

**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 number **001-12830**

Lineage Cell Therapeutics, Inc.

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

94-3127919
(IRS Employer
Identification No.)

**2173 Salk Avenue, Suite 200
Carlsbad, California 92008**
(Address of principal executive offices) (Zip code)

(Registrant's telephone number, including area code) (442) 287-8990

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common shares	LCTX	NYSE American

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

The number of common shares outstanding as of November 4, 2022 was 169,976,335

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Report”) contains “forward-looking statements” (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) that involve risks and uncertainties. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical facts contained in this Report are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “target,” “will,” “would,” or the negative of these words or other comparable terminology. These forward-looking statements include, but are not limited to, statements relating to:

- the Collaboration and License Agreement we entered into with F. Hoffmann-La Roche Ltd and Genentech, Inc., a member of the Roche Group, activities expected to occur thereunder, and the potential to receive the developmental, regulatory, and commercialization milestone and royalty payments thereunder;
- our plans to research, develop and commercialize our product candidates;
- the initiation, progress, success, cost and timing of our clinical trials and product development activities;
- the therapeutic potential of our product candidates, and the disease indications for which we intend to develop our product candidates;
- our ability to manufacture our product candidates for clinical development and, if approved, for commercialization, and the timing and costs of such manufacture;
- the potential of our cell therapy platform, and our plans to apply our platform to research, develop and commercialize our product candidates;
- the size and growth of the potential markets for our product candidates and our ability to serve those markets;
- the potential scope and value of our intellectual property rights; and
- the effects on our operations of pandemics, including the COVID-19 pandemic, the war in Ukraine, rising inflation and interest rates.

Forward-looking statements reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed and referenced under Part II, Item 1A, “Risk Factors” of this Report. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,752	\$ 55,742
Marketable securities (Notes 4 and 5)	41,603	2,616
Accounts and grants receivable, net (Note 3)	434	50,840
Prepaid expenses and other current assets	1,720	2,351
Total current assets	68,509	111,549
NONCURRENT ASSETS		
Property and equipment, net (Notes 6 and 14)	4,652	4,872
Deposits and other long-term assets	591	630
Goodwill	10,672	10,672
Intangible assets, net	46,724	46,822
TOTAL ASSETS	\$ 131,148	\$ 174,545
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 9,807	\$ 27,969
Lease liabilities, current portion (Note 14)	543	801
Financing lease, current portion (Note 14)	25	30
Deferred revenues (Note 3)	12,364	18,119
Liability classified warrants, current portion	-	197
Total current liabilities	22,739	47,116
LONG-TERM LIABILITIES		
Deferred tax liability	2,076	2,076
Deferred revenues, net of current portion (Note 3)	26,544	32,454
Lease liability, net of current portion (Note 14)	2,216	1,941
Financing lease, net of current portion (Note 14)	16	30
Liability classified warrants and other long-term liabilities	4	30
TOTAL LIABILITIES	53,595	83,647
Commitments and contingencies (Note 14)		
SHAREHOLDERS' EQUITY		
Preferred shares, no par value, authorized 2,000 shares; none issued and outstanding as of September 30, 2022 and December 31, 2021	-	-
Common shares, no par value, 250,000 shares authorized; 169,886 and 169,477 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	439,148	434,529
Accumulated other comprehensive loss	(3,184)	(5,211)
Accumulated deficit	(357,016)	(337,097)
Lineage Cell Therapeutics, Inc. shareholders' equity	78,948	92,221
Noncontrolling (deficit)	(1,395)	(1,323)
Total shareholders' equity	77,553	90,898
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 131,148	\$ 174,545

See accompanying notes to the condensed consolidated interim financial statements.

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
REVENUES:				
Collaboration revenues	\$ 2,592	\$ 293	\$ 11,605	\$ 506
Royalties	406	1,909	1,183	2,430
Grant revenues	-	68	-	237
Total revenues	<u>2,998</u>	<u>2,270</u>	<u>12,788</u>	<u>3,173</u>
Cost of sales	<u>(235)</u>	<u>(985)</u>	<u>(626)</u>	<u>(1,222)</u>
Gross profit	<u>2,763</u>	<u>1,285</u>	<u>12,162</u>	<u>1,951</u>
OPERATING EXPENSES:				
Research and development	3,592	2,811	9,883	9,136
General and administrative	4,422	5,317	18,160	13,788
Total operating expenses	<u>8,014</u>	<u>8,128</u>	<u>28,043</u>	<u>22,924</u>
Loss from operations	<u>(5,251)</u>	<u>(6,843)</u>	<u>(15,881)</u>	<u>(20,973)</u>
OTHER INCOME/(EXPENSES):				
Interest income (expense), net	384	1	435	(1)
Gain on sale of marketable securities	-	-	-	6,024
Unrealized loss on marketable equity securities	(233)	(2,450)	(1,677)	(621)
Gain on extinguishment of debt	-	-	-	523
Gain on revaluation of warrant liability	-	53	223	105
Other income (expense), net	(475)	393	(2,550)	(318)
Total other income/(expense), net	<u>(324)</u>	<u>(2,003)</u>	<u>(3,569)</u>	<u>5,712</u>
LOSS BEFORE INCOME TAXES	<u>(5,575)</u>	<u>(8,846)</u>	<u>(19,450)</u>	<u>(15,261)</u>
Income tax (expense)/benefit	(541)	1,012	(541)	1,181
NET LOSS	<u>(6,116)</u>	<u>(7,834)</u>	<u>(19,991)</u>	<u>(14,080)</u>
Net loss attributable to noncontrolling interest	<u>47</u>	<u>11</u>	<u>72</u>	<u>51</u>
NET LOSS ATTRIBUTABLE TO LINEAGE CELL THERAPEUTICS, INC.	<u>\$ (6,069)</u>	<u>\$ (7,823)</u>	<u>\$ (19,919)</u>	<u>\$ (14,029)</u>
NET LOSS PER COMMON SHARE:				
BASIC	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>	<u>\$ (0.12)</u>	<u>\$ (0.09)</u>
DILUTED	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>	<u>\$ (0.12)</u>	<u>\$ (0.09)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
BASIC	<u>169,786</u>	<u>167,624</u>	<u>169,722</u>	<u>163,120</u>
DILUTED	<u>169,786</u>	<u>167,624</u>	<u>169,722</u>	<u>163,120</u>

See accompanying notes to the condensed consolidated interim financial statements.

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
NET LOSS	\$ (6,116)	\$ (7,834)	\$ (19,991)	\$ (14,080)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment, net of tax	323	(382)	2,177	234
Unrealized loss on marketable debt securities	(150)	-	(150)	-
COMPREHENSIVE LOSS	<u>(5,943)</u>	<u>(8,216)</u>	<u>(17,964)</u>	<u>(13,846)</u>
Less: Comprehensive loss attributable to noncontrolling interest	47	11	72	51
COMPREHENSIVE LOSS ATTRIBUTABLE TO LINEAGE CELL THERAPEUTICS, INC. COMMON SHAREHOLDERS	<u>\$ (5,896)</u>	<u>\$ (8,205)</u>	<u>\$ (17,892)</u>	<u>\$ (13,795)</u>

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to Lineage Cell Therapeutics, Inc.	\$ (19,919)	\$ (14,029)
Net loss allocable to noncontrolling interest	(72)	(51)
Adjustments to reconcile net loss attributable to Lineage Cell Therapeutics, Inc. to net cash provided by (used in) operating activities:		
Gain on sale of marketable securities	-	(6,024)
Unrealized loss on marketable equity securities	1,677	621
Gain on extinguishment of debt	-	(523)
Depreciation expense, including amortization of leasehold improvements	441	504
Change in right-of-use assets and liabilities	(24)	19
Amortization of intangible assets	113	178
Accretion of income on marketable debt securities	(186)	-
Stock-based compensation	3,328	2,601
Common stock issued for services	-	202
Gain on revaluation of warrant liability	(223)	(105)
Deferred tax benefit	-	(1,181)
Foreign currency remeasurement and other gain	2,668	295
Changes in operating assets and liabilities:		
Accounts and grants receivable (Note 3)	50,206	(104)
Prepaid expenses and other current assets	517	(1,229)
Accounts payable and accrued liabilities (Note 8)	(17,573)	354
Deferred revenue and other liabilities (Note 3)	(11,591)	784
Net cash provided by (used in) operating activities	<u>9,362</u>	<u>(17,688)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of marketable debt securities	(40,628)	-
Proceeds from the sale of OncoCyte common shares	-	10,064
Proceeds from the sale of HBL common shares	-	21
Purchase of equipment	(429)	(194)
Net cash (used in) provided by investing activities	<u>(41,057)</u>	<u>9,891</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from employee options exercised	506	6,269
Common shares received and retired for employee taxes paid	(17)	(41)
Proceeds from exercise of subsidiary warrants, net	991	-
Proceeds from sale of common shares	148	30,741
Payments for offering costs	(95)	(980)
Repayment of lease liability	(23)	(13)
Net cash provided by financing activities	<u>1,510</u>	<u>35,976</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(795)	(34)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	<u>(30,980)</u>	<u>28,145</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
At beginning of the period	56,277	33,183
At end of the period	<u>\$ 25,297</u>	<u>\$ 61,328</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 13</u>	<u>\$ 12</u>

See accompanying notes to the condensed consolidated interim financial statements.

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Business Overview

Lineage Cell Therapeutics, Inc. (“Lineage,” “we,” “us,” or “our”) is a clinical-stage biotechnology company developing novel cell therapies to address unmet medical needs. Our programs are based on our proprietary cell-based technology and associated development and manufacturing capabilities. From this platform, we design, develop, and manufacture specialized human cells with anatomical and physiological functions similar, or identical to, cells found naturally in the human body. These cells which we manufacture are created by developmental differentiation protocols that we apply to established, well-characterized, and self-renewing pluripotent cell lines. These functional cells are transplanted into patients and are designed to (a) replace or support cells that are dysfunctional or absent due to degenerative disease or traumatic injury, or (b) help the body mount a more robust and effective immune response to cancer or infectious diseases.

Our strategy is to efficiently leverage our technology platform and our development, formulation, delivery, and manufacturing capabilities to advance our cell therapy programs internally or in certain cases in conjunction with strategic partners to further enhance their value. As one example, in December 2021, we entered into a Collaboration and License Agreement (the “Roche Agreement”) with F. Hoffmann-La Roche Ltd and Genentech, Inc., a member of the Roche Group (collectively, “Roche”), wherein we granted to Roche exclusive worldwide rights to develop and commercialize retinal pigment epithelium (“RPE”) cell therapies, including our proprietary cell therapy program known as OpRegen[®], for the treatment of ocular disorders, including geographic atrophy (GA) secondary to age-related macular degeneration (AMD). Under the terms of the Roche Agreement, Lineage received a \$50.0 million upfront payment and is eligible to receive up to \$620.0 million in certain developmental, regulatory, and commercialization milestone payments. Lineage also is eligible for tiered double-digit percentage royalties on net sales of OpRegen in the U.S. and other major markets.

As of September 30, 2022, we have five allogeneic, or “off-the-shelf,” cell therapy programs in development, of which three have reached clinical testing:

- *OpRegen[®]*, a retinal pigment epithelium (“RPE”) cell replacement therapy currently in a Phase 1/2a multicenter clinical trial for the treatment of geographic atrophy (GA) secondary to age-related macular degeneration (AMD), also known as atrophic AMD. There currently are no U.S. Food and Drug Administration (“FDA”) or European Medicines Agency (“EMA”) approved treatment options available for patients with GA. The Phase 1/2a trial enrolled 24 individuals with dry AMD and GA. In December 2021, this program was partnered with Roche for further clinical development and commercialization.
- *OPC1*, an oligodendrocyte progenitor cell treatment currently in long-term follow-up for a Phase 1/2a multicenter clinical trial for cervical spinal cord injuries (“SCI”). To date, five (5) patients with thoracic spinal cord injuries and twenty-five (25) patients with cervical spinal cord injuries have been enrolled in clinical trials of OPC1. The clinical development of OPC1 has been partially funded by \$14.3 million received under a grant from the California Institute for Regenerative Medicine (“CIRM”).
- *VAC*, an allogeneic cancer immunotherapy comprised of antigen-presenting dendritic cells. One of the VAC product candidates, VAC2, is currently in a Phase 1 clinical trial in non-small cell lung cancer (“NSCLC”). This clinical trial is being funded and conducted by Cancer Research UK, one of the world’s largest independent cancer research charities. We also have another VAC-based product candidate in preclinical development with our partner, Immunomic Therapeutics, Inc. (“ITI”), for the treatment of glioblastoma multiforme (“GBM”).
- *ANPI*, an allogeneic auditory neuron progenitor cell transplant currently in preclinical development for the treatment of debilitating hearing loss (“DHL”).
- *PNCI*, an allogeneic photoreceptor cell transplant currently in preclinical development for the treatment of vision loss due to photoreceptor dysfunction or damage.

We have additional, undisclosed product candidates being considered for development, which cover a range of therapeutic areas and unmet medical needs. Generally, these product candidates are based on the same pluripotent platform technology and employ a similar guided cell differentiation and transplant approach as the five product candidates detailed above, but in some cases may also include genetic modifications designed to enhance efficacy and safety profiles.

In addition to seeking to create value for shareholders by developing product candidates and other technologies through our clinical development programs, we also may seek to create value from our large patent estate and related technologies through partnering and/or strategic transactions. In addition to the Roche Agreement, we founded two companies based on Lineage’s intellectual property that later became publicly traded companies: OncoCyte Corporation (“OncoCyte”) and AgeX Therapeutics, Inc. (“AgeX”). We continue to hold common stock in OncoCyte as of September 30, 2022.

2. Basis of Presentation, Liquidity and Summary of Significant Accounting Policies

The unaudited condensed consolidated interim financial statements presented herein, and discussed below, have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. In accordance with those rules and regulations certain information and footnotes normally included in comprehensive consolidated financial statements have been condensed or omitted. The condensed consolidated balance sheet as of December 31, 2021 was derived from the audited consolidated financial statements at that date, but does not include all the information and footnotes required by GAAP. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lineage’s Annual Report on Form 10-K for the year ended December 31, 2021 (“2021 10-K”), as filed with the Securities and Exchange Commission (the “SEC”) on March 10, 2022.

The accompanying condensed consolidated interim financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of Lineage’s financial condition and results of operations. The condensed consolidated results of operations are not necessarily indicative of the results to be expected for any other interim period or for the entire year.

Principles of consolidation

Lineage’s condensed consolidated interim financial statements include the accounts of its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The following table reflects Lineage’s ownership, directly or through one or more subsidiaries of the outstanding shares of its subsidiaries as of September 30, 2022.

Subsidiary	Field of Business	Lineage Ownership	Country
Asterias BioTherapeutics, Inc.	Cell based therapeutics to treat neurological conditions and cancer	100%	USA
Cell Cure Neurosciences Ltd.		% ⁽¹⁾	
	Manufacturing of Lineage’s product candidates	94 ⁽²⁾	Israel
ES Cell International Pte. Ltd.	Research and clinical grade cell lines	100%	Singapore
OrthoCyte Corporation	Research in orthopedic diseases and injuries	99.8%	USA

(1) Includes shares owned by Lineage and ES Cell International Pte. Ltd.

(2) As of December 31, 2021 our ownership percentage of Cell Cure was approximately 99%. In July 2022, Hadasit Bio-Holdings Ltd. exercised warrants to purchase 21,999 ordinary shares of Cell Cure. Lineage’s ownership percentage of Cell Cure decreased as a result of the warrant exercise. As of September 30, 2022, our ownership percentage of Cell Cure was approximately 94%.

As of September 30, 2022, Lineage consolidated its direct and indirect wholly owned or majority-owned subsidiaries because Lineage has the ability to control their operating and financial decisions and policies through its ownership, and the noncontrolling interest is reflected as a separate element of shareholders' equity on Lineage's consolidated balance sheets.

Liquidity

On September 30, 2022, we had \$66.4 million of cash, cash equivalents and marketable securities. Based on our current operating plan, we believe that our cash, cash equivalents and marketable securities, together with our projected cash flows, will be sufficient to enable us to carry out our planned operations through at least twelve months from the issuance date of our consolidated financial statements included elsewhere in this Report.

Capital Resources

Since inception, we have incurred significant operating losses and have funded our operations primarily through the issuance of equity securities, the sale of common stock of our former subsidiaries, OncoCyte and AgeX, receipt of proceeds from research grants, revenues from collaborations, royalties from product sales, and sales of research products and services.

Our projected cash flows are subject to various risks and uncertainties, including those described and referenced under Part II, Item 1A, "Risk Factors" of this Report. See the discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations under "Cash Flows" for additional information regarding our sources of cash during the reporting period.

As of September 30, 2022, \$63.8 million remained available for sale under our at the market offering program. See Note 11 (Shareholders' Equity) to the condensed consolidated interim financial statements included in this Report for additional information.

We may use our marketable securities for liquidity as necessary and as market conditions allow. The market value of our marketable securities may not represent the amount that could be realized in a sale of such securities due to various market and regulatory factors, including trading volume, prevailing market conditions and prices at the time of any sale and subsequent sales of securities by the entities. In addition, the value of our marketable equity securities may be significantly and adversely impacted by deteriorating global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing pandemics, including the COVID-19 pandemic, the conflict in Ukraine, rising inflation and interest rates, and other macroeconomic factors.

Additional Capital Requirements

Our financial obligations primarily consist of vendor contracts to provide research services and other purchase commitments with suppliers. In the normal course of business, we enter into services agreements with contract research organizations, contract manufacturing organizations and other third parties. Generally, these agreements provide for termination upon notice, with specified amounts due upon termination based on the timing of termination and the terms of the agreement. The amounts and timing of payments under these agreements are uncertain and contingent upon the initiation and completion of the services to be provided.

Our commitments also include obligations to our licensors under our in-license agreements, which may include sublicense fees, milestones fees, royalties, and reimbursement of patent maintenance costs. Sublicense fees are payable to licensors when we sublicense underlying intellectual property to third parties; the fees are based on a percentage of the license fees we receive from sublicensees. Milestone payments are due to licensors upon our future achievement of certain development and regulatory milestones. Royalties are payable to licensors based on a percentage of net sales of licensed products. Patent maintenance costs are payable to licensors as reimbursement for the cost of maintaining of license patents. Due to the contingent nature of the payments, the amounts and timing of payments to licensors under our in-license agreements are uncertain and may fluctuate significantly from period to period.

Marketable Debt Securities

Lineage accounts for its holdings of U.S. Treasury securities in accordance with Accounting Standards Codification (“ASC”) 320-10-50, *Debt Securities*. All marketable debt securities have been classified as “available-for-sale” and are carried at estimated fair value. Unrealized gains and losses are excluded from earnings and are included in other comprehensive income or loss and reported as a separate component of stockholders’ equity or deficit until realized. Realized gains or losses on available-for-sale debt securities are included in other income (expense), net. The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion, together with interest on securities, are included in interest income on the Company’s condensed consolidated statement of operations. In accordance with the Company’s investment policy, management invests in debt securities with high credit quality, including U.S. government securities.

Lineage reviews all its investments for other-than-temporary declines in estimated fair value. Our review includes the consideration of the cause of the impairment, including the creditworthiness of the security issuers, the number of securities in an unrealized loss position, the severity and duration of the unrealized losses, whether the Company has the intent to sell the security. If a credit loss does exist for available-for-sale debt securities and should be recognized, an allowance will be recorded rather than a write-down to the amortized costs basis. To date, no such credit losses have occurred or have been recorded. See Note 4 (Marketable Debt Securities) for additional information.

Marketable Equity Securities

Lineage accounts for the shares it holds in OncoCyte and Hadasit Bio-Holdings Ltd (“HBL”) as marketable equity securities in accordance with ASC 320-10-25, *Investments – Debt and Equity Securities*, as amended by Accounting Standards Update (“ASU”) 2016-01, *Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, further discussed below.

The OncoCyte shares have a readily determinable fair values quoted on the NYSE American under trading symbol “OCX”. The HBL shares have a readily determinable fair value quoted on the Tel Aviv Stock Exchange (“TASE”) under the trading symbol “HDST” where share prices are denominated in New Israeli Shekels (NIS). See Note 5 (Marketable Equity Securities) for additional information.

Revenue Recognition

Lineage recognizes revenue in accordance with Financial Accounting Standards Board (“FASB”) ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*, and in a manner that depicts the transfer of control of a product or a service to a customer and reflects the amount of the consideration it is entitled to receive in exchange for such product or service. In doing so, Lineage follows a five-step approach: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the customer obtains control of the product or service. Lineage considers the terms of a contract and all relevant facts and circumstances when applying the revenue recognition standard. Lineage applies the revenue recognition standard, including the use of any practical expedients, consistently to contracts with similar characteristics and in similar circumstances.

In applying the provisions of ASU 2014-09, Lineage has determined that government grants are out of the scope of ASU 2014-09 because the government entities do not meet the definition of a “customer,” as defined by ASU 2014-09, as there is not considered to be a transfer of control of goods or services to the government entities funding the grant. In the absence of applicable guidance under GAAP, the Company’s policy is to recognize grant revenue when the related costs are incurred and the right to payment is realized. Costs incurred are recorded in research and development and general and administrative expenses on the accompanying statements of operations.

Deferred grant revenues represent grant funds received from the governmental funding agencies for which the allowable expenses have not yet been incurred as of the latest balance sheet date reported.

Royalties from Product Sales and License Fees

For agreements that include sales-based royalties, including commercial milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, Lineage recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). Lineage estimates and recognizes royalty revenues based on all available information, including estimates provided by the customer or licensee from which Lineage obtains such estimates directly for each reporting period. Actual revenues ultimately received may differ from those estimates recorded and are adjusted in the period when information to actuals is available to Lineage.

Collaborative Agreements

In December 2021, Lineage entered into the Roche Agreement for the development and commercialization of OpRegen. Under the terms of the Roche Agreement, Roche agreed to pay Lineage a \$50.0 million upfront payment and Lineage is eligible to receive up to an additional \$620.0 million in certain developmental, regulatory and commercialization milestone payments. Lineage is also eligible to receive tiered double-digit percentage royalties on net sales of OpRegen. See Note 14 (Commitments and Contingencies) for additional information regarding this agreement.

