional compliance burdens, such as conducting transfer impact assessments to determine whether additional security measures are necessary to protect the at-issue personal data. If we cannot implement a valid personal data transfer mechanism, we may face increased exposure to regulatory actions, substantial fines, and injunctions against processing or transferring personal data, as well as other adverse consequences. In particular we may be unable to import personal data to the United States, which could significantly and negatively impact our business operations, including by limiting our ability to conduct clinical trial activities in Europe and elsewhere; limiting our ability to collaborate with parties that are subject to such cross-border data transfer or localization laws; or requiring us to increase our personal data processing capabilities and infrastructure in foreign countries at significant expense.

In addition to data privacy and security laws, we may be contractually subject to data privacy and security obligations, including industry standards adopted by industry groups and may become subject to new data privacy and security obligations in the future. For example, certain privacy laws require our customers to impose specific contractual restrictions on their service providers.

Obligations related to data privacy and security are quickly changing, becoming increasingly stringent and, creating regulatory uncertainty. Additionally, these obligations may be subject to differing applications and interpretations, which may be inconsistent or conflict among jurisdictions. Preparing for and complying with these obligations requires us to devote significant resources. These obligations may necessitate changes to our information technologies, systems, and practices and to those of any third parties that process personal data on our behalf.

We may at times fail (or be perceived to have failed in our efforts to comply with our data privacy and security obligations). Moreover, despite our efforts, our personnel or third parties upon whom we rely may fail to comply with such obligations, which could negatively impact our business operations and compliance posture. For example, any failure by a third-party processor to comply with applicable law, regulations, or contractual obligations could result in adverse effects, including proceedings against us by governmental entities or others.

If we or the third parties on which we rely fail, or are perceived to have failed, to address or comply with applicable data privacy and security obligations, we could face significant consequences, including but not limited to: government enforcement actions (e.g., investigations, fines, penalties, audits, inspections, and similar); litigation (including class-action claims); additional reporting requirements and/or oversight; bans on processing personal data; orders to destroy or not use personal data; and imprisonment of company officials. Any of these events could have a material adverse effect on our reputation, business, or financial condition, including but not limited to: loss of customers; interruptions or stoppages in our business operations (including, as relevant, clinical trials); inability to process personal data or to operate in certain jurisdictions; limited ability to develop or commercialize our products; expenditure of time and resources to defend any claim or inquiry; adverse publicity; or revision or restructuring of our operations.

If our information technology systems or data, or those of third parties upon which we rely, are or were compromised, we could experience adverse consequences resulting from such compromise, including but not limited to regulatory investigations or actions; litigation; fines and penalties; disruptions of our business operations; reputational harm; loss of revenue or profits; and other adverse consequences.

In the ordinary course of our business, we or the third parties upon which we rely, may process proprietary, confidential, and sensitive data, including personal data (such as health-related data), intellectual property, and trade secrets (collectively, sensitive information). We may rely upon third-party service providers and technologies to operate critical business systems to process sensitive information in a variety of contexts, including, without limitation, third-party providers of cloud-based infrastructure, encryption and authentication technology, employee email, content delivery to customers, and other functions. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place. We may share or receive sensitive information with or from third parties.

Cyberattacks, malicious internet-based activity, online and offline fraud, and other similar activities threaten the confidentiality, integrity, and availability of our sensitive information and information technology systems, and those of the third parties upon which we rely. Such threats are prevalent continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer "hackers," threat actors, "hacktivists," organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyber-attacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including retaliatory cyber-attacks, that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our goods and services. We and the third parties upon which we rely may be subject to a variety of evolving threats, including but not limited to social-engineering attacks (including through phishing attacks), malicious code (such as viruses and worms), malware (including as a result of advanced persistent threat intrusions), denial-of-service attacks (such as credential stuffing), personnel misconduct or error, ransomware attacks, supply-chain attacks, software bugs, server malfunctions, software or hardware failures, loss of data or other information technology assets, adware, telecommunications failures, earthquakes, fires, floods, and other similar threats.

In particular, ransomware attacks, including by organized criminal threat actors, nation-states, and nation-state-supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Similarly, supply-chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain or our third-party partners' supply chains have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our information technology systems or the third-party information technology systems that support us and our services. Future or past business transactions (such as acquisitions or integrations) could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. The COVID-19 pandemic and our remote workforce also poses increased risks to our information technology systems and data, as more of our employees work from home, utilizing network connections outside our premises.