In April 2021, Lineage entered a worldwide license and collaboration agreement with Immunomic Therapeutics, Inc. for the development and commercialization of an allogeneic version of an immunomic oncology target utilizing the VAC platform. Under the terms of this agreement, Lineage is entitled to upfront licensing fees totaling up to \$2.0 million, and up to \$67.0 million in development and commercial milestones across multiple indications. Lineage also will be eligible to receive royalties up to 10% on net sales of future products.

As of September 30, 2022, we recorded \$38.1 million and \$0.8 million of deferred revenue on the condensed consolidated balance sheet, related to the collaboration agreements with each of Roche and Immunomic Therapeutics, Inc., respectively. For the three and nine months ended September 30, 2022, we recognized \$2.6 million and \$11.6 million of revenue, respectively, on the condensed statement of operations, related to the Roche Agreement. See Note 3 (Revenue) for additional information.

We review collaborative agreements to determine if the accounting treatment falls under Accounting Standards Codification, *Topic 606, Revenue from Contracts with Customers* (“ASC 606”), or Accounting Standards Codification *Topic 808, Collaborative Arrangements* (“ASC 808”). While these agreements may be within the scope of ASC 808, we may analogize to ASC 606 for some aspects of the agreements.

The terms of our collaborative agreements typically include one or more of the following: (i) upfront fees; (ii) milestone payments related to achievement of development or commercial milestones; (iii) royalties on net sales of licensed products; and (iv) reimbursement of cost-sharing of research and development (“R&D”) expenses. Each of these payments eventually result in collaboration revenues. When a portion of non-refundable upfront fees or other payments received are allocated to continuing performance obligations under the terms of a collaborative agreement, they are recorded as deferred revenue and recognized as collaboration revenue when (or as) the underlying performance obligation is satisfied.

To identify the performance obligations within the collaboration agreements, we first identify all the promises in the contract (i.e. explicit and implicit), which may include a customer option to acquire additional goods or services for free or at a discount. We exclude any immaterial promises from the assessment of identifying performance obligations. When an option is identified as providing a customer with a material right, the option is identified as a performance obligation. A portion of the transaction price is then allocated to the option and recognized when (or as) the future goods or services related to the option are provided, or when the option expires.

As part of the accounting treatment for these agreements, we must develop estimates and assumptions that require judgement to determine the underlying stand-alone selling price for each performance obligation which determines how the transaction price is allocated among the performance obligations. The following items are estimated in the calculation of the stand-alone selling price: forecasted revenues and development costs, development timelines, discount rates and probabilities of technical and regulatory success. We evaluate each performance obligation to determine if they can be satisfied at a point in time or over time, and we measure the services delivered to our collaboration partners each reporting period, which is based on the progress of the related program. If necessary, we adjust the measure of performance and related revenue recognition. Any such adjustments are recorded on a cumulative catch-up basis which would affect revenue and net income (loss) in the period of adjustment. In addition, variable consideration (e.g., milestone payments) must be evaluated to determine if it is constrained and, therefore, excluded from the transaction price.

Upfront Fees: If a license to our intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, we recognize collaboration revenues from the transaction price allocated to the license when the license is transferred to the licensee, and the licensee is able to use and benefit from the license. When the license is determined to be non-distinct, we utilize judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time, and, if over time, the appropriate method of measuring progress for purposes of recognizing collaboration revenue from the allocated transaction price. For example, when we receive upfront fees for the performance of research and development services, or when research and development services are not considered to be distinct from a license, we recognize collaboration revenue for those units of account over time using a measure of progress. We evaluate the measure of progress at each reporting period and, if necessary, adjust the measure of performance and related revenue as a change in estimate.

Milestone Payments: At the inception of each collaboration agreement that includes milestone payments (variable consideration), we evaluate whether the milestones are considered probable of being reached and estimate the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within our or the collaboration partner's control, such as non-operational developmental and regulatory approvals, are generally not considered probable of being achieved until those approvals are received. At the end of each reporting period, we re-evaluate the probability of achievement of milestones that are within our or the collaboration partner's control, such as operational developmental milestones and any related constraint, and if necessary, adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect collaboration revenues and net income (loss) in the period of adjustment. Revisions to our estimate of the transaction price may also result in negative collaboration revenues and net income (loss) in the period of adjustment.

Royalties: For collaboration agreements that include sales-based royalties, including commercial milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, we recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Reimbursement, cost-sharing payments: Under certain collaborative agreements, we will receive reimbursement for a portion of our R&D expenses. Such reimbursements are reviewed for gross versus net reporting considerations and reflected either as a reduction of R&D expense or as reimbursement revenue in our consolidated statements of operations.

Accounts and Grant Receivable, net

Net accounts receivable amounted to \$0.4 million and \$50.6 million as of September 30, 2022 and December 31, 2021, respectively. Net accounts receivable include an allowance for doubtful accounts of approximately \$0.1 million as of September 30, 2022 and December 31, 2021, for those amounts deemed uncollectible. Lineage establishes an allowance for doubtful accounts based on the evaluation of the collectability of its receivables on a variety of factors, including the length of time receivables are past due, significant events that may impair the customer's ability to pay, such as a bankruptcy filing or deterioration in the customers operating results or financial position, and historical experience. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

Basic and diluted net income (loss) per share attributable to common shareholders

Basic earnings per share is calculated by dividing net income or loss attributable to Lineage common shareholders by the weighted average number of common shares outstanding, net of unvested restricted stock or restricted stock units, subject to repurchase by Lineage, if any, during the period. Diluted earnings per share is calculated by dividing the net income or loss attributable to Lineage common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of potentially dilutive common shares issuable under outstanding stock options and warrants, using the treasury-stock method, convertible preferred stock, if any, using the if-converted method, and treasury stock held by subsidiaries, if any.

For the three and nine months ended September 30, 2022 and 2021, respectively, Lineage reported a net loss attributable to common shareholders, and therefore, all potentially dilutive common shares were considered antidilutive for those periods.

The following common share equivalents were excluded from the computation of diluted net loss per common share for the periods presented because including them would have been antidilutive (in thousands):

	Nine Months Ended September 30, (unaudited)	
	2022	2021
Stock options	17,972	17,207
Restricted stock units	939	46

Cash and cash equivalents

Lineage considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of September 30, 2022 and December 31, 2021, Lineage had \$14.7 million and \$52.3 million in U.S. Treasuries securities and money market funds, respectively, considered to be cash equivalents.

Restricted Cash

In accordance with ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, Lineage explains the change during the period in the total of cash, cash equivalents and restricted cash, and includes restricted cash in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the condensed consolidated statements of cash flows.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheet dates that comprise the total of the same such amounts shown in the condensed consolidated statements of cash flows for all periods presented herein (in thousands):

	September 30, 2022	December 31, 2021
	(unaudited)	
Cash and cash equivalents	\$ 24,752	\$ 55,742
Restricted cash included in deposits and other current assets (see Note 14 (Commitments and Contingencies))	545	535
Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statements of cash flows	<u>\$ 25,297</u>	<u>\$ 56,277</u>

Stock-Based Compensation

Lineage follows accounting standards governing share-based payments in accordance with ASC 718, *Compensation – Stock Compensation*, which require the measurement and recognition of compensation expense for all share-based payment awards made to directors and employees based on estimated fair values.

For employee and director stock options, we utilize the Black-Scholes option pricing model for valuing share-based payment awards. Lineage's determination of fair value of share-based payment awards on the date of grant using that option-pricing model is affected by the price of Lineage's common shares as well as by assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, expected stock price volatility over the term of the awards, and the expected term of options granted, which is derived using the simplified method, which is an average of the contractual term of the option and its vesting period, as we do not have sufficient historical exercise data upon which to estimate expected term. The risk-free rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities similar to the expected term of the awards. Stock option forfeitures are accounted for as they occur.

For restricted stock unit awards ("RSUs") subject to service and/or performance vesting conditions, the grant-date fair value is established based on the closing price of Lineage's common shares on such date. Stock-based compensation expense for RSUs subject to only service conditions is recognized on a straight-line basis over the service period. Stock-based compensation expense for RSUs with both service and performance conditions is recognized on a graded basis only if it is probable that the performance condition will be achieved. Lineage accounts for forfeitures of RSUs as they occur in determining stock-based compensation expense. For RSUs subject to a market condition, the grant-date fair value is estimated using a Monte Carlo valuation model. The model is based on random projections of stock price paths and must be repeated numerous times to achieve a probabilistic assessment. Lineage recognizes stock-based compensation expense for RSUs subject to market-based vesting conditions regardless of whether it becomes probable that the vesting conditions will be achieved, and stock-based compensation expense for such RSUs is not reversed if vesting does not actually occur.

Although the fair value of employee stock options and RSUs are determined in accordance with FASB guidance, changes in the assumptions can materially affect the estimated value and therefore the amount of compensation expense recognized in the condensed consolidated interim financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

The following recently issued accounting pronouncement that is not yet effective should be read in conjunction with the recently issued accounting pronouncements discussed in the 2021 10-K.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for Lineage beginning January 1, 2023. We are currently assessing the new guidance and we believe this will not have a significant impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional guidance for a limited period of time to ease the burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. This would apply to companies meeting certain criteria that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This standard is effective for us immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. In April 2022, the FASB proposed extending the sunset date of this guidance to December 31, 2024. We are currently assessing the impact the new guidance will have on our consolidated financial statements and disclosures.

3. Revenue

Our disaggregated revenues were as follows for the periods presented (in thousands):

	Three Months Ended September,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Royalties	\$ 406	\$ 1,909	\$ 1,183	\$ 2,430
Grant revenues				
Israel Innovation Authority (“IIA”)	-	68	-	237
Total grant revenues	-	68	-	237
Revenues from collaborative agreements				
Upfront license fees	2,592	36	11,605	72
Event-based development milestones	-	72	-	72
Reimbursements, cost-sharing payments	-	185	-	362
Total revenues from collaborative agreements	2,592	293	11,605	506
Total revenue	\$ 2,998	\$ 2,270	\$ 12,788	\$ 3,173

During the three months ended September 30, 2022, we recognized \$3.0 million in total revenue, of which \$2.6 million was recognized in collaboration revenues related to the \$50.0 million upfront payment from Roche, which was included in deferred revenues at December 31, 2021.

During the nine months ended September 30, 2022, we recognized \$12.8 million in total revenue, of which \$11.6 million was recognized in collaboration revenues related to the \$50.0 million upfront payment from Roche, which was included in deferred revenues at December 31, 2021.

We are recognizing the \$50.0 million upfront payment under the Roche Agreement, utilizing an input method of costs incurred over total estimated costs to be incurred.

Accounts receivable and other receivable, net, and deferred revenues (contract liabilities) from contracts with customers, including collaboration partners, consisted of the following (in thousands):

	September 30, 2022 (unaudited)	December 31, 2021
Accounts receivable and other receivable, net ⁽¹⁾⁽²⁾	\$ 435	\$ 50,640
Deferred revenues ⁽²⁾	38,908	50,500

(1) Accounts receivable and other receivable, net, decreased primarily due to the receipt of the \$50.0 million upfront payment under the Roche Agreement, received in January 2022. See Note 14 (Commitments and Contingencies).

(2) Excludes government grants as Lineage has determined government grants are outside the scope of ASU 2014-09 – Revenue from Contracts with Customers (Topic 606).

As of September 30, 2022, the amounts in the transaction price of our contracts with customers, including collaboration partners, and allocated goods and services not yet provided were \$40.5 million, of which \$38.9 million has been collected and is reported as deferred revenues, and \$1.6 million relates to unfulfilled commitments related to the ITI collaboration (see Note 14 (Commitments and Contingencies) for additional information), the latter is currently estimated to be delivered by the end of the third quarter of 2023. Of the total deferred revenues of \$38.9 million, approximately \$12.4 million is expected to be recognized within the next 12 months.

4. Marketable Debt Securities

The following table is a summary of available-for-sale debt securities in cash and cash equivalents or marketable securities in the Company's condensed consolidated balance sheet as of September 30, 2022 (in thousands):

Financial Assets:	September 30, 2022 (unaudited)			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 48,646	\$ 1	\$ (151)	\$ 48,496
Total	<u>48,646</u>	<u>1</u>	<u>(151)</u>	<u>48,496</u>

The Company has not recognized an allowance for credit losses on any securities in an unrealized loss position as of September 30, 2022. We believe that the individual unrealized losses represent temporary declines resulting from changes in interest rates, and we intend to hold these marketable securities to their maturity.

As of September 30, 2022, the amortized cost and estimated fair value of the Company's available-for-sale securities by contractual maturity are shown below (in thousands):

	Amortized Cost (unaudited)	Estimated Fair Value
Available-for-sale securities maturing:		
In one year or less	\$ 48,646	\$ 48,496
Total available-for-sale securities	<u>48,646</u>	<u>48,496</u>

The Company currently does not intend to sell these securities prior to maturity and does not consider these investments to be other-than-temporarily impaired at September 30, 2022.

As of September 30, 2022 the Company had \$7.8 million in marketable debt securities which were classified as cash equivalents on the condensed consolidated balance sheet. As of December 31, 2021 the Company did not have any available-for-sale debt securities.

5. Marketable Equity Securities

As of September 30, 2022, Lineage owned 1.1 million shares of OncoCyte common stock, which had a fair value of \$0.8 million as of that date, based on the closing price of OncoCyte common stock of \$0.73 per share on that date.

As of December 31, 2021, Lineage owned 1.1 million shares of OncoCyte common stock, which had a fair value of \$2.4 million as of that date, based on the closing price of OncoCyte common stock of \$2.17 per share on that date.

For the three months ended September 30, 2022, Lineage recorded a net unrealized loss on marketable equity securities of \$0.2 million related to changes in fair market value of OncoCyte common stock price during the quarter. For the three months ended September 30, 2021, Lineage recorded a net unrealized loss on marketable equity securities of \$2.5 million related to changes in fair market value of OncoCyte's common stock price during the quarter.

For the nine months ended September 30, 2022, Lineage recorded a net unrealized loss on marketable equity securities of \$1.6 million related to changes in fair market value of OncoCyte common stock price during the period. For the nine months ended September 30, 2021, Lineage recorded a realized gain of \$6.0 million due to sales of OncoCyte shares in the period. Lineage also recorded a net unrealized loss on marketable equity securities of \$0.6 million related to changes in fair market value of OncoCyte's common stock price during the period.

All share prices are determined based on the closing price of OncoCyte common stock on the NYSE American on the last day of the applicable quarter, or the last trading day of the applicable quarter, if the last day of a quarter fell on a day that was not a trading day.

6. Property and Equipment, Net

At September 30, 2022 and December 31, 2021, property and equipment, net was comprised of the following (in thousands):

	September 30, 2022	December 31, 2021
	(unaudited)	
Equipment, furniture and fixtures	\$ 3,389	\$ 3,472
Leasehold improvements	2,338	2,539
Right-of-use assets	4,737	4,163
Accumulated depreciation and amortization	(5,812)	(5,302)
Property and equipment, net	<u>\$ 4,652</u>	<u>\$ 4,872</u>

Property and equipment, net at September 30, 2022 and December 31, 2021, includes \$79,000 in financing leases, which were fully amortized.

Depreciation and amortization expense amounted to \$145,000 and \$165,000 for the three months ended September 30, 2022 and 2021, respectively, and \$441,000 and \$504,000 for the nine months ended September 30, 2022 and 2021, respectively.

7. Goodwill and Intangible Assets, Net

At September 30, 2022 and December 31, 2021, goodwill and intangible assets, net consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
	(unaudited)	
Goodwill ⁽¹⁾	<u>\$ 10,672</u>	<u>\$ 10,672</u>
Intangible assets:		
Acquired IPR&D – OPC1 (from the Asterias Merger) ⁽²⁾	\$ 31,700	\$ 31,700
Acquired IPR&D – VAC (from the Asterias Merger) ⁽²⁾	14,840	14,840
Intangible assets subject to amortization:		
Acquired patents	18,953	18,953
Acquired royalty contracts ⁽³⁾	650	650
Total intangible assets	<u>66,143</u>	<u>66,143</u>
Accumulated amortization ⁽⁴⁾	(19,419)	(19,321)
Intangible assets, net	<u>\$ 46,724</u>	<u>\$ 46,822</u>

(1) Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed in the Asterias Merger (see Note 14 (Commitments and Contingencies) for additional information on the Asterias Merger).

(2) Asterias had two in-process research and development (“IPR&D”) intangible assets that were valued at \$46.5 million as part of the purchase price allocation that was performed in connection with the Asterias Merger. The fair value of these assets consisted of \$31.7 million pertaining to the OPC1 program and \$14.8 million pertaining to the VAC platform.

- (3) Asterias had royalty cash flows under certain specific patent families it acquired from Geron Corporation. Such patents are expected to continue to generate revenue, are not used in the OPC1 or the VAC platform and are considered to be separate long-lived intangible assets under ASC 805.
- (4) As of September 30, 2022 acquired patents were fully amortized and the acquired royalty contracts had a remaining unamortized balance of approximately \$184,000.

Lineage amortizes its intangible assets over an estimated period of 5 to 10 years on a straight-line basis. Lineage recognized approximately \$33,000 and \$33,000 in amortization expense of intangible assets during the three months ended September 30, 2022 and 2021, respectively, and \$98,000 and \$178,000 during the nine months ended September 30, 2022 and 2021, respectively.

Amortization of intangible assets for periods subsequent to September 30, 2022 is as follows (in thousands):

Year Ended December 31,	Amortization Expense
2022	\$ 32
2023	130
2024	22
Total	\$ 184

8. Accounts Payable and Accrued Liabilities

At September 30, 2022 and December 31, 2021, accounts payable and accrued liabilities consisted of the following (in thousands):

	September 30, 2022 (unaudited)	December 31, 2021
Accounts payable	\$ 2,865	\$ 3,543
Accrued compensation	1,914	2,162
Accrued liabilities ⁽¹⁾	5,003	22,086
Other current liabilities	25	178
Total	\$ 9,807	\$ 27,969

- (1) The decrease in accrued liabilities was primarily due to a \$21.0 million payment by Lineage in accordance with its obligations related to the Roche Agreement (see Note 14 (Commitments and Contingencies)), offset with accrual of litigation settlement amount of \$3.5 million (see Note 14 (Commitments and Contingencies)).

9. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value (ASC 820-10-50), *Fair Value Measurements and Disclosures*:

- Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs to the valuation methodology are unobservable; that reflect management’s own assumptions about the assumptions market participants would make and significant to the fair value.

We have not transferred any instruments between the three levels of the fair value hierarchy.

We measure our money market fund, marketable securities and our liability classified warrants at fair value on a recurring basis. The fair values of such assets were as follows at September 30, 2022 and December 31, 2021 (in thousands):

	Fair Value Measurements Using			
	Balance at September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market fund ⁽¹⁾	\$ 6,909	\$ 6,909	\$ -	\$ -
Marketable debt securities	48,496	48,496		
Marketable equity securities	940	940	-	-
Liabilities:				
Warrants to purchase Cell Cure ordinary shares	4	-	-	4

	Fair Value Measurements Using			
	Balance at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market fund ⁽¹⁾	\$ 52,324	\$ 52,324	\$ -	\$ -
Marketable equity securities	2,616	2,616	-	-
Liabilities:				
Warrants to purchase Cell Cure ordinary shares	227	-	-	227

(1) Included in cash and cash equivalents in the accompanying condensed consolidated balance sheet.

In determining the fair value of the warrants to purchase ordinary shares of Cell Cure, Lineage utilizes a Black-Scholes pricing model that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible, and also considers counterparty credit risk in its assessment of fair value. The significant unobservable inputs used in the fair value measurement of such warrants are volatility and share value. A significant increase or decrease in these inputs could result in a significantly higher or lower fair value measurements.

The following table sets forth the establishment of the fair value of these warrants, as well as a summary of the changes in the fair value and other adjustments (in thousands):

	Cell Cure Warrants
Balance as of December 31, 2021	\$ 227
Change in fair value and other adjustments	(223)
Expiration of warrants	-
Balance as of September 30, 2022	<u>\$ 4</u>

Lineage's marketable equity securities includes the shares of stock of OncoCyte and HBL. Both of these securities have readily determinable fair values quoted on the NYSE American or TASE. These securities are measured at fair value and reported as current assets on the accompanying condensed consolidated balance sheets based on the closing trading price of the security as of the date being presented.

The fair value of Lineage's assets and liabilities, which qualify as financial instruments under FASB guidance regarding disclosures about fair value of financial instruments, approximate the carrying amounts presented in the accompanying consolidated balance sheets.

10. Related Party Transactions

In connection with the putative shareholder class action lawsuits filed in February 2019 and October 2019 challenging the Asterias Merger (see Note 14 (Commitments and Contingencies)), Lineage agreed to pay the expenses for the legal defense of Neal Bradsher, a member of the Lineage board of directors, Broadwood Partners, L.P., a shareholder of Lineage, and Broadwood Capital, Inc., which serves as the general partner of Broadwood Partners, L.P., all of which were named defendants in the lawsuits, prior to being dismissed. Through September 30, 2022, Lineage has incurred a total of approximately \$620,000 in legal expenses on behalf of the foregoing parties.

11. Shareholders' Equity

Preferred Shares

Lineage is authorized to issue 2,000,000 preferred shares, no par value. The preferred shares may be issued in one or more series as the Lineage board of directors may determine by resolution. The Lineage board of directors is authorized to fix the number of shares of any series of preferred shares and to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed on the preferred shares as a class, or upon any wholly unissued series of any preferred shares. The Lineage board of directors may, by resolution, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of preferred shares subsequent to the issue of shares of that series. As of September 30, 2022 and December 31, 2021, there were no preferred shares issued or outstanding.

Common Shares

Lineage is authorized to issue 250,000,000 common shares, no par value. As of September 30, 2022 and December 31, 2021, there were 169,886,335 and 169,477,347 common shares issued and outstanding, respectively.

At The Market Offering Program

In May 2020, Lineage entered into a Controlled Equity OfferingSM Sales Agreement (the “Sales Agreement”) with Cantor Fitzgerald & Co., as sales agent (“Cantor Fitzgerald”), pursuant to which Lineage may sell its common shares from time to time through an “at the market offering” (“ATM”) program under the Sales Agreement.

In March 2021, Lineage filed a prospectus supplement with the SEC in connection with the offer and sale of \$25.0 million of common shares through the ATM program under the Sales Agreement (“March 2021 Prospectus Supplement”).

In December 2021, Lineage filed a prospectus supplement with the SEC in connection with the offer and sale of up to \$64.1 million of common shares (which included \$14.1 million of its common shares which then remained unsold under the March 2021 Prospectus Supplement) through the ATM program under the Sales Agreement (“December 2021 Prospectus Supplement”). No further sales will be made under the March 2021 Prospectus Supplement.

As of September 30, 2022, Lineage had sold 108,200 common shares under the December 2021 Prospectus Supplement at a weighted average price per share of \$2.55 for gross proceeds of \$0.3 million. As of September 30, 2022, \$63.8 million remained available for sale under the December 2021 Prospectus Supplement. In the third quarter of 2022, no shares were sold through the ATM program.

The shares offered under the December 2021 Prospectus Supplement are registered pursuant to Lineage’s effective shelf registration statement on Form S-3 (File No. 333-237975), which was filed with the SEC on May 1, 2020 and declared effective on May 8, 2020, and Lineage’s effective shelf registration statement on Form S-3 (File No. 333-254167), which was filed with the SEC on March 5, 2021 and declared effective on March 19, 2021.

Lineage agreed to pay Cantor Fitzgerald a commission of 3.0% of the aggregate gross proceeds from the sale of shares under the Sales Agreement, reimburse its legal fees and disbursements, and provide Cantor Fitzgerald with customary indemnification and contribution rights. The Sales Agreement may be terminated by Cantor Fitzgerald or Lineage at any time upon notice to the other party, or by Cantor Fitzgerald at any time in certain circumstances, including the occurrence of a material and adverse change in Lineage’s business or financial condition that makes it impractical or inadvisable to market the shares or to enforce contracts for the sale of the shares.

Reconciliation of Changes in Shareholders' Equity

The following tables document the changes in shareholders' equity for the three and nine months ended September 30, 2022 and 2021 (unaudited and in thousands):

	Preferred Shares		Common Shares		Accumulated Deficit	Noncontrolling Interest/(Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount				
BALANCE AT DECEMBER 31, 2021	-	\$ -	169,477	\$ 434,529	\$ (337,097)	\$ (1,323)	\$ (5,211)	\$ 90,898
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(8)	-	-	-	(8)
Shares issued upon exercise of stock options	-	-	240	189	-	-	-	189
Subsidiary warrant exercise	-	-	-	2	-	-	-	2
Stock-based compensation	-	-	-	1,106	-	-	-	1,106
Foreign currency translation gain	-	-	-	-	-	-	124	124
NET LOSS	-	-	-	-	(7,087)	(6)	-	(7,093)
BALANCE AT MARCH 31, 2022	-	\$ -	169,727	\$ 435,818	\$ (344,184)	\$ (1,329)	\$ (5,087)	\$ 85,218
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(9)	-	-	-	(9)
Shares issued upon exercise of stock options	-	-	11	10	-	-	-	10
Subsidiary warrant exercise, net	-	-	-	97	-	-	-	97
Stock-based compensation	-	-	-	1,235	-	-	-	1,235
Foreign currency translation gain	-	-	-	-	-	-	1,730	1,730
NET LOSS	-	-	-	-	(6,763)	(19)	-	(6,782)
BALANCE AT JUNE 30, 2022	-	\$ -	169,748	\$ 437,151	\$ (350,947)	\$ (1,348)	\$ (3,357)	\$ 81,499
Shares issued upon exercise of stock options	-	-	138	118	-	-	-	118
Subsidiary warrant exercise, net	-	-	-	892	-	-	-	892
Stock-based compensation	-	-	-	987	-	-	-	987
Unrealized loss on marketable securities	-	-	-	-	-	-	(150)	(150)
Foreign currency translation gain	-	-	-	-	-	-	323	323
NET LOSS	-	-	-	-	(6,069)	(47)	-	(6,116)
BALANCE AT SEPTEMBER 30, 2022	-	\$ -	169,886	\$ 439,148	\$ (357,016)	\$ (1,395)	\$ (3,184)	\$ 77,553

	Preferred Shares		Common Shares		Accumulated Deficit	Noncontrolling Interest/(Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
	Number of Shares	Amount	Number of Shares	Amount				
BALANCE AT DECEMBER 31, 2020	-	\$ -	153,096	\$ 393,944	\$ (294,078)	\$ (1,072)	\$ (3,667)	\$ 95,127
Shares issued through ATM	-	-	7,941	19,008	-	-	-	19,008
Shares issued for services	-	-	78	202	-	-	-	202
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(12)	-	-	-	(12)
Shares issued upon exercise of stock options	-	-	942	1,751	-	-	-	1,751
Financing related fees	-	-	-	(173)	-	-	-	(173)
Stock-based compensation	-	-	-	539	-	-	-	539
Foreign currency translation gain	-	-	-	-	-	-	1,576	1,576
NET LOSS	-	-	-	-	(1,416)	(32)	-	(1,448)
BALANCE AT MARCH 31, 2021	-	\$ -	162,067	\$ 415,259	\$ (295,494)	\$ (1,104)	\$ (2,091)	\$ 116,570
Shares issued through ATM	-	-	2,824	7,874	-	-	-	7,874
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(15)	-	-	-	(15)
Shares issued upon exercise of stock options	-	-	2,116	4,033	-	-	-	4,033
Financing related fees	-	-	-	(26)	-	-	-	(26)
Stock-based compensation	-	-	-	919	-	-	-	919
Shares issued for retirement of stock warrants	-	-	20	2	-	-	-	2
Foreign currency translation loss	-	-	-	-	-	-	(960)	(960)
NET LOSS	-	-	-	-	(4,788)	(8)	-	(4,796)
BALANCE AT JUNE 30, 2021	-	\$ -	167,037	\$ 428,046	\$ (300,282)	\$ (1,112)	\$ (3,051)	\$ 123,601
Shares issued through ATM	-	-	1,049	2,667	-	-	-	2,667
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(13)	-	-	-	(13)
Shares issued upon exercise of stock options	-	-	369	485	-	-	-	485
Financing related fees	-	-	-	(79)	-	-	-	(79)
Stock-based compensation	-	-	-	1,144	-	-	-	1,144
Foreign currency translation loss	-	-	-	-	-	-	(382)	(382)
NET LOSS	-	-	-	-	(7,823)	(11)	-	(7,834)
BALANCE AT SEPTEMBER 30, 2021	-	\$ -	168,465	\$ 432,250	\$ (308,105)	\$ (1,123)	\$ (3,433)	\$ 119,589

Cell Cure Warrants – Liability Classified

In July 2017, Cell Cure issued to HBL a warrant to purchase 24,566 ordinary shares at an exercise price of \$40.54 per share with an expiration date in July 2022. In March 2022, HBL was issued 50 shares following its cash exercise of a portion of that warrant, and an additional 50 shares were transacted as a net exercise. In April 2022, HBL was issued 2,467 shares following its cash exercise of a portion of that warrant. In July 2022, HBL was issued 21,999 shares following its cash exercise of the remaining portion of that warrant, which resulted in net proceeds to Cell Cure of \$0.9 million.

A warrant to purchase 2,000 ordinary shares issued to Cell Cure consultants with an exercise price of \$40.00 per share and which expires in January 2024 is outstanding as of September 30, 2022.

12. Stock-Based Awards*Equity Incentive Plan Awards*

In September 2021, our shareholders approved the Lineage Cell Therapeutics, Inc. 2021 Equity Incentive Plan (the “2021 Plan”), which became effective upon such approval. The 2021 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, RSUs, and other stock awards. All of our employees (including those of our affiliates), non-employee directors and consultants are eligible to participate in the 2021 Plan.

Subject to adjustment for certain changes in our capitalization, the aggregate number of our common shares that may be issued under the 2021 Plan will not exceed the sum of (i) 15,000,000 shares and (ii) the number of shares subject to awards granted under the Lineage Cell Therapeutics Inc. 2012 Equity Incentive Plan (the “2012 Plan”) that were outstanding when the 2021 Plan became effective and are not issued because such awards expire or otherwise terminate. As of September 30, 2022, there were 11,256,401 shares available for grant under the 2021 Plan.

As a result of the approval of the 2021 Plan by our shareholders, no additional awards will be granted under the 2012 Plan or the Asterias 2013 Equity Incentive Award (the “Asterias Equity Plan”).

A summary of activity under the 2021 Plan is as follows (in thousands, except per share amounts):

	Number of Options Outstanding	Number of RSUs Outstanding	Weighted Average Exercise Price
December 31, 2021	-	-	\$ -
Options granted	6,258	-	1.40
Options expired/forfeited/cancelled	(1,155)	-	1.40
RSUs granted ⁽¹⁾	-	994	-
RSUs forfeited	-	(55)	-
September 30, 2022	<u>5,103</u>	<u>939</u>	<u>\$ 1.40</u>
Options exercisable at September 30, 2022	<u>-</u>	<u>-</u>	<u>\$ -</u>

(1) On February 11, 2022, Lineage granted 694,424 RSUs to certain employees, including the Company’s executive officers, to further align management with the achievement of certain development milestones under the Roche Agreement. For each RSU, half of the common shares subject to the RSU will vest in four equal annual installments beginning on the first anniversary of the grant date. The other half of the common shares will vest in connection with the achievement of certain development milestones set forth in the Roche Agreement. Additionally, on March 10, 2022, Lineage granted 300,000 RSUs to Brian Culley, its Chief Executive Officer. 100,000 of these RSUs will vest on or prior to March 9, 2023, and 100,000 will vest on each of the second and third anniversaries of such date, upon the achievement of certain per share performance targets, calculated based on the trailing 20-day volume weighted average price of the Company’s common shares as of the date of determination.

A summary of activity of the 2012 Plan and 2018 inducement option (issued outside of all equity plans) is as follows (in thousands, except per share amounts):

	Number of Options Outstanding	Number of RSUs Outstanding	Weighted Average Exercise Price
December 31, 2021	14,643	31	\$ 1.84
RSUs vested	-	(31)	-
Options exercised	(389)	-	0.81
Options expired/forfeited/cancelled	(1,385)	-	2.18
September 30, 2022	<u>12,869</u>	<u>-</u>	<u>\$ 1.83</u>
Options exercisable at September 30, 2022	<u>9,044</u>		<u>\$ 1.82</u>

A summary of activity under the Asterias Equity Plan is as follows (in thousands, except per share amounts):

	Number of Options Outstanding	Weighted Average Exercise Price
December 31, 2021	241	\$ 1.57
Options forfeited	(241)	1.57
September 30, 2022	<u>-</u>	<u>\$ -</u>
Options exercisable at September 30, 2022	<u>-</u>	<u>\$ -</u>

Stock-based compensation expense

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option pricing model applying the weighted-average assumptions noted in the following table:

	Nine Months Ended September 30, (unaudited)	
	2022	2021
Expected life (in years)	6.20	6.19
Risk-free interest rates	2.11%	1.05%
Volatility	73.6%	73.2%
Dividend yield	-%	-%

Operating expenses include stock-based compensation expense as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30, (unaudited)		September 30, (unaudited)	
	2022	2021	2022	2021
Research and development	\$ 204	\$ 235	\$ 559	\$ 613
General and administrative	783	909	2,769	1,988
Total stock-based compensation expense	\$ 987	\$ 1,144	\$ 3,328	\$ 2,601

As of September 30, 2022, total unrecognized compensation costs related to unvested stock options and unvested RSUs under all equity plans (including the 2018 inducement option), were \$8.9 million, which is expected to be recognized as expense over a weighted average period of approximately 2.7 years.

13. Income Taxes

The provision for income taxes for interim periods is generally determined using an estimated annual effective tax rate as prescribed by ASC 740-270, *Income Taxes, Interim Reporting*. The effective tax rate may be subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as valuation allowances and changes in valuation allowances against deferred tax assets, the recognition or de-recognition of tax benefits related to uncertain tax positions, if any, and changes in or the interpretation of tax laws in jurisdictions where Lineage conducts business. ASC 740-270 also states that if an entity is unable to reliably estimate some or a part of its ordinary income or loss, the income tax provision or benefit applicable to the item that cannot be estimated shall be reported in the interim period in which the item is reported. For items that Lineage cannot reliably estimate on an annual basis, Lineage uses the actual year to date effective tax rate rather than an estimated annual effective tax rate to determine the tax effect of each item, including the use of all available net operating losses and other credits or deferred tax assets.

The market value of the shares of OncoCyte common stock Lineage holds creates a deferred tax liability (“DTL”) to Lineage based on the closing prices of the shares, less Lineage’s tax basis in the shares. The DTL generated by the OncoCyte shares that Lineage holds as of September 30, 2022 is a source of future taxable income to Lineage, as prescribed by ASC 740-10-30-17, that will more likely than not result in the realization of its deferred tax assets to the extent of the DTL. This DTL is determined based on the closing price of the OncoCyte common stock on September 30, 2022. Due to the inherent unpredictability of future prices of those shares, Lineage cannot reliably estimate the DTL on an annual basis. Therefore, the DTL pertaining to OncoCyte shares, determined based on the actual closing prices on the last trading day of the applicable accounting period, and the related impacts to the valuation allowance and deferred tax asset changes, are recorded in the accounting period in which they occur.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Lineage established a full valuation allowance as of December 31, 2018 due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets, including foreign net operating losses generated by its subsidiaries.

In January 2022, Lineage received the \$50.0 million upfront payment due under the Roche Agreement (see additional information in Note 14 (Commitments and Contingencies)). In December 2021, in an intercompany transaction, Lineage acquired the economic rights to Cell Cure’s interest in certain intellectual property. This transaction generated a gain to Cell Cure of \$31.7 million which was fully offset by net operating loss carryforwards in Israel. For book and California income tax purposes, this transaction is eliminated in consolidation. For federal income tax purposes, the activities of Lineage’s foreign subsidiaries are not included in the consolidated tax return. However, under the regulations related to global intangible low-taxed income (“GILTI”), the profits of Lineage’s foreign subsidiaries may be included. See further discussion below.

Beginning in 2018, the Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) subjects a U.S. stockholder to GILTI earned by certain foreign subsidiaries. In general, GILTI is the excess of a U.S. stockholder’s total net foreign income over a deemed return on tangible assets. The provision further allows a deduction of 50% of GILTI, however this deduction is limited to the company’s pre-GILTI U.S. income. For the year ended December 31, 2021, Lineage’s combined foreign entities generated a profit arising from intercompany transactions, resulting in \$24.8 million of GILTI. The resulting net income for federal income tax purposes was fully offset by the federal net operating loss carryforwards of the foreign entities.

For years beginning after December 31, 2021, the 2017 Tax Act requires companies to capitalize their research and experimentation expenditures as defined under Section 174 and amortize those expenditures on a straight-line bases over a period of 5 years (15 years for foreign incurred expenditures). Previously the Company was able to immediately expense such costs. We believe the Company has sufficient federal net operating loss carryforwards to offset the impact of this regulation.

For the three and nine months ended September 30, 2022, Lineage recorded a withholding tax for the amount of \$0.5 million on interest expense deemed paid to Lineage from Cell Cure on the purchase of intellectual property pursuant to the US Israeli tax treaty. For the three and nine months ended September 30, 2022, Lineage did not record a deferred tax benefit.

For the three and nine months ended September 30, 2021, Lineage recorded a \$1.0 million and \$1.2 million deferred tax benefit, respectively, that was primarily related to federal net operating losses generated for the three and nine months ended September 30, 2021, which was available and indefinite in nature.

14. Commitments and Contingencies

Real Property Leases

Carlsbad Lease

In May 2019, Lineage entered into a lease for approximately 8,841 square feet of rentable space in an office park in Carlsbad, California for a term that commenced on August 1, 2019 and expired on October 31, 2022. Rent was abated for months two through five of the lease. The rent was based upon a deemed rentable area of 7,000 square feet. On August 1, 2022 the rent increased by 3% to \$24,666. As security for the performance of its obligations under the lease, Lineage provided the landlord with a security deposit of \$17,850. We are currently in negotiations with the landlord to extend this lease.

In addition to base rent, Lineage pays a pro rata portion of increases in certain expenses, including real property taxes, utilities (to the extent not separately metered to the leased space) and the landlord's operating expenses, over the amounts of those expenses incurred by the landlord.

Carlsbad Sublease

In September 2022, Lineage, as sublessee, entered into a sublease for approximately 4,500 square feet of rentable industrial space in Carlsbad, California for a term that commenced on October 1, 2022 and expires on March 31, 2024. As security for the performance of its obligations under the sublease, Lineage provided the landlord with a security deposit of \$22,500. Base rent is \$22,500 per month until the lease expires.

Alameda Leases and Alameda Sublease

In December 2015, Lineage entered into leases of office and laboratory space located in two buildings in Alameda, California (the "Alameda Leases") comprised of 22,303 square feet (the "1010 Atlantic Premises") and 8,492 square feet (the "1020 Atlantic Premises"). As security for its obligations under the Alameda Leases, Lineage provided the landlord with a security deposit of approximately \$424,000, which was reduced to \$78,000 in January 2019 in accordance with the terms of the Alameda Leases, and which was returned in full to Lineage in March 2021.

Base rent under the Alameda Leases beginning on February 1, 2020 was \$72,676 per month with annual increases of approximately 3%. In addition to base rent, Lineage pays a pro rata portion of increases in certain expenses, including real property taxes, utilities (to the extent not separately metered to the leased space) and the landlord's operating expenses, over the amounts of those expenses incurred by the landlord.

In April 2020, Lineage, as sublessor, subleased 10,000 square feet in the 1010 Atlantic Premises. Base rent under the sublease was \$28,000 per month with annual increases of approximately 3%. Base rent for the first month was abated. In addition to base rent and utilities, the sublessee is responsible for a pro-rata portion of increases in operating expenses.

On September 11, 2020, the lease for the 1020 Atlantic Premises was terminated effective as of August 31, 2020, and the lease for the 1010 Atlantic Premises was terminated effective as of September 30, 2020. In connection with the termination of the Alameda Leases, Lineage, as sublessee, entered into a sublease for approximately 2,432 square feet of the 1010 Atlantic Premises for a term that commenced on October 1, 2020 and ends on January 31, 2023. Base rent is \$14,592 per month with annual increases of 3% each October 1 during the term. Base rent for the first month was abated. Lineage paid a security deposit of \$16,000; this amount is included in deposits and other current assets as of September 30, 2022.

Cell Cure Leases

Cell Cure leases 728.5 square meters (approximately 7,842 square feet) of office and laboratory space in Jerusalem, Israel under a lease that expires December 31, 2027, with an option to extend the lease for five years (the "Original Cell Cure Lease"). Base monthly rent is NIS 39,776 (approximately \$12,200 per month). In addition to base rent, Cell Cure pays a pro-rata share of real property taxes and certain costs related to the operation and maintenance of the building in which the leased premises are located.

In January 2018, Cell Cure entered into another lease for an additional 934 square meters (approximately 10,054 square feet) of office space in the same facility that expires on December 31, 2027, with an option to extend the lease for five years (the "January 2018 Lease"). Base rent and construction allowance payments are NIS 93,827 per month (approximately \$26,000 per month). Cell Cure provided a \$420,000 security deposit to the landlord to be held as restricted cash during the term of the January 2018 Lease, which is included in deposits and other long-term assets on the consolidated balance sheet as of September 30, 2022.

In November 2021, Cell Cure entered into a lease for an additional 133 square meters (approximately 1,432 square feet) of office space in the same facility that commenced on December 1, 2021, and expires on December 31, 2027, with an option to extend the lease for five years. The base monthly rent is NIS 11,880 (approximately US \$3,757) and increased to NIS 12,494 (approximately US \$3,951) on November 1, 2022.

In August 2022, Cell Cure entered into a new lease for 300 square meters (approximately 3,229 square feet) of office and laboratory space in Jerusalem, Israel that expires December 31, 2027, with an option to extend the lease for five years. Base monthly rent is 16,350 NIS (approximately \$4,800 per month) on August 1, 2022. When executing the new lease, Cell Cure modified the expiration dates and options terms for the leases identified above to align with the new lease. The adjustment to the right-of-use asset and lease liability to reflect the lease modification for the 2-year extension was \$0.7 million, while the additional right-of-use asset and lease liability recorded for the new lease was \$0.2 million.

Supplemental Information – Leases

Supplemental cash flow information related to leases is as follows (in thousands):

	Nine Months Ended	
	September 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 727	\$ 687
Operating cash flows from financing leases	14	12
Financing cash flows from financing leases	23	13
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	1,028	32

Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

	September 30, 2022	December 31, 2021
Operating leases		
Right-of-use assets, net	\$ 2,491	\$ 2,372
Right-of-use lease liabilities, current	\$ 543	\$ 801
Right-of-use lease liabilities, noncurrent	2,216	1,941
Total operating lease liabilities	<u>\$ 2,759</u>	<u>\$ 2,742</u>
Financing leases		
Right-of-use assets, net	\$ 19	\$ 36
Lease liabilities, current	\$ 13	\$ 13
Lease liabilities, noncurrent	16	23
Total finance lease liabilities	<u>\$ 29</u>	<u>\$ 36</u>
Other current liabilities	\$ 12	\$ 17
Long-term liabilities	-	7
Total finance lease liabilities	<u>\$ 12</u>	<u>\$ 24</u>
Weighted average remaining lease term		
Operating leases	5.1 years	3.5 years
Finance leases	1.6 years	2.2 years
Weighted average discount rate		
Operating leases	6.6%	7.7%
Finance leases	5.0%	5.7%

Future minimum lease commitments are as follows as of September 30, 2022 (in thousands):

	Operating Leases	Finance Leases
Year Ending December 31,		
2022	\$ 222	\$ 7
2023	616	24
2024	595	11
2025	578	-
2026	571	-
Thereafter	<u>689</u>	<u>-</u>
Total lease payments	\$ 3,271	\$ 42
Less imputed interest	(512)	(1)
Total	<u>\$ 2,759</u>	<u>\$ 41</u>

Collaboration Agreements

Roche Agreement

In December 2021, Lineage entered into the Roche Agreement, wherein Lineage granted to Roche exclusive worldwide rights to develop and commercialize RPE cell therapies, including Lineage's proprietary cell therapy known as OpRegen, for the treatment of ocular disorders, including GA secondary to AMD.