Any of the previously identified or similar threats could cause a security incident or other interruption. A security incident or other interruption could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our sensitive information. A security incident or other interruption could disrupt our ability (and that of third parties upon whom we rely) to provide our services. We may expend significant resources or modify our business activities (including our clinical trial activities) to try to protect against security incidents. Certain data privacy and security obligations may require us to implement and maintain specific security measures, industry-standard or reasonable security measures to protect our information technology systems and sensitive information.

While we have implemented security measures designed to protect against security incidents, there can be no assurance that these measures, or those of a third party upon whom we rely, will be effective. For example, an external contractor experienced a cyberattack in 2019, which resulted in a disruption to patient recruitment in our Phase 3 clinical trial of roluperidone. We may be unable in the future to detect vulnerabilities in our information technology systems because such threats and techniques change frequently, are often sophisticated in nature, and may not be detected until after a security incident has occurred. Despite our efforts to identify and address vulnerabilities, if any, in our information technology systems, our efforts may not be successful. Further, we may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities.

Applicable data privacy and security obligations may require us to notify relevant stakeholders of security incidents. Such disclosures are costly, and the disclosure or the failure to comply with such requirements could lead to adverse consequences. If we (or a third party upon whom we rely) experience a security incident or are perceived to have experienced a security incident, we may experience adverse consequences. These consequences may include: government enforcement actions (for example, investigations, fines, penalties, audits, and inspections); additional reporting requirements and/or oversight; restrictions on processing sensitive information (including personal data); litigation (including class claims); indemnification obligations; negative publicity; reputational harm; monetary fund diversions; interruptions in our operations (including availability of data); financial loss; and other similar harms. Security incidents and attendant consequences may negatively impact our ability to grow and operate our business.

Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. We cannot be sure that our insurance coverage will be adequate or sufficient to protect us from or to mitigate liabilities arising out of our privacy and security practices, that such coverage will continue to be available on commercially reasonable terms or at all, or that such coverage will pay future claims.

Our common stock may be delisted from The Nasdaq Capital Market which could negatively impact the price of our common stock, liquidity and our ability to access the capital markets.

Our common stock is currently listed on The Nasdaq Capital Market under the symbol “NERV.” The listing standards of The Nasdaq Capital Market provide that a company, in order to qualify for continued listing, must maintain a minimum stock price of \$1.00 and satisfy standards relative to minimum stockholders’ equity, minimum market value of publicly held shares and various additional requirements. If The Nasdaq Stock Market LLC (“Nasdaq”) delists our securities from trading on its exchange for failure to meet the listing standards, we and our stockholders could face significant negative consequences including:

- limited availability of market quotations for our securities;
- a determination that the common stock is a “penny stock” which would require brokers trading in the common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for shares of common stock;
- a limited amount of analyst coverage, if any; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Delisting from The Nasdaq Capital Market could also result in other negative consequences, including the potential loss of confidence by suppliers, customers and employees, the loss of institutional investor interest and fewer business development opportunities.

As previously reported, on January 12, 2022, we received a deficiency letter from Nasdaq notifying us that, for the previous 30 consecutive business days, the closing bid price of our shares of common stock had not been maintained at the minimum required closing bid price of at least \$1.00 per share, as required for continued listing on The Nasdaq Global Market, where our securities were listed for trading at the time. In accordance with the listing rules of Nasdaq, we were given 180 calendar days, or until July 11, 2022, to regain compliance with the minimum bid price requirement. On June 17, 2022, we implemented a one-for-eight (1-for-8) reverse stock split of our outstanding common stock in an effort to regain compliance with Nasdaq’s minimum bid price requirement of \$1.00 per share. On July 6, 2022, we received a letter from Nasdaq notifying us that the closing bid price of our common stock had been at \$1.00 per share or greater for the last 10 consecutive business days and we had regained compliance with Nasdaq Stock Market Rule 5450(a)(1) and this matter was closed.

On March 8, 2022, we received a second deficiency letter from Nasdaq that our stockholders’ equity as reported in our Annual Report on Form 10-K for the year ended December 31, 2021 did not satisfy The Nasdaq Global Market continued listing requirement of \$10 million as set forth in Nasdaq Stock Market Rule 5450(b)(1). We had 45 calendar days from the date of this letter to submit to Nasdaq a plan to regain compliance with such requirement. Nasdaq later extended the deadline for such submission, and we subsequently submitted our plans to regain compliance on May 2, 2022, May 24, 2022 and May 25, 2022. On June 3, 2022, we received a letter from Nasdaq notifying us that it has determined to grant us an extension until September 5, 2022 to regain compliance with Nasdaq Stock Market Rule 5450(b)(1). In September 2022, we submitted an application to Nasdaq to transfer our common stock from The Nasdaq Global Market to The Nasdaq Capital Market, as allowed under Nasdaq Stock Market Rule 5810(c)(3)(A). Based on our meeting the listing requirements of The Nasdaq Capital Market, our application was approved by Nasdaq. Effective September 12, 2022, we transferred the listing of our common stock from The Nasdaq Global Market to The Nasdaq Capital Market.