Under the terms of the Roche Agreement, Roche paid Lineage a \$50.0 million upfront payment and Lineage is eligible to receive up to an additional \$620.0 million in certain developmental, regulatory and commercialization milestone payments. Lineage also is eligible for tiered double-digit percentage royalties on net sales of OpRegen in the U.S and other major markets. All regulatory and commercial milestone payments and royalty payments are subject to the existence of certain intellectual property rights that cover OpRegen at the time such payments would otherwise become due, and the royalty payments on net sales of OpRegen are subject to financial offsets based on the existence of competing products. Roche assumed responsibility for further clinical development and commercialization of OpRegen. Lineage is responsible for completing activities related to the ongoing clinical study, for which enrollment is complete, and performing certain manufacturing and process development activities.

Unless earlier terminated by either party, the Roche Agreement will expire on a product-by-product and country-by-country basis upon the expiration of all of Roche's payment obligations under the agreement. Roche may terminate the agreement in its entirety, or on a product-by-product or country-by-country basis, at any time with advance written notice. Either party may terminate the agreement in its entirety with written notice for the other party's material breach if such party fails to cure the breach or upon certain insolvency events involving the other party.

In January 2022, Lineage received the \$50.0 million upfront payment from Roche. Subsequently, Lineage, via Cell Cure, paid \$12.1 million to the Israel Innovation Authority ("IIA"), and \$8.9 million to Hadasit Medical Research Services and Development Ltd. ("Hadasit"). Such payments were made in accordance with obligations under the Innovation Law (as discussed below) and under the terms of Cell Cure's agreements with Hadasit discussed below. The payment to Hadasit was reduced by \$1.9 million in accordance with the provisions of such agreements discussed below that reduce the sublicensing fee payable to Hadasit for costs related to Lineage's performance obligations under the Roche Agreement. To the extent such costs are not incurred within five years after the execution of the Roche Agreement, Cell Cure will be required to pay Hadasit 21.5% of the amount of costs not incurred.

ITI Collaboration Agreement

Under Lineage's collaborative agreement with Immunomic Therapeutics, Inc., Lineage agreed to perform up to approximately \$2.2 million worth of certain research, development, manufacturing, and oversight activities related to an allogeneic VAC-CMV product candidate. ITI will reimburse Lineage for these costs and full-time employee costs for the manufacturing of the VAC-CMV product candidate.

Agreements with Hadasit and IIA

The OpRegen program was supported in part with licenses to technology obtained from Hadasit, the technology transfer company of Hadassah Medical Center, and through a series of research grants from the IIA, an independent agency created to address the needs of global innovation ecosystems. A subset of the intellectual property underlying OpRegen was originally generated at Hadassah Medical Center and licensed to Cell Cure for further development.

Under the Encouragement of Research, Development and Technological Innovation in the Industry Law 5744, and the regulations, guidelines, rules, procedures and benefit tracks thereunder (collectively, the "Innovation Law"), annual research and development programs that meet specified criteria and were approved by a committee of the IIA were eligible for grants. The grants awarded were typically up to 50% of the project's expenditures, as determined by the IIA committee and subject to the benefit track under which the grant was awarded.

The terms of the grants under the Innovation Law generally require that the products developed as part of the programs under which the grants were given be manufactured in Israel. The know-how developed thereunder may not be transferred outside of Israel unless prior written approval is received from the IIA. Transfer of IIA-funded know-how outside of Israel is subject to approval and payment of a redemption fee to the IIA calculated according to formulas provided under the Innovation Law. In November 2021, the IIA research committee approved an application made by Cell Cure with respect to the grant of an exclusive license and transfer of the technological know-how for OpRegen to Roche. Under the provisions for the redemption fee, Lineage is obligated to pay the IIA approximately 24.3% of the upfront, milestone, and royalty payments which may be received under the Roche Agreement, up to an aggregate cap on all payments, such cap growing over time via interest accrual until paid in full. As of September 30, 2022, the aggregate cap amount was approximately \$90.9 million.

Pursuant to the Second Amended and Restated License Agreement, dated June 15, 2017, between Cell Cure and Hadasit, and a certain letter agreement entered into on December 17, 2021, Hadasit was entitled to, and was paid, a sublicensing fee of 21.5% of the \$50.0 million upfront payment under the Roche Agreement (subject to certain reductions, including for costs related to Lineage's performance obligations under the Roche Agreement) and of any milestone payments, and up to 50% of all royalty payments (subject to a maximum payment of 5% of net sales of products), Lineage receives under the Roche Agreement. The letter agreement generally terminates upon the termination of the Roche Agreement.

Second Amendment to Clinical Trial and Option Agreement and License Agreement with Cancer Research UK

In May 2020, Lineage and Asterias entered into a Second Amendment to Clinical Trial and Option Agreement (the "CTOA Amendment") with Cancer Research UK ("CRUK") and Cancer Research Technology Limited ("CRT"), which amends the Clinical Trial and Option Agreement entered into between Asterias, CRUK and CRT dated September 8, 2014, as amended September 8, 2014. Pursuant to the CTOA Amendment, Lineage assumed all obligations of Asterias and exercised early its option to acquire data generated in the Phase 1 clinical trial of VAC2 in non-small cell lung cancer being conducted by CRUK. CRUK will continue conducting the VAC2 study.

Lineage and CRT effectuated the option by simultaneously entering into a license agreement (the "CRT License Agreement") pursuant to which Lineage agreed to pay the previously agreed signature fee of £1,250,000 (approximately \$1.6 million). For the primary licensed product for the first indication, the CRT License Agreement provides for milestone fees of up to £8,000,000 based upon initiation of a Phase 3 clinical trial and the filing for regulatory approval and up to £22,500,000 in sales-based milestone payments. Additional milestone fees and sales-based milestone payments would be payable for other products or indications, and mid-single-digit royalty payments are payable on sales of commercial products.

Either party may terminate the CRT License Agreement for the uncured material breach of the other party. CRT may terminate the CRT License Agreement in the case of Lineage's insolvency or if Lineage ceases all development and commercialization of all products under the CRT License Agreement.

Litigation – General

From time to time, we are subject to legal proceedings and claims in the ordinary course of business. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, legal proceedings are subject to inherent uncertainties, and unfavorable rulings or outcomes could occur that have individually or in aggregate, a material adverse effect on our business, financial condition or operating results. Except as described below, we are not currently subject to any pending material litigation, other than ordinary routine litigation incidental to our business, as described above.

Asterias Merger

In November 2018, Lineage, Asterias Biotherapeutics, Inc. ("Asterias") and Patrick Merger Sub, Inc., a wholly owned subsidiary of Lineage, entered into an Agreement and Plan of Merger (the "Merger Agreement") whereby Lineage agreed to acquire all of the outstanding common stock of Asterias in a stock-for-stock transaction (the "Asterias Merger"). On March 7, 2019, the shareholders of each of Lineage and Asterias approved the Merger Agreement. On March 8, 2019, the Asterias Merger closed with Asterias surviving as a wholly owned subsidiary of Lineage. Lineage issued 24,695,898 common shares, including 58,085 shares issued in respect of RSUs issued by Asterias that immediately vested in connection with the closing of the Asterias Merger. The aggregate dollar value of such shares, based on the closing price of Lineage common shares on March 8, 2019, was \$32.4 million. The total purchase price was \$52.6 million, inclusive of liabilities assumed by Lineage.

In October 2019, a putative class action lawsuit was filed challenging the Asterias Merger. This action (captioned *Ross v. Lineage Cell Therapeutics, Inc., et al.*, C.A. No. 2019-0822) was filed in Delaware Chancery Court and names Lineage, the Asterias board of directors, one member of Lineage's board of directors, and certain stockholders of both Lineage and Asterias as defendants (the "Asterias Merger Litigation"). The action was brought by a purported stockholder of Asterias, on behalf of a putative class of Asterias stockholders, and asserts breach of fiduciary duty and aiding and abetting claims under Delaware law. The complaint alleges, among other things, that the process leading up to the Asterias Merger was conflicted, that the consideration was inadequate, and that the proxy statement filed by Asterias with the SEC in connection with the Asterias Merger was materially misleading because it omitted certain material information. The complaint seeks, among other things, that a class be certified, the recovery of monetary damages, and attorneys' fees and costs. In December 2019, the defendants moved to dismiss the complaint. In September 2020, the Chancery Court denied the motion to dismiss as to Lineage and certain members of the Asterias board of directors, and it granted the motion to dismiss as to all other defendants. In October 2020, the remaining defendants filed an answer to the complaint.

In April 2022, the parties reached an agreement in principle to settle the Asterias Merger Litigation, which would result in payment to the putative class of approximately \$10.7 million and dismissal of the lawsuit with prejudice and without any admission of liability or fault by defendants. Of such amount, Lineage expects to contribute approximately \$3.5 million, with the balance to be paid by insurance. The proposed settlement is subject to the negotiation and execution of a settlement agreement and court approval thereof.

In accordance with ASC 450, *Contingencies*, Lineage has recorded an accrual for a liability associated with the proposed settlement, acknowledging that a liability is probable, and the amount of the loss is estimable.

See Note 15 (Subsequent Events) for an update on Asterias Merger Litigation.

Employment Contracts

Lineage has entered into employment agreements with certain executive officers. Under the provisions of the agreements, Lineage may be required to incur severance obligations for matters relating to changes in control, as defined in the agreements, and involuntary terminations.

Indemnification

In the normal course of business, Lineage may agree to indemnify and reimburse other parties, typically Lineage's clinical research organizations, investigators, clinical sites, and suppliers, for losses and expenses suffered or incurred by the indemnified parties arising from claims of third parties in connection with the use or testing of Lineage's products and services. Indemnification could also cover third party infringement claims with respect to patent rights, copyrights, or other intellectual property pertaining to Lineage products and services. The term of these indemnification agreements generally continue in effect after the termination or expiration of the particular research, development, services, or license agreement to which they relate. The potential future payments Lineage could be required to make under these indemnification agreements will generally not be subject to any specified maximum amount. Generally, Lineage has not been subject to any material claims or demands for indemnification. Lineage maintains liability insurance policies that limit its financial exposure under the indemnification agreements. Accordingly, Lineage has not recorded any liabilities for these agreements as of September 30, 2022 or December 31, 2021.

Royalty Obligations and License Fees

We have licensing agreements with research institutions, universities and other parties providing us with certain rights to use intellectual property in conducting research and development activities in exchange for the payment of royalties on future product sales, if any. In addition, in order to maintain these licenses and other rights, we must comply with various conditions including the payment of patent related costs and annual minimum maintenance fees.

As part of the Asterias Merger, Lineage acquired certain royalty revenues for cash flows generated under certain patent families that Asterias acquired from Geron Corporation. Lineage continues to make royalty payments to Geron from royalties generated from these patents.

15. Subsequent Events

Asterias Merger Litigation Settlement

On October 26, 2022, a Stipulation and Agreement of Compromise and Settlement (the “Settlement Agreement”) was entered into by the plaintiff in the Asterias Merger Litigation, on behalf of himself and all others similarly situated, Lineage, and Messrs. Mulroy, Kingsley, LeBuhn and Mohanty. The effectiveness of the Settlement Agreement is subject to approval of the Delaware Chancery Court (“Court”). Consistent with the parties’ agreement in principle to resolve the lawsuit, the Settlement Agreement provides for the payment by Lineage and certain insurers of the defendants of \$10.65 million (the “Settlement Amount”) into a fund created for the benefit of the purported class and in consideration for the full and final release, settlement and discharge of all claims. The Settlement Amount must be paid within 10 business days after the Court approves the settlement. Lineage expects that approximately \$7.12 million will be funded by certain insurers and approximately \$3.53 million will be funded by Lineage, which may be paid in cash or Lineage common shares or a combination of the two. Lineage has sole discretion to determine whether and how much, if any, of its approximately \$3.53 million contribution to the Settlement Amount will be satisfied by the issuance of Lineage common shares. The value of Lineage’s common shares used to satisfy its portion of the Settlement Amount, if any, will be based on a 20-day trading day volume-weighted average closing price of Lineage’s common shares. Such shares, if any are issued, will be unrestricted and will be issued under the exemption from the registration requirements of the Securities Act of 1933, as amended, provided by Section 3(a)(10) thereof.

Lineage and all defendants have denied, and continue to deny, the claims alleged in the lawsuit and the proposed settlement does not reflect or constitute any admission, concession, presumption, proof, evidence or finding of any liability, fault, wrongdoing or injury or damages, or of any wrongful conduct, acts or omissions on the part any defendant. Although the parties have entered into the Settlement Agreement, there is no assurance that the Court will approve it. If the Settlement Agreement does not become effective, Lineage will continue to vigorously defend the lawsuit.

The foregoing description of the terms of the Settlement Agreement does not purport to be complete and is qualified in its entirety by reference to the Settlement Agreement, which Lineage intends to file as an exhibit to its annual report on Form 10-K for the year ended December 31, 2022.

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated interim financial statements and notes thereto included in this Report and our audited financial statements and notes thereto for the year ended December 31, 2021 included in our Annual Report on Form 10-K for the year ended December 31, 2021 (“2021 10-K”), filed with the Securities and Exchange Commission (the “SEC”) on March 10, 2022. Past operating results are not necessarily indicative of results that may occur in future periods.

The following discussion includes forward-looking statements. See “Special Note Regarding Forward-Looking Statements,” above. Forward-looking statements are not guarantees of future performance and our actual results may differ materially from those currently anticipated and from historical results depending upon a variety of factors, including, but not limited to, those discussed in Part I, Item 1A. Risk Factors of our 2021 10-K, and in our subsequent filings with the SEC, including any discussed in Part II, Item 1A of this Report under the heading “Risk Factors.”

In this report, “we,” “us,” “our,” “Lineage” or the “Company” refer collectively to Lineage Cell Therapeutics, Inc. and its wholly owned or majority owned subsidiaries, unless otherwise stated or the context otherwise requires. All information presented in this report is based on our fiscal year. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years ending December 31 and the associated quarters, months and periods of those fiscal years.

Company and Business Overview

We are a clinical-stage biotechnology company developing novel cell therapies to address unmet medical needs. Our programs are based on our proprietary cell-based technology and associated development and manufacturing capabilities. From this platform, we design, develop, and manufacture specialized human cells with anatomical and physiological functions similar, or identical to, cells found naturally in the human body. These cells which we manufacture are created by developmental differentiation protocols that we apply to established, well-characterized, and self-renewing pluripotent cell lines. These functional cells are transplanted into patients and are designed to (a) replace or support cells that are dysfunctional or absent due to degenerative disease or traumatic injury, or (b) help the body mount a more robust and effective immune response to cancer or infectious diseases.

Our strategy is to efficiently leverage our technology platform and our development, formulation, delivery, and manufacturing capabilities to advance our cell therapy programs internally or in certain cases in conjunction with strategic partners to further enhance their value. As one example, in December 2021, we entered into a Collaboration and License Agreement (the “Roche Agreement”) with F. Hoffmann-La Roche Ltd and Genentech, Inc., a member of the Roche Group (collectively, “Roche”), wherein we granted to Roche exclusive worldwide rights to develop and commercialize retinal pigment epithelium (“RPE”) cell therapies, including our proprietary cell therapy program known as OpRegen[®], for the treatment of ocular disorders, including geographic atrophy (GA) secondary to age-related macular degeneration (AMD). Under the terms of the Roche Agreement, Lineage received a \$50.0 million upfront payment and is eligible to receive up to \$620.0 million in certain developmental, regulatory, and commercialization milestone payments. Lineage also is eligible for tiered double-digit percentage royalties on net sales of OpRegen in the U.S. and other major markets.

As of the date of this filing, we have five allogeneic, or “off-the-shelf,” cell therapy programs in development, of which three have reached clinical testing:

- *OpRegen*[®], a retinal pigment epithelium (“RPE”) cell replacement therapy currently in a Phase 1/2a multicenter clinical trial for the treatment of geographic atrophy (GA) secondary to age-related macular degeneration (AMD), also known as atrophic AMD. There currently are no U.S. Food and Drug Administration (“FDA”) or European Medicines Agency (“EMA”) approved treatment options available for patients with GA. The Phase 1/2a trial enrolled 24 individuals with dry AMD and GA. In December 2021, this program was partnered with Roche for further clinical development and commercialization.

- *OPC1*, an oligodendrocyte progenitor cell treatment currently in long-term follow-up for a Phase 1/2a multicenter clinical trial for cervical spinal cord injuries (“SCI”). To date, five (5) patients with thoracic spinal cord injuries and twenty-five (25) patients with cervical spinal cord injuries have been enrolled in clinical trials of OPC1. The clinical development of OPC1 has been partially funded by \$14.3 million received under a grant from the California Institute for Regenerative Medicine (“CIRM”).
- *VAC*, an allogeneic cancer immunotherapy comprised of antigen-presenting dendritic cells. One of the VAC product candidates, VAC2, is currently in a Phase 1 clinical trial in non-small cell lung cancer (“NSCLC”). This clinical trial is being funded and conducted by Cancer Research UK, one of the world’s largest independent cancer research charities. We also have another VAC-based product candidate in preclinical development with our partner, Immunomic Therapeutics, Inc. (“ITT”), for the treatment of glioblastoma multiforme (“GBM”).
- *ANPI*, an allogeneic auditory neuron progenitor cell transplant currently in preclinical development for the treatment of debilitating hearing loss (“DHL”).
- *PNCI*, an allogeneic photoreceptor cell transplant currently in preclinical development for the treatment of vision loss due to photoreceptor dysfunction or damage.

We have additional, undisclosed product candidates being considered for development, which cover a range of therapeutic areas and unmet medical needs. Generally, these product candidates are based on the same pluripotent platform technology and employ a similar guided cell differentiation and transplant approach as the five product candidates detailed above, but in some cases may also include genetic modifications designed to enhance efficacy and safety profiles.

In addition to seeking to create value for shareholders by developing product candidates and other technologies through our clinical development programs, we also may seek to create value from our large patent estate and related technologies through partnering and/or strategic transactions. In addition to the Roche Agreement, we founded two companies based on Lineage intellectual property that later became publicly traded companies: OncoCyte Corporation (“OncoCyte”) and AgeX Therapeutics, Inc. (“AgeX”). We continue to hold common stock in OncoCyte as of September 30, 2022.

Critical Accounting Estimates

An accounting policy is deemed critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. See Part II, Item 7 – Critical Accounting Estimates and our consolidated financial statements and related notes in Part II, Item 8 of our 2021 10-K for accounting policies and related estimates we believe are the most critical to understanding our condensed consolidated interim financial statements, financial condition and results of operations and which require complex management judgment and assumptions or involve uncertainties. There have not been any changes to our significant accounting policies or their application since we filed our 2021 10-K.

Results of Operations

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

Revenues and Cost of Sales

The tables below show our consolidated revenues, by source, and cost of sales for the periods presented (in thousands):

	Three Months Ended September 30, (unaudited)		\$ Increase/ (Decrease)	% Increase/ (Decrease)
	2022	2021		
Collaboration revenues	\$ 2,592	\$ 293	\$ 2,299	785%
Royalties	406	1,909	(1,503)	(79)%
Grant revenues	-	68	(68)	(100)%
Total revenues	2,998	2,270	728	32%
Cost of sales	(235)	(985)	750	(76)%
Gross profit	\$ 2,763	\$ 1,285	\$ 1,478	115%

	Nine Months Ended September 30, (unaudited)		\$ Increase/ (Decrease)	% Increase/ (Decrease)
	2022	2021		
Collaboration revenues	\$ 11,605	\$ 506	\$ 11,099	2,194%
Royalties	1,183	2,430	(1,247)	(51)%
Grant revenues	-	237	(237)	(100)%
Total revenues	12,788	3,173	9,615	303%
Cost of sales	(626)	(1,222)	596	(49)%
Gross profit	\$ 12,162	\$ 1,951	\$ 10,211	523%

For the three months ended September 30, 2022, the \$0.7 million increase in total revenues was due to a \$2.3 million increase in collaboration revenues related to the current quarter recognition of the \$50.0 million upfront payment under the Roche Agreement, which was included in deferred revenues at December 31, 2021 (see Note 3 (Revenue) for additional information), offset by a \$1.5 million decrease in royalties which were significantly higher in the prior year quarter resulting from the recording of royalty revenues of approximately \$1.8 million from a certain customer during the prior year quarter based on the customers updated communication to us regarding royalties due, and a \$0.1 million decrease in grant revenues due to no grant-related activities incurred during the current quarter. The amount of royalty revenues recorded in the prior year quarter were not expected to continue in future quarters.

For the nine months ended September 30, 2022, the \$9.6 million increase in total revenues was due to a \$11.1 million increase in collaboration revenues related to the current period recognition of the \$50.0 million upfront payment under the Roche Agreement, which was included in deferred revenues at December 31, 2021 (see Note 3 (Revenue) for additional information), offset by a \$1.2 million decrease in royalties which were significantly higher in the prior year period for the same reason discussed above, and a \$0.2 million decrease in grant revenues due to no grant-related activities incurred during the current quarter.

Operating expenses

Our operating expenses consist of research and development expenses and general and administrative expenses.

Research and development expenses. These expenses consist of costs incurred for company-sponsored, collaborative and contracted research and development activities. These costs include direct and research-related overhead expenses including compensation and related benefits, stock-based compensation, consulting fees, research and laboratory fees, rent of research facilities, amortization of intangible assets, and license fees paid to third parties to acquire patents or licenses to use patents and other technology. Research and development expenses that have an alternative future use will be capitalized as tangible assets, and costs with no future benefit or alternative use will be expensed as incurred. Research and development expenses incurred and reimbursed by grants from third parties approximate the grant income recognized in our consolidated statements of operations. Royalties and sublicensing fees are recorded as research and development expenses, unless they are associated with royalties from product sales, which we classify as cost of sales in our consolidated statements of operations.

General and administrative expenses. These expenses include employee and director compensation and related benefits, stock-based compensation, consulting fees other than those paid for science-related consulting, facilities and equipment rent and maintenance related expenses, insurance costs allocated to general and administrative expenses, costs of patent applications, prosecution and maintenance, stock exchange-related costs, depreciation expense, marketing costs, legal and accounting costs, and other miscellaneous expenses allocated to general and administrative expense.

The tables below show our consolidated operating expenses for the periods presented (in thousands):

	Three Months Ended		\$	%		
	September 30 (unaudited)				Increase/ (Decrease)	Increase/ (Decrease)
	2022	2021				
Research and development expenses	\$ 3,592	\$ 2,811	\$ 781	28%		
General and administrative expenses	4,422	5,317	(895)	(17)%		

	Nine Months Ended		\$	%		
	September (unaudited)				Increase/ (Decrease)	Increase/ (Decrease)
	2022	2021				
Research and development expenses	\$ 9,883	\$ 9,136	\$ 747	8%		
General and administrative expenses	18,160	13,788	4,372	32%		

The tables below shows our total research and development expenses by program for the periods presented (in thousands).

Program	Three Months Ended			
	September 30, (unaudited)			
	Amount		Percent of Total	
	2022	2021	2022	2021
OpRegen [®] and other ophthalmic applications	\$ 1,387	\$ 777	39%	28%
OPC1	1,172	1,514	33%	54%
VAC platform	496	490	14%	17%
ANP1	271	-	7%	-%
PNC1	161	-	4%	-%
All other programs	105	30	3%	1%
Total research and development expenses	\$ 3,592	\$ 2,811	100%	100%

Program	Nine Months Ended			
	September 30, (unaudited)			
	Amount		Percent of Total	
	2022	2021	2022	2021
OpRegen [®] and other ophthalmic applications	\$ 3,675	\$ 2,909	37%	32%
OPC1	3,238	4,637	33%	51%
VAC platform	1,927	1,499	20%	16%
ANP1	506	-	5%	-%
PNC1	406	-	4%	-%
All other programs	131	91	1%	1%
Total research and development expenses	\$ 9,883	\$ 9,136	100%	100%

Research and development expenses. For the three months ended September 30, 2022, the \$0.8 million increase in total research and development expenses is mainly attributable to: (i) a \$0.6 million increase in expenses related to our OpRegen program, attributable primarily to development activities related to the Roche Agreement; (ii) a \$0.3 million net decrease in expenses related to our OPC1 program, primarily related to a decrease in manufacturing activities for the program; (iii) a \$0.3 million increase in expenses related to our ANP1 program, primarily related to manufacturing activities for our allogeneic auditory neuron cell transplant program; and (iv) a \$0.2 million increase in expenses related to our PNC1 program, primarily related to research and development activities for our allogeneic photoreceptor cell transplant program.

For the nine months ended September 30, 2022, the \$0.7 million increase in total research and development expenses is mainly attributable to: (i) a \$0.8 million increase in expenses related to our OpRegen program, attributable primarily to development activities related to the Roche Agreement; (ii) a \$1.4 million net decrease in expenses related to our OPC1 program, primarily related to a decrease in manufacturing activities for the program; (iii) a \$0.4 million increase in expenses related to our VAC program, primarily related to manufacturing improvement activities; (iv) a \$0.5 million increase in expenses related to our ANP1 program, primarily related to manufacturing activities for our allogeneic auditory neuron cell transplant program; and (v) a \$0.4 million increase in expenses related to our PNC1 program, primarily related to research and development activities for our allogeneic photoreceptor cell transplant program.

General and administrative expenses. For the three months ended September 30, 2022, the \$0.9 million decrease in general and administrative expenses was primarily attributable to \$1.1 million decrease in litigation and legal costs, a \$0.3 decrease in investor relations costs, a \$0.2 decrease in patent related costs, partially offset by \$0.5 million increase in employee salaries and benefits and a \$0.2 million increase in recruiting and hiring fees.

For the nine months ended September 30, 2022, the \$4.4 million increase in general and administrative expenses was primarily attributable to an accrual for a non-recurring legal settlement in principle of \$3.5 million as described in Note 14 (Commitments and Contingencies), a \$1.2 million increase in employee salaries and benefits, a \$0.8 million increase in stock-based compensation related expenses (see Note 12 (Stock Based-Awards) for additional information on stock-based compensation), partially offset by a \$1.1 million decrease in litigation and legal costs.

Other income and (expenses), net

The tables below show our other income and (expense), net, for the periods presented (in thousands):

	Three Months Ended	
	September 30, (unaudited)	
	2022	2021
Other income (expenses), net		
Interest income, net	\$ 384	\$ 1
Unrealized loss on marketable equity securities	(233)	(2,450)
Gain on revaluation of warrant liability	-	53
Other income (expenses), net	(475)	393
Total other expenses, net	<u>\$ (324)</u>	<u>\$ (2,003)</u>

	Nine Months Ended September 30, (unaudited)	
	2022	2021
Other income (expenses), net		
Interest income (expenses), net	\$ 435	\$ (1)
Gain on sale of marketable equity securities	-	6,024
Gain on extinguishment of debt	-	523
Unrealized loss on marketable equity securities	(1,677)	(621)
Gain on revaluation of warrant liability	223	105
Other expenses, net	(2,550)	(318)
Total other income (expenses), net	<u>\$ (3,569)</u>	<u>\$ 5,712</u>

Marketable debt securities. See Note 4 (Marketable Debt Securities) to the condensed consolidated interim financial statements included in this Report for information regarding our marketable debt securities.

During the third quarter of 2022, we implemented an investment policy to invest our excess cash in short-term U.S. Treasury securities. We expect our interest income to increase relative to prior periods as a result.

Marketable equity securities. See Note 5 (Marketable Equity Securities) to the condensed consolidated interim financial statements included in this Report for information regarding our marketable equity securities.

We expect our total other income (expenses), net, to fluctuate each reporting period based on the changes in the market price of OncoCyte common stock, which could significantly impact our net income or loss reported in our condensed consolidated statements of operations for a particular reporting period.

We also account for the shares we hold in Hadasit Bio-Holdings as marketable equity securities. These shares are carried at fair market value on our consolidated balance sheets. The accounting transactions for these shares were not material for either of the three or nine months ended September 30, 2022 and 2021.

Other income and (expenses), net. Other expenses, net, for each of the three and nine months ended September 30, 2022 and 2021 consisted primarily of net foreign currency transaction gains and losses recognized by our subsidiaries Cell Cure and ES Cell International Pte. Ltd., changes in the fair value of warrants issued by Cell Cure, and interest income, net. Foreign currency transaction gains and losses for the periods presented are principally related to the remeasurement of the U.S. dollar denominated notes payable (net) between Cell Cure and Lineage.

Income Taxes

The market value of the shares of OncoCyte common stock we hold creates a deferred tax liability (“DTL”) based on the closing price of OncoCyte common stock, less our tax basis in the shares. The DTL generated by the OncoCyte shares we hold as of September 30, 2022, is a source of future taxable income to us, as prescribed by ASC 740 that will more likely than not result in the realization of our deferred tax assets to the extent of the DTL. The DTL for the third quarter of 2022 is determined based on the closing price of the OncoCyte common stock as of September 30, 2022. Due to the inherent unpredictability of the future price of OncoCyte common stock, we cannot reliably estimate the DTL on an annual basis. Therefore, the DTL pertaining to the OncoCyte shares we own, determined based on the actual closing price on the last trading day of the applicable accounting period, and the related impacts to the valuation allowance and deferred tax asset changes, are recorded in the accounting period in which they occur.

We concluded that an ownership change of Asterias occurred when we acquired Asterias, and the net operating loss carryforwards we acquired in connection with the acquisition are subject to limitation under Section 382 of the Internal Revenue Service Code. We will be able to utilize only \$52.8 million and \$41.9 million of Asterias’ federal and California net operating losses, respectively.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. We established a full valuation allowance as of December 31, 2018 due to the uncertainty of realizing future tax benefits from the net operating loss carryforwards and other deferred tax assets, including foreign net operating losses generated by its subsidiaries.

For the three and nine months ended September 30, 2022, Lineage recorded a withholding tax for the amount of \$0.5 million on interest expense deemed paid to Lineage from Cell Cure, related to the purchase of intellectual property pursuant to the US Israeli tax treaty. For the three and nine months ended September 30, 2022, Lineage did not record a deferred tax benefit. See Note 13 (Income Taxes) for additional information.

For the three and nine months ended September 30, 2021, Lineage recorded a \$1.0 million and \$1.2 million deferred tax benefit, respectively, that was primarily related to federal net operating losses generated for the three and nine months ended September 30, 2021, which was available and indefinite in nature.

We expect that deferred income tax expense or benefit we record each reporting period, if any, will vary depending on the change in the closing price of OncoCyte common stock from period to period and the related changes in the DTLs and our deferred tax assets and other credits, including changes in the valuation allowance, for each period.

Liquidity and Capital Resources

Liquidity

At September 30, 2022, we had \$66.4 million of cash, cash equivalents and marketable securities.

Capital Resources

Since inception we have incurred significant operating losses and have funded our operations primarily through the issuance of equity securities, the sale of common stock of our former subsidiaries, OncoCyte and AgeX, receipt of proceeds from research grants, revenues from collaborations, royalties from product sales, and sales of research products and services.

Our projected cash flows are subject to various risks and uncertainties, including those described and referenced under Part II, Item 1A, “Risk Factors” of this Report. See the discussion below under the “Cash Flows” for additional information regarding our sources of cash during the reporting period.

As of September 30, 2022, \$63.8 million remained available for sale under our at the market offering program. See Note 11 (Shareholders’ Equity) to the condensed consolidated interim financial statements included in this Report for additional information.

We may use our marketable securities for liquidity as necessary and as market conditions allow. The market value of our marketable equity securities may not represent the amount that could be realized in a sale of such securities due to various market and regulatory factors, including trading volume, prevailing market conditions and prices at the time of any sale and subsequent sales of securities by the entities. In addition, the value of our marketable equity securities may be significantly and adversely impacted by deteriorating global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing pandemics, including the COVID-19 pandemic, the conflict in Ukraine, rising inflation and interest rates, and other macroeconomic factors.

Additional Capital Requirements

Our financial obligations primarily consist of vendor contracts to provide research services and other purchase commitments with suppliers. In the normal course of business, we enter into services agreements with contract research organizations, contract manufacturing organizations and other third parties. Generally, these agreements provide for termination upon notice, with specified amounts due upon termination based on the timing of termination and the terms of the agreement. The amounts and timing of payments under these agreements are uncertain and contingent upon the initiation and completion of the services to be provided.

Our commitments also include obligations to our licensors under our in-license agreements, which may include sublicense fees, milestones fees, redemption fees, royalties and reimbursement of patent maintenance costs. Sublicense fees are payable to licensors when we sublicense underlying intellectual property to third parties; the fees are based on a percentage of the license fees we receive from sublicensees. Redemption fees due to the Israel Innovation Authority (the "IIA") under the Innovation Law are due upon receipt of any milestone and royalties received under the Roche Agreement (see Note 14 (Commitments and Contingencies) to the condensed consolidated interim financial statements included in this Report for further explanation). Milestone payments, including those related to the Roche Agreement, are due to licensors upon our future achievement of certain development and regulatory milestones. Royalties, including those related to royalties we may receive under the Roche Agreement, are payable to licensors based on a percentage of net sales of licensed products. (See Note 14 (Commitments and Contingencies) to the condensed consolidated interim financial statements included in this Report for further explanation). Patent maintenance costs are payable to licensors as reimbursement for the cost of maintaining of license patents. Due to the contingent nature of the payments, the amounts and timing of payments to licensors under our in-license agreements are uncertain and may fluctuate significantly from period to period.

Cash Flows

Cash flows provided by (used in) operating activities

Net cash provided by operating activities was \$9.4 million for the nine months ended September 30, 2022, which primarily reflects the net changes in assets and liabilities of \$21.4 million, plus the \$3.8 million in non-cash expenses for stock-based compensation and depreciation and amortization, less the loss from operations of \$15.9 million. The change in assets and liabilities was impacted by the receipt of the \$50.0 million upfront payment under the Roche Agreement, and subsequent related payments to the IIA and Hadasit (see Note 14 (Commitments and Contingencies) to the condensed consolidated interim financial statements included in this Report for further explanation), partially offset by the accrual of the litigation settlement also as described in Note 14 (Commitments and Contingencies). The unrealized loss on marketable equity securities and foreign currency remeasurement had no effect on the cash flows.

Net cash used in operating activities of \$17.7 million for the nine months ended September 30, 2021 primarily reflects the loss from operations of \$21.0 million. These items were offset primarily by non-cash expenses of \$2.6 million for stock-based compensation and \$0.7 million of depreciation and amortization. The unrealized loss on marketable equity securities and deferred tax benefit had no effect on cash flows.

Cash flows (used in) provided by investing activities

Cash used in investing activities for the nine months ended September 30, 2022 was \$41.1 million and consisted of \$40.6 million related to the purchase of U.S. Treasury securities and \$0.4 million for the purchase of equipment.

Cash provided by investing activities of \$9.9 million for the nine months ended September 30, 2021 was primarily the \$10.1 million of proceeds from sales of a portion of the OncoCyte shares we own, offset by purchases of equipment of \$0.2 million.

Cash flows provided by financing activities

Cash provided by financing activities for the nine months ended September 30, 2022 was \$1.5 million and consisted of \$1.0 million of proceeds from the exercise of warrants to purchase shares of Cell Cure and \$0.5 million of proceeds from the exercise of employee stock options.

Cash provided by financing activities of \$36.0 million for the nine months ended September 30, 2021 consisted primarily of \$29.8 million of net proceeds from the sale of common shares and \$6.3 million of proceeds from the exercise of employee stock options.

Future Funding Requirements

At September 30, 2022, we had an accumulated deficit of approximately \$357.0 million. We expect to continue to incur losses for at least the next several years. We expect that our operating expenses will continue to increase for the foreseeable future as we continue the development of, and seek regulatory approval for, our product candidates. As a result, we will need significant additional capital to fund our operations. Our determination as to when we will seek additional capital and the amount of additional capital that we will need will be based on our evaluation of the progress we make in our research and development programs, changes to the scope and focus of those programs, changes in grant funding for certain of those programs, and projection of future costs, revenues, and rates of expenditure. If we are unable to raise additional capital when and as needed, we may be required to delay, postpone, or cancel our clinical trials or limit the number of clinical trial sites.

We may seek to obtain the additional capital we may need through one or more equity offerings, debt financings or other third-party funding, including potential strategic alliances and licensing or collaboration agreements. We cannot assure that adequate additional capital will be available on favorable terms, if at all. The issuance of additional securities, whether equity or debt, or the possibility of such issuance, may cause the market price of our common shares to decline, and the issuance of additional equity securities could result in the dilution of the interests of our current shareholders. If we obtain additional capital through strategic alliances and licensing or collaboration agreements, we may be required to relinquish rights to our intellectual property, our product candidates or otherwise agree to terms unfavorable to us. The unavailability or inadequacy of additional capital to meet future capital needs could force us to modify, curtail, delay, or suspend some or all aspects of our current planned operations. Our ability to raise additional capital may be adversely impacted by deteriorating global economic conditions and the disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing pandemics, including the COVID-19 pandemic, the conflict in Ukraine, rising inflation and interest rates, and other macroeconomic factors.

We evaluated our projected cash flows, and we believe that our \$66.4 million in cash, cash equivalents and marketable securities at September 30, 2022, provide sufficient liquidity to carry out our current planned operations (including the amount we expect to contribute to the settlement of the litigation discussed in Note 14 (Commitments and Contingencies) and Note 15 (Subsequent Events) to the condensed consolidated interim financial statements included in this Report), through at least twelve months from the issuance date of our consolidated financial statements included elsewhere in this Report. We believe we will meet our longer-term expected future cash requirements and obligations with our current cash and cash equivalents, milestone and other payments we expect to receive under our collaborative agreements, and proceeds we receive from sales under our at the market offering program. Under the terms of the operating leases for the facilities from which Cell Cure and Lineage operates, a total of \$3.7 million of rent payments will become due, of which \$0.3 million will become due in the fourth quarter of 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Under SEC rules and regulations, as a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

It is management's responsibility to establish and maintain adequate internal control over all financial reporting pursuant to Rule 13a-15 under the Exchange Act. Our management, including our Chief Executive Officer and interim Chief Financial Officer, reviewed and evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Following this review and evaluation, management collectively determined that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act: (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) is accumulated and communicated to management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated herein by reference to the disclosure under the heading “Litigation” in Note 14 (Commitments and Contingencies) to the condensed consolidated interim financial statements included in this Report in Part I, Item 1 of this Report.

From time-to-time we may be involved in a variety of claims or litigation proceedings. Such proceedings may initially be viewed as immaterial but could later prove to be material. Litigation proceedings are inherently unpredictable and excessive verdicts do occur. Given the inherent uncertainties in litigation, even when we can reasonably estimate the amount of possible loss or range of loss and reasonably estimable loss contingencies, the actual outcome may change in the future due to new developments or changes in approach. In addition, such claims or litigation proceedings could involve significant expense and diversion of management’s attention and resources from other matters.

Item 1A. Risk Factors

An investment in our common shares involves a high degree of risk. You should carefully consider the risks and uncertainties described in Part I, Item 1A. Risk Factors in our 2021 10-K, in addition to other information in this Report, before investing in our common shares. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In these circumstances, the market price of our common shares could decline, and you may lose all or part of your investment. Except as described below, there have been no material changes from the risk factors disclosed in Part I, Item 1A. Risk Factors in our 2021 10-K.

Geopolitical risks associated with the ongoing military conflict between Russia and Ukraine could have an adverse impact on our business, financial condition and results of operations, including our clinical trials.

Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence. The war in Ukraine and the uncertain nature, magnitude, and duration of the conflict and the potential effect of sanctions and other measures being imposed in response thereto have contributed to increased levels of economic and political uncertainty, which could have an adverse impact on macroeconomic factors that affect the financial markets, the global economy and our business and operations. Additionally, the ongoing conflict in Ukraine may disrupt the ability of third parties on which we rely to perform in accordance with our expectations, including on commercial research organizations to conduct clinical trials. Moreover, enrollment and retention of clinical trial participants may be adversely affected. We cannot be certain what the overall impact of this conflict will be on our ability to conduct and complete our clinical trials on schedule. However, interruptions of our clinical trials could significantly delay our clinical development plans and potential authorization or approval of our product candidates, which could increase our costs and jeopardize our ability to successfully commercialize our product candidates.

We may be adversely affected by the effects of inflation and other macroeconomic factors.

Inflation has the potential to adversely affect our liquidity, business, financial condition and results of operations by increasing our overall cost structure. The existence of inflation in the economy has resulted in, and may continue to result in, higher interest rates and capital costs, supply shortages, increased costs of labor, components, manufacturing and shipping, as well as weakening exchange rates and other similar effects. As a result of inflation, we may experience cost increases. Changes in other economic conditions, including rising interest rates, ongoing pandemics, including the COVID-19 pandemic, lower consumer confidence, volatile equity capital markets and ongoing supply chain disruptions and the impacts of the war in Ukraine, may also affect our business. Although we may take measures to mitigate the effects of economic conditions, if these measures are not effective, our business, financial condition, results of operations and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when the benefits of such measures and the effects of such conditions impact our results of operations. Given these economic considerations, among other potential consequences, cost increases may outpace our expectations, causing us to use our cash and other liquid assets faster than forecasted. If this happens, we may need to raise additional capital to fund our operations sooner than expected, which may not be available in sufficient amounts or on reasonable terms, if at all. See also the risk factor titled “We will need to issue additional equity or debt securities in order to raise additional capital needed to pay our operating expenses” in our 2021 10-K. In addition, if the risks described in this paragraph materialize, the possibility of other risks described in our 2021 10-K materializing and/or the impact thereof may increase.

Legislation and legislative and regulatory proposals intended to contain health care costs may adversely affect our business.

There has been heightened governmental scrutiny in the United States of pharmaceutical pricing practices in light of the rising cost of prescription drugs and biologics. As an example, in August 2022, Congress passed the Inflation Reduction Act of 2022, which includes prescription drug provisions that have significant implications for the pharmaceutical industry and Medicare beneficiaries, including allowing the federal government to negotiate a maximum fair price for certain high-priced single source Medicare drugs, imposing penalties and excise tax for manufacturers that fail to comply with the drug price negotiation requirements, requiring inflation rebates for all Medicare Part B and Part D drugs, with limited exceptions, if their drug prices increase faster than inflation, and redesigning Medicare Part D to reduce out-of-pocket prescription drug costs for beneficiaries, among other changes. Further, the Biden administration released an additional executive order on October 14, 2022, the U.S. Department of Health & Human Services to submit a report within 90 days on how the Center for Medicare and Medicaid Innovation can be further leveraged to test new models for lowering drug costs for Medicare and Medicaid beneficiaries. It is unclear whether this executive order or similar policy initiatives will be implemented in the future. The impact of these legislative, executive, and administrative actions and any future healthcare measures and agency rules implemented on the pharmaceutical industry as a whole is unclear. The implementation of cost containment measures, including the prescription drug provisions under the Inflation Reduction Act, as well as other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our product candidates if approved.

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

Not applicable.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	Incorporation by Reference			
		Exhibit Number	Filing	Filing Date	File No.
3.1	Restated Articles of Incorporation, as amended	3.1	10-Q	May 10, 2018	001-12830
3.2	Certificate of Ownership	3.1	8-K	August 12, 2019	001-12830
3.3	Amended and Restated Bylaws	3.2	8-K	August 12, 2019	001-12830
10.1+	Separation Agreement dated July 5, 2022, between Lineage Cell Therapeutics, Inc. and Kevin L. Cook	10.1	8-K	July 7, 2022	001-12830
10.2*+\$	Amended and Restated Employment Agreement between Lineage Cell Therapeutics, Inc. and Brian M. Culley				
10.3*+\$	Amended and Restated Employment Agreement between Lineage Cell Therapeutics, Inc. and George A. Samuel III				
10.4*+\$	Amended and Restated Employment Agreement between Lineage Cell Therapeutics, Inc. and Gary S. Hogge				
10.5*+	Executive Performance Incentive Bonus Plan				
31.1*	Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to Form of Rule 13a-14(a), as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				
32.1#	Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101*	Interactive Data File				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase				
101.DEF*	Inline XBRL Taxonomy Extension Definition Document				
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase				
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* Filed herewith

+ Management contract or compensatory plan

Furnished herewith

\$ As permitted under Item 601(a)(5) of Regulation S-K, the exhibits and schedules to this exhibit are omitted from this filing. The registrant agrees to furnish a supplemental copy of any omitted exhibit or schedule to the SEC upon its request.