Notwithstanding the reverse stock split and our compliance with The Nasdaq Capital Market requirements, there can be no assurance that we will be able to maintain compliance and remain in compliance in the future. In particular, our share price may continue to decline for a number of reasons, including many that are beyond our control. See the risk factor captioned “*The market price of our stock may be volatile, and you could lose all or part of your investment*” described in our Annual Report on Form 10-K for the year ended December 31, 2021.

If we fail to comply with the continued listing standards of The Nasdaq Capital Market, we may seek to list our common stock on the NYSE American or on a regional stock exchange or, if one or more broker-dealer market makers comply with applicable requirements, the over-the-counter (“OTC”) market. Listing on such other market or exchange could reduce the liquidity of our common stock. If our common stock were to trade in the OTC market, an investor would find it more difficult to dispose of, or to obtain accurate quotations for the price of, the common stock. Delisting of the common stock could depress our stock price, substantially limit liquidity of our common stock and materially adversely affect our ability to raise capital on terms acceptable to us, or at all. Further, delisting of the common stock would likely result in the common stock becoming a “penny stock” under the Exchange Act.

“Penny stock” rules may make buying or selling our securities difficult which may make our stock less liquid and make it harder for investors to buy and sell our securities.

Trading in our securities is subject to the SEC’s “penny stock” rules and it is anticipated that trading in our securities will continue to be subject to the penny stock rules for the foreseeable future. The SEC has adopted regulations that generally define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by these requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our securities and consequently adversely affect the market price for our securities.

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

None.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are incorporated by reference or filed as part of this report.

Exhibit Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form S-1/A (File No. 333-195169) filed with the SEC on June 10, 2014)</u>
3.2	<u>Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's quarterly report on Form 10-Q (File No. 001-36517) filed with the SEC on November 4, 2019)</u>
3.3	<u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of Minerva Neurosciences, Inc., effective June 17, 2022 (incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K (File No. 001-36517) filed with the SEC on June 17, 2022)</u>
4.1	<u>Open Market Sale Agreement, dated as of September 14, 2022, between the Registrant and Jefferies LLC (incorporated by reference to Exhibit 1.2 to the Registrant's registration statement on Form S-3 (File No. 333-267424) filed with the SEC on September 14, 2022)</u>
31.1	<u>Certification of Chief Executive Officer (Principal Executive Officer) pursuant to Section 302 of Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer (Principal Financial Officer) pursuant to Section 302 of Sarbanes-Oxley Act of 2002</u>
32.1 ⁺	<u>Certification of Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) pursuant to Section 906 of Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data file (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

⁺ These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MINERVA NEUROSCIENCES, INC.

By:

/s/ Frederick Ahlholm
Frederick Ahlholm
Chief Financial Officer
(Principal Financial Officer)
(On behalf of the Registrant)

Date: November 9, 2022

CERTIFICATION

I, Remy Luthringer, certify that:

1. I have reviewed this Form 10-Q of Minerva Neurosciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ Remy Luthringer Ph.D.
Remy Luthringer Ph.D.
Executive Chairman and
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Frederick Ahlholm, certify that:

1. I have reviewed this Form 10-Q of Minerva Neurosciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

/s/ Frederick Ahlholm
Frederick Ahlholm
Chief Financial Officer
(Principal Financial Officer)

STATEMENT PURSUANT TO 18 U.S.C. § 1350

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Remy Luthringer, Executive Chairman and Chief Executive Officer (Principal Executive Officer) of Minerva Neurosciences, Inc. (the “Company”) and Frederick Ahlholm, Chief Financial Officer (Principal Financial Officer) of the Company, each hereby certifies that, to the best of his knowledge:

- (1) The Company’s Quarterly Report on Form 10-Q for the period ended September 30, 2022, to which this Certification is attached as Exhibit 32.1 (the “Quarterly Report”) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022

/s/ Remy Luthringer, Ph.D.
Remy Luthringer, Ph.D.
Executive Chairman and
Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2022

/s/ Frederick Ahlholm
Frederick Ahlholm
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Minerva Neurosciences, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.