SIGNATURES

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

LINEAGE CELL THERAPEUTICS, INC.

Date: November 10, 2022

/s/ Brian M. Culley

Brian M. Culley
Chief Executive Officer

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “*Agreement*”) is made as of September 26, 2022, by and between Lineage Cell Therapeutics, Inc., a California corporation (together with any successor in interest thereto that has assumed its rights and obligations hereunder, whether by operation of law or otherwise, “*Company*”), and Brian Michael Culley (“*Executive*”).

WHEREAS, Executive is currently employed by Company under an employment agreement dated September 17, 2018 (the “*Former Agreement*”);

WHEREAS, Company and Executive desire that the Former Agreement be superseded by this Agreement, and that all rights and obligations under the Former Agreement be terminated without any further consideration;

WHEREAS, Executive has experience and expertise applicable to the continued employment with Company in the role of sole Chief Executive Officer of Company; and

WHEREAS, Company has agreed to continue the employment of Executive, and Executive has agreed to continue such employment, on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties hereto agree as follows:

1. Engagement; Position and Duties.

(a) Position and Duties. Company agrees to continue to employ Executive in the position of sole Chief Executive Officer of Company, and Executive agrees to perform the duties as the Board of Directors of Company (the “*Board of Directors*”) may from time to time direct or require. Without limiting the generality of the immediately preceding sentence, Executive shall manage the Company’s corporate strategy and development and implementation, manage product development, oversee operations, and serve as the main contact for investors and the Board of Directors. Executive shall report to the Board of Directors. Executive shall devote Executive’s best efforts, skills and abilities, on a full-time basis, exclusively to Company’s business. Executive covenants and agrees to faithfully adhere to and fulfill such policies as are established from time to time by the Board of Directors or Company (collectively, the “*Policies*”).

(b) No Conflicting Obligations. Executive represents and warrants to Company that Executive has never been under any, and is currently under no obligations or commitments, whether contractual or otherwise, that are inconsistent with Executive’s obligations under this Agreement or that would prohibit Executive, contractually or otherwise, from performing Executive’s duties under this Agreement and/or the Policies.

(c) No Unauthorized Use of Third Party Intellectual Property. Executive represents and warrants to Company that Executive has not used or disclosed, and will not use or disclose, in connection with Executive’s employment by Company, any patents, trade secrets, confidential information, or other proprietary information or intellectual property as to which any other person has any right, title or interest, except to the extent that Company holds a valid license or other written permission for such use from the owner(s) thereof. Executive represents and warrants to Company that Executive has returned all property and confidential information belonging to any prior employer to such prior employer.

2. Compensation

(a) Salary. During the term of this Agreement, Company shall pay to Executive an annual salary (“**Salary**”) of \$609,000.00. Executive’s Salary shall be paid in equal semi-monthly installments, consistent with Company’s regular salary payment practices. Executive’s Salary may be increased from time-to-time by the Board of Directors or the Compensation Committee of the Board of Directors (the “**Compensation Committee**”), in their sole and absolute discretion, without affecting this Agreement.

(b) Bonus. Executive may be eligible for an annual bonus targeted at 55% of Executive’s Salary (at the rate in effect on the date any such annual bonus is established), as may be approved by the Board of Directors or the Compensation Committee, in their discretion, based on Executive’s achievement of predetermined Company and/or individual objectives set by the Board of Directors or the Compensation Committee, from time to time. Executive also agrees that neither the Board of Directors nor Company is obligated to adopt any bonus plan, to maintain in effect any bonus plan that may now be in effect or that may be adopted during the term of Executive’s employment, or to pay Executive a bonus unless a bonus is earned under the terms and conditions of any bonus plan adopted by Company. Executive’s annual bonus target percentage may be increased from time-to-time by the Board of Directors or the Compensation Committee, in their sole and absolute discretion, without affecting this Agreement.

(c) Expense Reimbursements. Company shall reimburse Executive for reasonable travel and other business expenses (but not expenses of commuting to Executive’s primary workplace) incurred by Executive in the performance of Executive’s duties under this Agreement, subject to, and in accordance with, the Policies and Company procedures in effect from time to time, and provided that Executive submits supporting vouchers.

(d) Benefit Plans. Executive may be eligible (to the extent Executive qualifies) to participate in certain retirement, pension, life, health, accident and disability insurance, equity incentive plan or other similar employee benefit plans (collectively, “**Benefit Plans**”), which may be adopted by Company from time to time for its executive officers or other employees, in each case, subject to the terms thereof, including any eligibility requirements thereof. Company has the right, at any time and without any amendment of this Agreement, and without prior notice to or consent from Executive, to adopt, amend, change, or terminate any and all Benefit Plans that may now be in effect or that may be adopted in the future, in each case without any further obligation (financial or otherwise) to Executive; provided that any such amendment, change or termination effected without the consent of Executive does not apply to Executive in a manner that is different than it applies to other Company executives or employees of a comparable executive level, except for amendments, changes or terminations required by applicable federal, state or local law or regulation, or implemented in response to any change of federal, state or local law or regulation. Any benefits to which Executive may be entitled under any Benefit Plan shall be governed by the terms and conditions of the applicable Benefit Plan, and any related plan documents, as in effect from time to time. If Executive receives any grant of stock options or stock or stock related equity awards (“**Awards**”) under any stock option plan, stock purchase plan, or other equity incentive plan of Company (an “**Equity Plan**”), the terms and conditions of the Award, and Executive’s rights with respect to the Award, shall be governed by (i) the terms of the Equity Plan, as the same may be amended from time to time, and (ii) the terms and conditions of any stock option agreement, stock purchase agreement, or other agreement that Executive may sign or be required to sign with respect to any Award (an “**Award Agreement**”); provided that in the event of any conflict between the Equity Plan or Award Agreement and Section 5(a)(iii)(E) hereof with respect to acceleration of the vesting of any Awards in connection with a Change in Control, the provisions of Section 5(a)(iii)(E) hereof shall control.

(e) Vacation. Executive shall be entitled to 20 paid time off (“*PTO*”) days per calendar year (capped at 30 days such that no further PTO accruals shall apply unless and until the PTO balance is less than 30 days) without reduction in compensation. Executive’s PTO shall be taken at such time as is consistent with Company needs and the Policies. All PTO days shall accrue annually on a semi-monthly pay period basis based upon days of service. The Policies governing the disposition of unused PTO days remaining at the end of the calendar year shall govern whether unused vacation days will be paid, lost, or carried over into subsequent calendar years.

(f) Withholdings. All compensation payable by Company to Executive, including amounts payable under Section 5, if any, and under any other compensatory arrangement, is subject to applicable taxes, deductions and withholdings.

3. Competitive Activities. During Executive’s employment, and for 24 months thereafter, Executive shall not, for Executive or any third party, directly or indirectly employ, solicit for employment or recommend for employment any person employed by Company. During Executive’s employment, Executive shall not, directly or indirectly as an employee, contractor, officer, director, member, partner, agent, or equity owner, engage in any activity or business that competes or could reasonably be expected to compete with the business of Company. Executive acknowledges that there is a substantial likelihood that the activities described in this Section 3 would (a) involve the unauthorized use or disclosure of Company’s confidential information and that use or disclosure would be extremely difficult to detect, and (b) result in substantial competitive harm to the business of Company. Executive has accepted the limitations of this Section 3 as a reasonably practicable and unrestrictive means of preventing such use or disclosure of Company confidential information and preventing such competitive harm.

4. Inventions/Intellectual Property/Confidential Information. Executive acknowledges the execution and delivery to Company of an Employee Confidential Information and Inventions Assignment Agreement (the “*Confidentiality and IP Agreement*”), attached hereto as Exhibit A.

5. Termination of Employment. Executive understands and agrees that Executive’s employment has no specific term. This Agreement, and the employment relationship, are “at will” and may be terminated by Executive or by Company with or without cause at any time by notice given orally or in writing. Except as otherwise agreed in writing signed on behalf of Company with the express authorization of the Board of Directors or the Compensation Committee or as otherwise provided in this Agreement, upon termination of Executive’s employment, Company shall have no further obligation to Executive, by way of compensation or otherwise and Executive shall be deemed to have then resigned from all positions and roles (including from the board of directors or similar governing body) with Company and any of its subsidiaries or affiliates.

(a) Payments Due Upon Termination of Employment. Upon termination of Executive’s employment with Company at any time and for any reason, in the event of the termination of Executive’s employment by Company for Cause, or termination of Executive’s employment as a result of death, Disability (as defined below), or resignation, Executive will be entitled to receive only the benefits set forth below, and Executive will not be entitled to any other compensation, award, or damages with respect to Executive’s employment or termination of employment.

- (i) **Termination for Cause, Death, Disability, or Resignation without Good Reason.** In the event of the termination of Executive’s employment by Company for Cause or as a result of the death or Disability of Executive or if Executive resigns without Good Reason, Executive will be entitled to receive payment for (a) all accrued but unpaid Salary actually earned prior to or as of the date of termination of Executive’s employment, and (b) all accrued and unused PTO actually earned prior to or as of the date of termination of Executive’s employment. Executive will not be entitled to any severance benefits or additional vesting of any stock options or other equity or cash awards. The payments under this Section 5(a)(i) are collectively referred to as the “*Accrued Benefits*” and shall be paid to Executive not later than when required by applicable law.

- (ii) **Termination Without Cause, or Resignation for Good Reason.** In the event of termination of Executive's employment by Company without Cause or if Executive resigns for Good Reason, Executive will be entitled to receive: (A) the Accrued Benefits; (B) an aggregate amount equal to 12 months' Salary (at the rate in effect on the date of termination); (C) payment of 100% of Executive's target bonus for the year in which Executive's employment was so terminated; and (D) payment by Company each month, for a period starting on the date of termination and ending on 12 months following the date of termination, of 100% of the premium of any health insurance benefits Executive was receiving at the time of termination of Executive's employment under a Company employee health insurance plan subject to COBRA, provided that Executive timely elects to have such COBRA coverage. The amounts set forth in clauses (B) and (C) of this Section 5(a)(ii) shall be paid in installments consistent with the payment of Executive's Salary while employed by Company and shall be paid starting in the first payroll period occurring after the effectiveness of the Release (as defined below) and the expiration of any revocation period available to Executive thereunder.
- (iii) **Change of Control.** If Company terminates Executive's employment without Cause or if Executive resigns for Good Reason, in each case, within either (y) the three-month period before the effective date of a Change of Control or (z) the one-year period following the effective date of a Change of Control, Executive will be entitled to (A) the Accrued Benefits; (B) an aggregate amount equal to 18 months' Salary (at the rate in effect on the date of termination); (C) payment of 150% of Executive's target bonus for the year in which Executive's employment was so terminated; (D) payment by Company each month, for a period starting on the date of termination and ending on 18 months following the date of termination, of 100% of the premium of any health insurance benefits Executive was receiving at the time of termination of Executive's employment under a Company employee health insurance plan subject to COBRA, provided that Executive timely elects to have such COBRA coverage; and (E) accelerated vesting of 100% of any then unexpired, unvested Awards granted to Executive by Company (with such acceleration occurring on the later of the Change of Control or the termination of employment); provided, however, that for any Awards that include both a performance-based vesting condition (which may include the achievement of a specified stock price or market capitalization) and a time-based vesting condition or any Awards that vest solely upon the achievement of a performance-based vesting condition, no acceleration shall be provided unless such performance-based vesting condition has been satisfied as of the date of termination, except as specifically provided for in the Award Agreement entered into in respect of such Awards. The amounts set forth in clauses (B) and (C) of this Section 5(a)(iii) shall be paid in a lump sum in the first payroll period occurring after the effectiveness of the Release and the expiration of any revocation period available to Executive thereunder.

Notwithstanding anything to the contrary in Section 5(a)(ii) or Section 5(a)(iii), if Company determines, in its sole discretion, that its payment of the COBRA Benefits would result in a violation of the nondiscrimination rules of Code Section 105(h)(2) or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then Company shall not be obligated to make the COBRA Benefits payments.

(b) Release. Company's obligation to make the payments and to provide the benefits under Sections 5(a)(ii) and 5(a)(iii) and to provide any other benefits contemplated herein is contingent upon:

- (i) Executive's execution of a release in a form reasonably acceptable to Company (the "**Release**"), which Release must be signed and any applicable revocation period with respect thereto must have expired by the 55th day following Executive's termination of employment. The Release will not waive any of Executive's rights, or obligations of Company, regarding: (1) any right to indemnification and/or contribution, advancement or payment of related expenses Executive may have pursuant to Company's Bylaws or Articles of Incorporation or under any written indemnification or other agreement between Company and Executive, and/or under applicable law; (2) any rights Executive may have to insurance coverage under any directors and officers liability insurance, other insurance policies of Company, COBRA or any similar state law; (3) any claims for worker's compensation, state disability or unemployment insurance benefits, or any other claims that cannot be released as a matter of applicable law; (4) rights to any vested benefits under any stock, compensation or other employee benefit plan of Company; (5) any rights Executive may have as an existing shareholder of Company; and (6) any claims arising after the effective date of the Release. Nothing in the Release or any other agreement between Executive and Company will prohibit or prevent Executive from providing truthful testimony or otherwise responding accurately and fully to any question, inquiry or request for information or documents when required by legal process, subpoena, notice, court order or law (including, without limitation, in any criminal, civil, or regulatory proceeding or investigation), or as necessary in any action for enforcement or claimed breach of this Agreement or any other legal dispute with Company; and
- (ii) Executive's timely tendering a written resignation as a director, if serving as a director of Company, as provided in Section 7.

(c) Section 280G of the Code.

- (i) Notwithstanding anything in this Agreement to the contrary, if any payment, distribution, or other benefit provided by Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (collectively, the "**Payments**"), (x) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "**Code**"), and (y) but for this Section 5(c) would be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision thereto (the "**Excise Tax**"), then the Payments shall be either: (A) delivered in full pursuant to the terms of this Agreement, or (B) delivered to such lesser extent as would result in no portion of the payment being subject to the Excise Tax, as determined in accordance with Section 5(c)(ii).
- (ii) The determination of whether clause (A) or clause (B) of Section 5(c)(i) shall be given effect shall be made by Company on the basis of which of such clauses results in the receipt by Executive of the greater Net After-Tax Receipt (as defined herein) of the aggregate Payments. The term "**Net After-Tax Receipt**" shall mean the present value (as determined in accordance with Section 280G of the Code) of the payments net of all applicable federal, state and local income, employment, and other applicable taxes and the Excise Tax.

- (iii) If clause (B) of Section 5(c)(i) is given effect, the reduction shall be accomplished in accordance with Section 409A of the Code and the following: first by reducing, on a pro rata basis, cash Payments that are exempt from Section 409A of the Code; second by reducing, on a pro rata basis, other cash Payments; and third by forfeiting any equity-based awards that vest and become payable, starting with the most recent equity-based awards that vest, to the extent necessary to accomplish such reduction.
- (iv) Unless Company and Executive otherwise agree in writing, any determination required under this Section 5(c) shall be made by Company's independent accountants or compensation consultants (the "**Third Party**"), and all such determinations shall be conclusive, final and binding on the parties hereto. Company and Executive shall furnish to the Third Party such information and documents as the Third Party may reasonably request in order to make a determination under this Section 5(c). Company shall bear all fees and costs of the Third Party with respect to all determinations under or contemplated by this Section 5(c).

(d) Definitions. For purposes of this Section 5, the following definitions shall apply:

- (i) "**Affiliated Group**" means (a) a Person and one or more other Persons in control of, controlled by, or under common control with such Person; and (b) two or more Persons who, by written agreement among them, act in concert to acquire Voting Securities entitling them to elect a majority of the directors of Company.
- (ii) "**Cause**" means a termination of Executive's employment based upon a finding by a majority of the Board of Directors, acting in good faith and based on its reasonable belief at the time, that Executive: (a) has refused to perform the explicitly stated or reasonably assigned lawful and material duties required by Executive's position (other than by reason of a disability or analogous condition); (b) has committed or engaged in a material act of theft, embezzlement, dishonesty or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information; (c) has breached a material fiduciary duty, or willfully and materially violated any other duty, law, rule, or regulation relating to the performance of Executive's duties to Company or any material policy of Company; (d) has been convicted of, or pled guilty or nolo contendere to, misdemeanor involving moral turpitude or a felony; (e) has willfully and materially breached any of the provisions of any agreement with Company which causes material injury to Company; (f) has willfully engaged in unfair competition with, or otherwise willfully acted in a manner materially injurious to the reputation, business or assets of, Company; or (g) has improperly induced a vendor or customer to break or terminate any material contract with Company or induced a principal for whom Company acts as agent to terminate such agency relationship. "Cause" shall only exist if Company first provides Executive with written notice of any claimed ground for Cause and an opportunity to cure such ground, if curable, for 30 days. For purposes of this Agreement, no act or failure to act on Executive's part will be considered "willful" unless it is done, or omitted to be done, by Executive intentionally, not in good faith and without reasonable belief that the action or omission was in the best interest of Company.

- (iii) “**Change of Control**” means (a) the acquisition of Voting Securities of Company by a Person or an Affiliated Group entitling the holder thereof to elect a majority of the directors of Company; provided, that an increase in the amount of Voting Securities held by a Person or Affiliated Group who on the date of this Agreement beneficially owned (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended, and the regulations thereunder) more than 10% of the Voting Securities shall not constitute a Change of Control; and provided, further, that an acquisition of Voting Securities by one or more Persons acting as an underwriter in connection with a sale or distribution of such Voting Securities shall not constitute a Change of Control under this clause (a); (b) the sale of all or substantially all of the assets of Company; or (c) a merger or consolidation of Company with or into another corporation or entity in which the shareholders of Company immediately before such merger or consolidation do not own, in the aggregate, Voting Securities of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity) entitling them, in the aggregate (and without regard to whether they constitute an Affiliated Group) to elect a majority of the directors or persons holding similar powers of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity).
- (iv) “**Disability**” means Executive’s inability (as determined by the Board of Directors) to perform the essential functions of Executive’s job responsibilities for a period of 180 days in the aggregate in any 12 month period.
- (v) “**Good Reason**” means the occurrence of any of the following events or circumstances without Executive’s written consent: (a) a material diminution in Executive’s base compensation; (b) a material diminution in Executive’s authority, duties or responsibility; (c) a material change in the principal geographic location at which Executive performs services to Company; (d) any requirement that Executive engage in any illegal conduct; or (e) a material breach by Company of this Agreement or any other material written agreement between Executive and Company. “Good Reason” shall only exist if Executive first provides Company with written notice of any claimed ground for Good Reason within 30 days of the first occurrence of such ground and Company has an opportunity to remedy such ground for 30 days after receipt of such notice. Executive must resign employment within 30 days after the Company’s remedy period has elapsed without remedy or else Executive will have waived Good Reason with respect to such ground.
- (vi) “**Person**” means any natural person or any corporation, partnership, limited liability company, trust, unincorporated business association, or other entity.
- (vii) “**Voting Securities**” means shares of capital stock or other equity securities entitling the holder thereof to regularly vote for the election of directors (or for person performing a similar function if the issuer is not a corporation), but does not include the power to vote upon the happening of some condition or event which has not yet occurred.

6. Turnover of Property and Documents on Termination. Executive agrees that on or before termination of Executive's employment, Executive will return to Company all equipment and other property belonging to Company, and all originals and copies of confidential information (in any and all media and formats, and including any document or other item containing confidential information) in Executive's possession or control, and all of the following (in any and all media and formats, and whether or not constituting or containing confidential information) in Executive's possession or control: (a) lists and sources of customers; (b) proposals or drafts of proposals for any research grant, research or development project or program, marketing plan, licensing arrangement, or other arrangement with any third party; (c) reports, notations of Executive, laboratory notes, specifications, and drawings pertaining to the research, development, products, patents, and technology of Company; (d) any and all intellectual property developed by Executive during the course of employment; and (e) the manual and memoranda related to the Policies. To the extent there is a conflict between this Section 6 and the Confidentiality and IP Agreement, the Confidentiality and IP Agreement shall control.

7. Resignation as a Director on Termination of Employment. If Executive's employment by Company is terminated for any reason or for no reason, whether by way of resignation, Disability, or termination by Company with or without Cause, and if Executive is then a member of the Board of Directors, Executive shall within two business days (as defined below) after such termination of employment resign from the Board of Directors by delivering to Company a letter or other written communication addressed to the Board of Directors stating that Executive is resigning from the Board of Directors effective immediately. A "business day" shall be any day other than a Saturday, Sunday, or federal holiday on which federal offices are closed.

8. Arbitration. Except for injunctive proceedings against unauthorized disclosure of confidential information, any and all claims or controversies between Company and Executive, including but not limited to (a) those involving the construction or application of any of the terms, provisions, or conditions of this Agreement or the Policies; (b) all contract or tort claims of any kind; and (c) any claim based on any federal, state, or local law, statute, regulation, or ordinance, including claims for unlawful discrimination or harassment, shall be settled by arbitration in accordance with the then current Employment Dispute Resolution Rules of the American Arbitration Association. Judgment on the award rendered by the arbitrator(s) may be entered by any court having jurisdiction over Company and Executive. The location of the arbitration shall be San Diego, California. Unless Company or Executive mutually agree otherwise, the arbitrator shall be a retired judge selected from a panel provided by the American Arbitration Association, or the Judicial Arbitration and Mediation Service (JAMS). Company shall pay the arbitrator's fees and costs. Executive shall pay for Executive's own costs and attorneys' fees, if any. If Company is a party to an arbitration proceeding it shall pay for its own costs and attorneys' fees, if any. However, if any party prevails on a statutory claim which affords the prevailing party attorneys' fees, the arbitrator may award reasonable attorneys' fees and costs to the prevailing party.

EXECUTIVE UNDERSTANDS AND AGREES THAT THIS AGREEMENT TO ARBITRATE CONSTITUTES A WAIVER OF EXECUTIVE'S RIGHT TO A TRIAL BY JURY OF ANY MATTERS COVERED BY THIS AGREEMENT TO ARBITRATE.

9. Severability. In the event that any of the provisions of this Agreement or the Policies shall be held to be invalid or unenforceable in whole or in part, those provisions to the extent enforceable and all other provisions shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included in this Agreement or the Policies. In the event that any provision relating to a time period of restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period such court deems reasonable and enforceable, then the time period of restriction deemed reasonable and enforceable by the court shall become and shall thereafter be the maximum time period.

10. Agreement Read and Understood. Executive acknowledges that Executive has carefully read the terms of this Agreement, that Executive has had an opportunity to consult with an attorney or other representative of Executive's own choosing regarding this Agreement, that Executive understands the terms of this Agreement and that Executive is entering this Agreement of Executive's own free will.

11. Complete Agreement, Modification. This Agreement is the complete agreement and understanding between Executive and Company pertaining to the subject matter of this Agreement. This Agreement supersedes and replaces the Former Agreement and all previous correspondence, promises, representations, and agreements, if any, either written or oral with respect to Executive's employment by Company and any matter covered by this Agreement. No provision of this Agreement may be modified, amended, or waived except by a written document signed both by Executive and Company, and with respect to Company, with the express authorization of the Board of Directors or the Compensation Committee.

12. Governing Law. This Agreement shall be construed and enforced according to the laws of the State of California.

13. Assignability. This Agreement, and the rights and obligations of Executive and Company under this Agreement, may not be assigned by Executive. Company may assign any of its rights and obligations under this Agreement to any successor or surviving corporation, limited liability company, or other entity resulting from a merger, consolidation, sale of assets, sale of stock, sale of membership interests, or other reorganization, upon condition that the assignee shall assume, either expressly or by operation of law, all of Company's obligations under this Agreement.

14. Survival. This Section 14 and the covenants and agreements contained in Sections 3, 4 and 6 of this Agreement shall survive termination of this Agreement and Executive's employment.

15. Notices. Any notices or other communication required or permitted to be given under this Agreement shall be in writing and shall be sent by email, facsimile, certified mail, return receipt requested, or sent by next business day air courier service, or personally delivered to the party to whom it is to be given at the address of such party set forth on the signature page of this Agreement (or to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 15), and shall be deemed delivered: a) upon personal delivery to the party to be notified; (b) on the date such notice is received from any reputable courier service that provides tracking and written verification of delivery; or (c) on the date on which such notice is delivered by certified mail, facsimile transmission or email, with confirmation that such facsimile transmission or email has been received and read.

16. Section 409A Compliance.

(a) This Agreement is intended to comply with the provisions of Section 409A of the Code ("**Section 409A**"), and, to the extent practicable, this Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder. Terms used in this Agreement shall have the meanings given such terms under Section 409A if, and to the extent required, in order to comply with Section 409A.

(b) For purposes of amounts payable under this Agreement, the termination of employment shall be deemed to be effective upon "separation from service" with Company, as defined under Section 409A and the guidance issued thereunder. To the extent any nonqualified deferred compensation payment to Executive (whether under this Agreement or otherwise) could be paid in one or more of Executive's taxable years depending upon Executive completing certain employment-related actions (such as when Executive executes the Release), then any such payments will commence or occur in the later taxable year to the extent required by Section 409A.

(c) Notwithstanding anything to the contrary in this Agreement, to the extent required to avoid additional taxes and interest charged under Section 409A, if any of Company's stock is publicly traded and Executive is deemed to be a "specified employee" as determined by Company for purposes of Section 409A, Executive agrees that any non-qualified deferred compensation payments due to Executive under this Agreement (or any other agreement) and which are payable as a result of Executive's termination of employment that would otherwise have been payable at any time during the 6-month period immediately following such termination of employment shall not be paid prior to, and shall instead be payable in a lump sum on the first day of the 7th month following Executive's separation from service (or, if Executive dies during such period, within 30 days after Executive's death).

(d) Neither Company nor Executive shall have the right to accelerate or defer the delivery of, offset or assign any payment under this Agreement that constitutes "nonqualified deferred compensation" subject to Section 409A of the Code, except to the extent specifically permitted or required by Section 409A of the Code.

(e) If Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Executive's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. No right of Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

(f) Notwithstanding the foregoing, the tax treatment of the payments and benefits provided under this Agreement is not warranted or guaranteed. To the extent that this Agreement or any payment or benefit hereunder shall be deemed not to comply with Section 409A, neither Company, nor the Board of Directors, nor any member of the Compensation Committee, nor any of their successors shall be liable to Executive or to any other person for any taxes, interest, penalties or other monetary amounts owed by Executive as a result of the application of Section 409A or for reporting in good faith any amounts as subject thereto.

17. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument. This Agreement may be executed by facsimile, DocuSign® or by email exchange of a portable document format ("*pdf*") data file, where such signature shall be valid and binding with the same force and effect as if such facsimile or such pdf file were an original thereof.

[SIGNATURES TO THE EMPLOYMENT AGREEMENT ARE FOUND ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

EXECUTIVE:

/s/ Brian M. Culley

Brian M. Culley
Address: 2173 Salk Avenue, Suite 200
Carlsbad, CA 92008

COMPANY:

LINEAGE CELL THERAPEUTICS, INC.

By: */s/ Alfred Kingsley*

Alfred Kingsley
Chair of the Board of Directors
Lineage Cell Therapeutics, Inc
2173 Salk Avenue, Suite 200
Carlsbad, CA 92008

[SIGNATURE PAGE TO THE EMPLOYMENT AGREEMENT]

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “*Agreement*”) is made as of September 26, 2022, by and between Lineage Cell Therapeutics, Inc., a California corporation (together with any successor in interest thereto that has assumed its rights and obligations hereunder, whether by operation of law or otherwise, “*Company*”), and George A. Samuel III (“*Executive*”).

WHEREAS, Executive is currently employed by Company under an employment agreement dated August 5, 2021 (the “*Former Agreement*”);

WHEREAS, Company and Executive desire that the Former Agreement be superseded by this Agreement, and that all rights and obligations under the Former Agreement be terminated without any further consideration;

WHEREAS, Executive has experience and expertise applicable to the continued employment with Company in the role of General Counsel and Corporate Secretary of Company; and

WHEREAS, Company has agreed to continue the employment of Executive, and Executive has agreed to continue such employment, on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties hereto agree as follows:

1. Engagement; Position and Duties.

(a) Position and Duties. Company agrees to continue to employ Executive in the position of General Counsel and Corporate Secretary of Company, and Executive agrees to perform the duties as outlined on Exhibit A and as the Chief Executive Officer (“*CEO*”) or the Board of Directors of Company (the “*Board of Directors*”) may from time to time direct or require. Executive shall report to the CEO. Executive shall devote Executive’s best efforts, skills and abilities, on a full-time basis, exclusively to Company’s business. Executive covenants and agrees to faithfully adhere to and fulfill such policies as are established from time to time by the Board of Directors or Company (collectively, the “*Policies*”).

(b) No Conflicting Obligations. Executive represents and warrants to Company that Executive has never been under any, and is currently under no obligations or commitments, whether contractual or otherwise, that are inconsistent with Executive’s obligations under this Agreement or that would prohibit Executive, contractually or otherwise, from performing Executive’s duties under this Agreement and/or the Policies.

(c) No Unauthorized Use of Third Party Intellectual Property. Executive represents and warrants to Company that Executive has not used or disclosed, and will not use or disclose, in connection with Executive’s employment by Company, any patents, trade secrets, confidential information, or other proprietary information or intellectual property as to which any other person has any right, title or interest, except to the extent that Company holds a valid license or other written permission for such use from the owner(s) thereof. Executive represents and warrants to Company that Executive has returned all property and confidential information belonging to any prior employer to such prior employer.

2. Compensation

(a) Salary. During the term of this Agreement, Company shall pay to Executive an annual salary (“**Salary**”) of \$394,800. Executive’s Salary shall be paid in equal semi-monthly installments, consistent with Company’s regular salary payment practices. Executive’s Salary may be increased from time-to-time by the Board of Directors or the Compensation Committee of the Board of Directors (the “**Compensation Committee**”), in their sole and absolute discretion, without affecting this Agreement.

(b) Bonus. Executive may be eligible for an annual bonus targeted at 40% of Executive’s Salary (at the rate in effect on the date any such annual bonus is established), as may be approved by the Board of Directors or the Compensation Committee, in their discretion, based on Executive’s achievement of predetermined Company and/or individual objectives set by the Board of Directors or the Compensation Committee, from time to time. Executive also agrees that neither the Board of Directors nor Company is obligated to adopt any bonus plan, to maintain in effect any bonus plan that may now be in effect or that may be adopted during the term of Executive’s employment, or to pay Executive a bonus unless a bonus is earned under the terms and conditions of any bonus plan adopted by Company. Executive’s annual bonus target percentage may be increased from time-to-time by the Board of Directors or the Compensation Committee, in their sole and absolute discretion, without affecting this Agreement.

(c) Expense Reimbursements. Company shall reimburse Executive for reasonable travel and other business expenses (but not expenses of commuting to Executive’s primary workplace) incurred by Executive in the performance of Executive’s duties under this Agreement, subject to, and in accordance with, the Policies and Company procedures in effect from time to time, and provided that Executive submits supporting vouchers.

(d) Benefit Plans. Executive may be eligible (to the extent Executive qualifies) to participate in certain retirement, pension, life, health, accident and disability insurance, equity incentive plan or other similar employee benefit plans (collectively, “**Benefit Plans**”), which may be adopted by Company from time to time for its executive officers or other employees, in each case, subject to the terms thereof, including any eligibility requirements thereof. Company has the right, at any time and without any amendment of this Agreement, and without prior notice to or consent from Executive, to adopt, amend, change, or terminate any and all Benefit Plans that may now be in effect or that may be adopted in the future, in each case without any further obligation (financial or otherwise) to Executive; provided that any such amendment, change or termination effected without the consent of Executive does not apply to Executive in a manner that is different than it applies to other Company executives or employees of a comparable executive level, except for amendments, changes or terminations required by applicable federal, state or local law or regulation, or implemented in response to any change of federal, state or local law or regulation. Any benefits to which Executive may be entitled under any Benefit Plan shall be governed by the terms and conditions of the applicable Benefit Plan, and any related plan documents, as in effect from time to time. If Executive receives any grant of stock options or stock or stock related equity awards (“**Awards**”) under any stock option plan, stock purchase plan, or other equity incentive plan of Company (an “**Equity Plan**”), the terms and conditions of the Award, and Executive’s rights with respect to the Award, shall be governed by (i) the terms of the Equity Plan, as the same may be amended from time to time, and (ii) the terms and conditions of any stock option agreement, stock purchase agreement, or other agreement that Executive may sign or be required to sign with respect to any Award (an “**Award Agreement**”); provided that in the event of any conflict between the Equity Plan or Award Agreement and Section 5(a)(iii)(E) hereof with respect to acceleration of the vesting of any Awards in connection with a Change in Control, the provisions of Section 5(a)(iii)(E) hereof shall control.

(e) Vacation. Executive shall be entitled to 20 paid time off (“*PTO*”) days per calendar year (capped at 30 days such that no further PTO accruals shall apply unless and until the PTO balance is less than 30 days) without reduction in compensation. Executive’s PTO shall be taken at such time as is consistent with Company needs and the Policies. All PTO days shall accrue annually on a semi-monthly pay period basis based upon days of service. The Policies governing the disposition of unused PTO days remaining at the end of the calendar year shall govern whether unused vacation days will be paid, lost, or carried over into subsequent calendar years.

(f) Withholdings. All compensation payable by Company to Executive, including amounts payable under Section 5, if any, and under any other compensatory arrangement, is subject to applicable taxes, deductions and withholdings.

3. Competitive Activities. During Executive’s employment, and for 24 months thereafter, Executive shall not, for Executive or any third party, directly or indirectly employ, solicit for employment or recommend for employment any person employed by Company. During Executive’s employment, Executive shall not, directly or indirectly as an employee, contractor, officer, director, member, partner, agent, or equity owner, engage in any activity or business that competes or could reasonably be expected to compete with the business of Company. Executive acknowledges that there is a substantial likelihood that the activities described in this Section 3 would (a) involve the unauthorized use or disclosure of Company’s confidential information and that use or disclosure would be extremely difficult to detect, and (b) result in substantial competitive harm to the business of Company. Executive has accepted the limitations of this Section 3 as a reasonably practicable and unrestrictive means of preventing such use or disclosure of Company confidential information and preventing such competitive harm.

4. Inventions/Intellectual Property/Confidential Information. Executive acknowledges the execution and delivery to Company of an Employee Confidential Information and Inventions Assignment Agreement (the “*Confidentiality and IP Agreement*”), attached hereto as Exhibit B.

5. Termination of Employment. Executive understands and agrees that Executive’s employment has no specific term. This Agreement, and the employment relationship, are “at will” and may be terminated by Executive or by Company with or without cause at any time by notice given orally or in writing. Except as otherwise agreed in writing signed on behalf of Company with the express authorization of the Board of Directors or the Compensation Committee or as otherwise provided in this Agreement, upon termination of Executive’s employment, Company shall have no further obligation to Executive, by way of compensation or otherwise and Executive shall be deemed to have then resigned from all positions and roles (including from the board of directors or similar governing body) with Company and any of its subsidiaries or affiliates.

(a) Payments Due Upon Termination of Employment. Upon termination of Executive’s employment with Company at any time and for any reason, in the event of the termination of Executive’s employment by Company for Cause, or termination of Executive’s employment as a result of death, Disability (as defined below), or resignation, Executive will be entitled to receive only the benefits set forth below, and Executive will not be entitled to any other compensation, award, or damages with respect to Executive’s employment or termination of employment.

- (i) **Termination for Cause, Death, Disability, or Resignation without Good Reason.** In the event of the termination of Executive’s employment by Company for Cause or as a result of the death or Disability of Executive or if Executive resigns without Good Reason, Executive will be entitled to receive payment for (a) all accrued but unpaid Salary actually earned prior to or as of the date of termination of Executive’s employment, and (b) all accrued and unused PTO actually earned prior to or as of the date of termination of Executive’s employment. Executive will not be entitled to any severance benefits or additional vesting of any stock options or other equity or cash awards. The payments under this Section 5(a)(i) are collectively referred to as the “*Accrued Benefits*” and shall be paid to Executive not later than when required by applicable law.

- (ii) **Termination Without Cause, or Resignation for Good Reason.** In the event of termination of Executive's employment by Company without Cause or if Executive resigns for Good Reason, Executive will be entitled to receive: (A) the Accrued Benefits; (B) an aggregate amount equal to 9 months' Salary (at the rate in effect on the date of termination); (C) payment of a prorated (based on the number of days Executive was employed by Company in the calendar year of termination) target bonus for the year in which Executive's employment was so terminated; and (D) payment by Company each month, for a period starting on the date of termination and ending on 9 months following the date of termination, of 100% of the premium of any health insurance benefits Executive was receiving at the time of termination of Executive's employment under a Company employee health insurance plan subject to COBRA, provided that Executive timely elects to have such COBRA coverage. The amounts set forth in clauses (B) and (C) of this Section 5(a)(ii) shall be paid in installments consistent with the payment of Executive's Salary while employed by Company and shall be paid starting in the first payroll period occurring after the effectiveness of the Release (as defined below) and the expiration of any revocation period available to Executive thereunder.
- (iii) **Change of Control.** If Company terminates Executive's employment without Cause or if Executive resigns for Good Reason, in each case, within either (y) the three-month period before the effective date of a Change of Control or (z) the one-year period following the effective date of a Change of Control, Executive will be entitled to (A) the Accrued Benefits; (B) an aggregate amount equal to 12 months' Salary (at the rate in effect on the date of termination); (C) payment of 100% of Executive's target bonus for the year in which Executive's employment was so terminated; (D) payment by Company each month, for a period starting on the date of termination and ending on 12 months following the date of termination, of 100% of the premium of any health insurance benefits Executive was receiving at the time of termination of Executive's employment under a Company employee health insurance plan subject to COBRA, provided that Executive timely elects to have such COBRA coverage; and (E) accelerated vesting of 100% of any then unexpired, unvested Awards granted to Executive by Company (with such acceleration occurring on the later of the Change of Control or the termination of employment); provided, however, that for any Awards that include both a performance-based vesting condition (which may include the achievement of a specified stock price or market capitalization) and a time-based vesting condition or any Awards that vest solely upon the achievement of a performance-based vesting condition, no acceleration shall be provided unless such performance-based vesting condition has been satisfied as of the date of termination, except as specifically provided for in the Award Agreement entered into in respect of such Awards. The amounts set forth in clauses (B) and (C) of this Section 5(a)(iii) shall be paid in a lump sum in the first payroll period occurring after the effectiveness of the Release and the expiration of any revocation period available to Executive thereunder.

Notwithstanding anything to the contrary in Section 5(a)(ii) or Section 5(a)(iii), if Company determines, in its sole discretion, that its payment of the COBRA Benefits would result in a violation of the nondiscrimination rules of Code Section 105(h)(2) or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then Company shall not be obligated to make the COBRA Benefits payments.

(b) Release. Company's obligation to make the payments and to provide the benefits under Sections 5(a)(ii) and 5(a)(iii) and to provide any other benefits contemplated herein is contingent upon:

- (i) Executive's execution of a release in a form reasonably acceptable to Company (the "**Release**"), which Release must be signed and any applicable revocation period with respect thereto must have expired by the 55th day following Executive's termination of employment. The Release will not waive any of Executive's rights, or obligations of Company, regarding: (1) any right to indemnification and/or contribution, advancement or payment of related expenses Executive may have pursuant to Company's Bylaws or Articles of Incorporation or under any written indemnification or other agreement between Company and Executive, and/or under applicable law; (2) any rights Executive may have to insurance coverage under any directors and officers liability insurance, other insurance policies of Company, COBRA or any similar state law; (3) any claims for worker's compensation, state disability or unemployment insurance benefits, or any other claims that cannot be released as a matter of applicable law; (4) rights to any vested benefits under any stock, compensation or other employee benefit plan of Company; (5) any rights Executive may have as an existing shareholder of Company; and (6) any claims arising after the effective date of the Release. Nothing in the Release or any other agreement between Executive and Company will prohibit or prevent Executive from providing truthful testimony or otherwise responding accurately and fully to any question, inquiry or request for information or documents when required by legal process, subpoena, notice, court order or law (including, without limitation, in any criminal, civil, or regulatory proceeding or investigation), or as necessary in any action for enforcement or claimed breach of this Agreement or any other legal dispute with Company; and
- (ii) Executive's timely tendering a written resignation as a director, if serving as a director of Company, as provided in Section 7.

(c) Section 280G of the Code.

- (i) Notwithstanding anything in this Agreement to the contrary, if any payment, distribution, or other benefit provided by Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (collectively, the "**Payments**"), (x) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "**Code**"), and (y) but for this Section 5(c) would be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision thereto (the "**Excise Tax**"), then the Payments shall be either: (A) delivered in full pursuant to the terms of this Agreement, or (B) delivered to such lesser extent as would result in no portion of the payment being subject to the Excise Tax, as determined in accordance with Section 5(c)(ii).
- (ii) The determination of whether clause (A) or clause (B) of Section 5(c)(i) shall be given effect shall be made by Company on the basis of which of such clauses results in the receipt by Executive of the greater Net After-Tax Receipt (as defined herein) of the aggregate Payments. The term "**Net After-Tax Receipt**" shall mean the present value (as determined in accordance with Section 280G of the Code) of the payments net of all applicable federal, state and local income, employment, and other applicable taxes and the Excise Tax.

- (iii) If clause (B) of Section 5(c)(i) is given effect, the reduction shall be accomplished in accordance with Section 409A of the Code and the following: first by reducing, on a pro rata basis, cash Payments that are exempt from Section 409A of the Code; second by reducing, on a pro rata basis, other cash Payments; and third by forfeiting any equity-based awards that vest and become payable, starting with the most recent equity-based awards that vest, to the extent necessary to accomplish such reduction.
- (iv) Unless Company and Executive otherwise agree in writing, any determination required under this Section 5(c) shall be made by Company's independent accountants or compensation consultants (the "**Third Party**"), and all such determinations shall be conclusive, final and binding on the parties hereto. Company and Executive shall furnish to the Third Party such information and documents as the Third Party may reasonably request in order to make a determination under this Section 5(c). Company shall bear all fees and costs of the Third Party with respect to all determinations under or contemplated by this Section 5(c).

(d) Definitions. For purposes of this Section 5, the following definitions shall apply:

- (i) "**Affiliated Group**" means (a) a Person and one or more other Persons in control of, controlled by, or under common control with such Person; and (b) two or more Persons who, by written agreement among them, act in concert to acquire Voting Securities entitling them to elect a majority of the directors of Company.
- (ii) "**Cause**" means a termination of Executive's employment based upon a finding by a majority of the Board of Directors, acting in good faith and based on its reasonable belief at the time, that Executive: (a) has refused to perform the explicitly stated or reasonably assigned lawful and material duties required by Executive's position (other than by reason of a disability or analogous condition); (b) has committed or engaged in a material act of theft, embezzlement, dishonesty or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information; (c) has breached a material fiduciary duty, or willfully and materially violated any other duty, law, rule, or regulation relating to the performance of Executive's duties to Company or any material policy of Company; (d) has been convicted of, or pled guilty or nolo contendere to, misdemeanor involving moral turpitude or a felony; (e) has willfully and materially breached any of the provisions of any agreement with Company which causes material injury to Company; (f) has willfully engaged in unfair competition with, or otherwise willfully acted in a manner materially injurious to the reputation, business or assets of, Company; or (g) has improperly induced a vendor or customer to break or terminate any material contract with Company or induced a principal for whom Company acts as agent to terminate such agency relationship. "Cause" shall only exist if Company first provides Executive with written notice of any claimed ground for Cause and an opportunity to cure such ground, if curable, for 30 days. For purposes of this Agreement, no act or failure to act on Executive's part will be considered "willful" unless it is done, or omitted to be done, by Executive intentionally, not in good faith and without reasonable belief that the action or omission was in the best interest of Company.

- (iii) “**Change of Control**” means (a) the acquisition of Voting Securities of Company by a Person or an Affiliated Group entitling the holder thereof to elect a majority of the directors of Company; provided, that an increase in the amount of Voting Securities held by a Person or Affiliated Group who on the date of this Agreement beneficially owned (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended, and the regulations thereunder) more than 10% of the Voting Securities shall not constitute a Change of Control; and provided, further, that an acquisition of Voting Securities by one or more Persons acting as an underwriter in connection with a sale or distribution of such Voting Securities shall not constitute a Change of Control under this clause (a); (b) the sale of all or substantially all of the assets of Company; or (c) a merger or consolidation of Company with or into another corporation or entity in which the shareholders of Company immediately before such merger or consolidation do not own, in the aggregate, Voting Securities of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity) entitling them, in the aggregate (and without regard to whether they constitute an Affiliated Group) to elect a majority of the directors or persons holding similar powers of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity).
- (iv) “**Disability**” means Executive’s inability (as determined by the Board of Directors) to perform the essential functions of Executive’s job responsibilities for a period of 180 days in the aggregate in any 12 month period.
- (v) “**Good Reason**” means the occurrence of any of the following events or circumstances without Executive’s written consent: (a) a material diminution in Executive’s base compensation; (b) a material diminution in Executive’s authority, duties or responsibility; (c) a material change in the principal geographic location at which Executive performs services to Company; (d) any requirement that Executive engage in any illegal conduct; or (e) a material breach by Company of this Agreement or any other material written agreement between Executive and Company. “Good Reason” shall only exist if Executive first provides Company with written notice of any claimed ground for Good Reason within 30 days of the first occurrence of such ground and Company has an opportunity to remedy such ground for 30 days after receipt of such notice. Executive must resign employment within 30 days after the Company’s remedy period has elapsed without remedy or else Executive will have waived Good Reason with respect to such ground.
- (vi) “**Person**” means any natural person or any corporation, partnership, limited liability company, trust, unincorporated business association, or other entity.
- (vii) “**Voting Securities**” means shares of capital stock or other equity securities entitling the holder thereof to regularly vote for the election of directors (or for person performing a similar function if the issuer is not a corporation), but does not include the power to vote upon the happening of some condition or event which has not yet occurred.

6. Turnover of Property and Documents on Termination. Executive agrees that on or before termination of Executive's employment, Executive will return to Company all equipment and other property belonging to Company, and all originals and copies of confidential information (in any and all media and formats, and including any document or other item containing confidential information) in Executive's possession or control, and all of the following (in any and all media and formats, and whether or not constituting or containing confidential information) in Executive's possession or control: (a) lists and sources of customers; (b) proposals or drafts of proposals for any research grant, research or development project or program, marketing plan, licensing arrangement, or other arrangement with any third party; (c) reports, notations of Executive, laboratory notes, specifications, and drawings pertaining to the research, development, products, patents, and technology of Company; (d) any and all intellectual property developed by Executive during the course of employment; and (e) the manual and memoranda related to the Policies. To the extent there is a conflict between this Section 6 and the Confidentiality and IP Agreement, the Confidentiality and IP Agreement shall control.

7. Resignation as a Director on Termination of Employment. If Executive's employment by Company is terminated for any reason or for no reason, whether by way of resignation, Disability, or termination by Company with or without Cause, and if Executive is then a member of the Board of Directors, Executive shall within two business days (as defined below) after such termination of employment resign from the Board of Directors by delivering to Company a letter or other written communication addressed to the Board of Directors stating that Executive is resigning from the Board of Directors effective immediately. A "business day" shall be any day other than a Saturday, Sunday, or federal holiday on which federal offices are closed.

8. Arbitration. Except for injunctive proceedings against unauthorized disclosure of confidential information, any and all claims or controversies between Company and Executive, including but not limited to (a) those involving the construction or application of any of the terms, provisions, or conditions of this Agreement or the Policies; (b) all contract or tort claims of any kind; and (c) any claim based on any federal, state, or local law, statute, regulation, or ordinance, including claims for unlawful discrimination or harassment, shall be settled by arbitration in accordance with the then current Employment Dispute Resolution Rules of the American Arbitration Association. Judgment on the award rendered by the arbitrator(s) may be entered by any court having jurisdiction over Company and Executive. The location of the arbitration shall be San Diego, California. Unless Company or Executive mutually agree otherwise, the arbitrator shall be a retired judge selected from a panel provided by the American Arbitration Association, or the Judicial Arbitration and Mediation Service (JAMS). Company shall pay the arbitrator's fees and costs. Executive shall pay for Executive's own costs and attorneys' fees, if any. If Company is a party to an arbitration proceeding it shall pay for its own costs and attorneys' fees, if any. However, if any party prevails on a statutory claim which affords the prevailing party attorneys' fees, the arbitrator may award reasonable attorneys' fees and costs to the prevailing party.

EXECUTIVE UNDERSTANDS AND AGREES THAT THIS AGREEMENT TO ARBITRATE CONSTITUTES A WAIVER OF EXECUTIVE'S RIGHT TO A TRIAL BY JURY OF ANY MATTERS COVERED BY THIS AGREEMENT TO ARBITRATE.

9. Severability. In the event that any of the provisions of this Agreement or the Policies shall be held to be invalid or unenforceable in whole or in part, those provisions to the extent enforceable and all other provisions shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included in this Agreement or the Policies. In the event that any provision relating to a time period of restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period such court deems reasonable and enforceable, then the time period of restriction deemed reasonable and enforceable by the court shall become and shall thereafter be the maximum time period.

10. Agreement Read and Understood. Executive acknowledges that Executive has carefully read the terms of this Agreement, that Executive has had an opportunity to consult with an attorney or other representative of Executive's own choosing regarding this Agreement, that Executive understands the terms of this Agreement and that Executive is entering this Agreement of Executive's own free will.

11. Complete Agreement, Modification. This Agreement is the complete agreement and understanding between Executive and Company pertaining to the subject matter of this Agreement. This Agreement supersedes and replaces the Former Agreement and all previous correspondence, promises, representations, and agreements, if any, either written or oral with respect to Executive's employment by Company and any matter covered by this Agreement. No provision of this Agreement may be modified, amended, or waived except by a written document signed both by Executive and Company, and with respect to Company, with the express authorization of the Board of Directors or the Compensation Committee.

12. Governing Law. This Agreement shall be construed and enforced according to the laws of the State of California.

13. Assignability. This Agreement, and the rights and obligations of Executive and Company under this Agreement, may not be assigned by Executive. Company may assign any of its rights and obligations under this Agreement to any successor or surviving corporation, limited liability company, or other entity resulting from a merger, consolidation, sale of assets, sale of stock, sale of membership interests, or other reorganization, upon condition that the assignee shall assume, either expressly or by operation of law, all of Company's obligations under this Agreement.

14. Survival. This Section 14 and the covenants and agreements contained in Sections 3, 4 and 6 of this Agreement shall survive termination of this Agreement and Executive's employment.

15. Notices. Any notices or other communication required or permitted to be given under this Agreement shall be in writing and shall be sent by email, facsimile, certified mail, return receipt requested, or sent by next business day air courier service, or personally delivered to the party to whom it is to be given at the address of such party set forth on the signature page of this Agreement (or to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 15), and shall be deemed delivered: a) upon personal delivery to the party to be notified; (b) on the date such notice is received from any reputable courier service that provides tracking and written verification of delivery; or (c) on the date on which such notice is delivered by certified mail, facsimile transmission or email, with confirmation that such facsimile transmission or email has been received and read.

16. Section 409A Compliance.

(a) This Agreement is intended to comply with the provisions of Section 409A of the Code ("**Section 409A**"), and, to the extent practicable, this Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder. Terms used in this Agreement shall have the meanings given such terms under Section 409A if, and to the extent required, in order to comply with Section 409A.

(b) For purposes of amounts payable under this Agreement, the termination of employment shall be deemed to be effective upon "separation from service" with Company, as defined under Section 409A and the guidance issued thereunder. To the extent any nonqualified deferred compensation payment to Executive (whether under this Agreement or otherwise) could be paid in one or more of Executive's taxable years depending upon Executive completing certain employment-related actions (such as when Executive executes the Release), then any such payments will commence or occur in the later taxable year to the extent required by Section 409A.

(c) Notwithstanding anything to the contrary in this Agreement, to the extent required to avoid additional taxes and interest charged under Section 409A, if any of Company's stock is publicly traded and Executive is deemed to be a "specified employee" as determined by Company for purposes of Section 409A, Executive agrees that any non-qualified deferred compensation payments due to Executive under this Agreement (or any other agreement) and which are payable as a result of Executive's termination of employment that would otherwise have been payable at any time during the 6-month period immediately following such termination of employment shall not be paid prior to, and shall instead be payable in a lump sum on the first day of the 7th month following Executive's separation from service (or, if Executive dies during such period, within 30 days after Executive's death).

(d) Neither Company nor Executive shall have the right to accelerate or defer the delivery of, offset or assign any payment under this Agreement that constitutes "nonqualified deferred compensation" subject to Section 409A of the Code, except to the extent specifically permitted or required by Section 409A of the Code.

(e) If Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Executive's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. No right of Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

(f) Notwithstanding the foregoing, the tax treatment of the payments and benefits provided under this Agreement is not warranted or guaranteed. To the extent that this Agreement or any payment or benefit hereunder shall be deemed not to comply with Section 409A, neither Company, nor the Board of Directors, nor any member of the Compensation Committee, nor any of their successors shall be liable to Executive or to any other person for any taxes, interest, penalties or other monetary amounts owed by Executive as a result of the application of Section 409A or for reporting in good faith any amounts as subject thereto.

17. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument. This Agreement may be executed by facsimile, DocuSign® or by email exchange of a portable document format ("*pdf*") data file, where such signature shall be valid and binding with the same force and effect as if such facsimile or such pdf file were an original thereof.

[SIGNATURES TO THE EMPLOYMENT AGREEMENT ARE FOUND ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

EXECUTIVE:

/s/ George A. Samuel III

George A. Samuel III

Address: 2173 Salk Avenue, Suite 200
Carlsbad, CA 92008

COMPANY:

LINEAGE CELL THERAPEUTICS, INC.

By: */s/ Brian M. Culley*

Brian Michael Culley

Chief Executive Officer

Lineage Cell Therapeutics, Inc

2173 Salk Avenue, Suite 200

Carlsbad, CA 92008

[SIGNATURE PAGE TO THE EMPLOYMENT AGREEMENT]

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “*Agreement*”) is made as of September 26, 2022, by and between Lineage Cell Therapeutics, Inc., a California corporation (together with any successor in interest thereto that has assumed its rights and obligations hereunder, whether by operation of law or otherwise, “*Company*”), and Gary S. Hogge, DVM, Ph.D. (“*Executive*”).

WHEREAS, Executive is currently employed by Company under an employment agreement dated February 12, 2018 (the “*Former Agreement*”);

WHEREAS, Company and Executive desire that the Former Agreement be superseded by this Agreement, and that all rights and obligations under the Former Agreement be terminated without any further consideration;

WHEREAS, Executive has experience and expertise applicable to the continued employment with Company in the role of Sr. Vice President, Clinical and Medical Affairs of Company; and

WHEREAS, Company has agreed to continue the employment of Executive, and Executive has agreed to continue such employment, on the terms set forth in this Agreement.

NOW, THEREFORE, in consideration of the terms and conditions hereinafter set forth, the parties hereto agree as follows:

1. Engagement; Position and Duties.

(a) Position and Duties. Company agrees to continue to employ Executive in the position of Sr. Vice President, Clinical and Medical Affairs of Company, and Executive agrees to perform the duties as outlined on Exhibit A and as the Chief Executive Officer (“*CEO*”) or the Board of Directors of Company (the “*Board of Directors*”) may from time to time direct or require. Executive shall report to the CEO. Executive shall devote Executive’s best efforts, skills and abilities, on a full-time basis, exclusively to Company’s business. Executive covenants and agrees to faithfully adhere to and fulfill such policies as are established from time to time by the Board of Directors or Company (collectively, the “*Policies*”).

(b) No Conflicting Obligations. Executive represents and warrants to Company that Executive has never been under any, and is currently under no obligations or commitments, whether contractual or otherwise, that are inconsistent with Executive’s obligations under this Agreement or that would prohibit Executive, contractually or otherwise, from performing Executive’s duties under this Agreement and/or the Policies.

(c) No Unauthorized Use of Third Party Intellectual Property. Executive represents and warrants to Company that Executive has not used or disclosed, and will not use or disclose, in connection with Executive’s employment by Company, any patents, trade secrets, confidential information, or other proprietary information or intellectual property as to which any other person has any right, title or interest, except to the extent that Company holds a valid license or other written permission for such use from the owner(s) thereof. Executive represents and warrants to Company that Executive has returned all property and confidential information belonging to any prior employer to such prior employer.

2. Compensation

(a) Salary. During the term of this Agreement, Company shall pay to Executive an annual salary (“**Salary**”) of \$366,800. Executive’s Salary shall be paid in equal semi-monthly installments, consistent with Company’s regular salary payment practices. Executive’s Salary may be increased from time-to-time by the Board of Directors or the Compensation Committee of the Board of Directors (the “**Compensation Committee**”), in their sole and absolute discretion, without affecting this Agreement.

(b) Bonus. Executive may be eligible for an annual bonus targeted at 35% of Executive’s Salary (at the rate in effect on the date any such annual bonus is established), as may be approved by the Board of Directors or the Compensation Committee, in their discretion, based on Executive’s achievement of predetermined Company and/or individual objectives set by the Board of Directors or the Compensation Committee, from time to time. Executive also agrees that neither the Board of Directors nor Company is obligated to adopt any bonus plan, to maintain in effect any bonus plan that may now be in effect or that may be adopted during the term of Executive’s employment, or to pay Executive a bonus unless a bonus is earned under the terms and conditions of any bonus plan adopted by Company. Executive’s annual bonus target percentage may be increased from time-to-time by the Board of Directors or the Compensation Committee, in their sole and absolute discretion, without affecting this Agreement.

(c) Expense Reimbursements. Company shall reimburse Executive for reasonable travel and other business expenses (but not expenses of commuting to Executive’s primary workplace) incurred by Executive in the performance of Executive’s duties under this Agreement, subject to, and in accordance with, the Policies and Company procedures in effect from time to time, and provided that Executive submits supporting vouchers.

(d) Benefit Plans. Executive may be eligible (to the extent Executive qualifies) to participate in certain retirement, pension, life, health, accident and disability insurance, equity incentive plan or other similar employee benefit plans (collectively, “**Benefit Plans**”), which may be adopted by Company from time to time for its executive officers or other employees, in each case, subject to the terms thereof, including any eligibility requirements thereof. Company has the right, at any time and without any amendment of this Agreement, and without prior notice to or consent from Executive, to adopt, amend, change, or terminate any and all Benefit Plans that may now be in effect or that may be adopted in the future, in each case without any further obligation (financial or otherwise) to Executive; provided that any such amendment, change or termination effected without the consent of Executive does not apply to Executive in a manner that is different than it applies to other Company executives or employees of a comparable executive level, except for amendments, changes or terminations required by applicable federal, state or local law or regulation, or implemented in response to any change of federal, state or local law or regulation. Any benefits to which Executive may be entitled under any Benefit Plan shall be governed by the terms and conditions of the applicable Benefit Plan, and any related plan documents, as in effect from time to time. If Executive receives any grant of stock options or stock or stock related equity awards (“**Awards**”) under any stock option plan, stock purchase plan, or other equity incentive plan of Company (an “**Equity Plan**”), the terms and conditions of the Award, and Executive’s rights with respect to the Award, shall be governed by (i) the terms of the Equity Plan, as the same may be amended from time to time, and (ii) the terms and conditions of any stock option agreement, stock purchase agreement, or other agreement that Executive may sign or be required to sign with respect to any Award (an “**Award Agreement**”); provided that in the event of any conflict between the Equity Plan or Award Agreement and Section 5(a)(iii)(E) hereof with respect to acceleration of the vesting of any Awards in connection with a Change in Control, the provisions of Section 5(a)(iii)(E) hereof shall control.

(e) Vacation. Executive shall be entitled to 20 paid time off (“*PTO*”) days per calendar year (capped at 30 days such that no further PTO accruals shall apply unless and until the PTO balance is less than 30 days) without reduction in compensation. Executive’s PTO shall be taken at such time as is consistent with Company needs and the Policies. All PTO days shall accrue annually on a semi-monthly pay period basis based upon days of service. The Policies governing the disposition of unused PTO days remaining at the end of the calendar year shall govern whether unused vacation days will be paid, lost, or carried over into subsequent calendar years.

(f) Withholdings. All compensation payable by Company to Executive, including amounts payable under Section 5, if any, and under any other compensatory arrangement, is subject to applicable taxes, deductions and withholdings.

3. Competitive Activities. During Executive’s employment, and for 24 months thereafter, Executive shall not, for Executive or any third party, directly or indirectly employ, solicit for employment or recommend for employment any person employed by Company. During Executive’s employment, Executive shall not, directly or indirectly as an employee, contractor, officer, director, member, partner, agent, or equity owner, engage in any activity or business that competes or could reasonably be expected to compete with the business of Company. Executive acknowledges that there is a substantial likelihood that the activities described in this Section 3 would (a) involve the unauthorized use or disclosure of Company’s confidential information and that use or disclosure would be extremely difficult to detect, and (b) result in substantial competitive harm to the business of Company. Executive has accepted the limitations of this Section 3 as a reasonably practicable and unrestrictive means of preventing such use or disclosure of Company confidential information and preventing such competitive harm.

4. Inventions/Intellectual Property/Confidential Information. Executive acknowledges the execution and delivery to Company of an Employee Confidential Information and Inventions Assignment Agreement (the “*Confidentiality and IP Agreement*”), attached hereto as Exhibit B.

5. Termination of Employment. Executive understands and agrees that Executive’s employment has no specific term. This Agreement, and the employment relationship, are “at will” and may be terminated by Executive or by Company with or without cause at any time by notice given orally or in writing. Except as otherwise agreed in writing signed on behalf of Company with the express authorization of the Board of Directors or the Compensation Committee or as otherwise provided in this Agreement, upon termination of Executive’s employment, Company shall have no further obligation to Executive, by way of compensation or otherwise and Executive shall be deemed to have then resigned from all positions and roles (including from the board of directors or similar governing body) with Company and any of its subsidiaries or affiliates.

(a) Payments Due Upon Termination of Employment. Upon termination of Executive’s employment with Company at any time and for any reason, in the event of the termination of Executive’s employment by Company for Cause, or termination of Executive’s employment as a result of death, Disability (as defined below), or resignation, Executive will be entitled to receive only the benefits set forth below, and Executive will not be entitled to any other compensation, award, or damages with respect to Executive’s employment or termination of employment.

- (i) **Termination for Cause, Death, Disability, or Resignation without Good Reason.** In the event of the termination of Executive’s employment by Company for Cause or as a result of the death or Disability of Executive or if Executive resigns without Good Reason, Executive will be entitled to receive payment for (a) all accrued but unpaid Salary actually earned prior to or as of the date of termination of Executive’s employment, and (b) all accrued and unused PTO actually earned prior to or as of the date of termination of Executive’s employment. Executive will not be entitled to any severance benefits or additional vesting of any stock options or other equity or cash awards. The payments under this Section 5(a)(i) are collectively referred to as the “*Accrued Benefits*” and shall be paid to Executive not later than when required by applicable law.

- (ii) **Termination Without Cause, or Resignation for Good Reason.** In the event of termination of Executive's employment by Company without Cause or if Executive resigns for Good Reason, Executive will be entitled to receive: (A) the Accrued Benefits; (B) an aggregate amount equal to 9 months' Salary (at the rate in effect on the date of termination); (C) payment of a prorated (based on the number of days Executive was employed by Company in the calendar year of termination) target bonus for the year in which Executive's employment was so terminated; and (D) payment by Company each month, for a period starting on the date of termination and ending on 9 months following the date of termination, of 100% of the premium of any health insurance benefits Executive was receiving at the time of termination of Executive's employment under a Company employee health insurance plan subject to COBRA, provided that Executive timely elects to have such COBRA coverage. The amounts set forth in clauses (B) and (C) of this Section 5(a)(ii) shall be paid in installments consistent with the payment of Executive's Salary while employed by Company and shall be paid starting in the first payroll period occurring after the effectiveness of the Release (as defined below) and the expiration of any revocation period available to Executive thereunder.
- (iii) **Change of Control.** If Company terminates Executive's employment without Cause or if Executive resigns for Good Reason, in each case, within either (y) the three-month period before the effective date of a Change of Control or (z) the one-year period following the effective date of a Change of Control, Executive will be entitled to (A) the Accrued Benefits; (B) an aggregate amount equal to 12 months' Salary (at the rate in effect on the date of termination); (C) payment of 100% of Executive's target bonus for the year in which Executive's employment was so terminated; (D) payment by Company each month, for a period starting on the date of termination and ending on 12 months following the date of termination, of 100% of the premium of any health insurance benefits Executive was receiving at the time of termination of Executive's employment under a Company employee health insurance plan subject to COBRA, provided that Executive timely elects to have such COBRA coverage; and (E) accelerated vesting of 100% of any then unexpired, unvested Awards granted to Executive by Company (with such acceleration occurring on the later of the Change of Control or the termination of employment); provided, however, that for any Awards that include both a performance-based vesting condition (which may include the achievement of a specified stock price or market capitalization) and a time-based vesting condition or any Awards that vest solely upon the achievement of a performance-based vesting condition, no acceleration shall be provided unless such performance-based vesting condition has been satisfied as of the date of termination, except as specifically provided for in the Award Agreement entered into in respect of such Awards. The amounts set forth in clauses (B) and (C) of this Section 5(a)(iii) shall be paid in a lump sum in the first payroll period occurring after the effectiveness of the Release and the expiration of any revocation period available to Executive thereunder.

Notwithstanding anything to the contrary in Section 5(a)(ii) or Section 5(a)(iii), if Company determines, in its sole discretion, that its payment of the COBRA Benefits would result in a violation of the nondiscrimination rules of Code Section 105(h)(2) or any statute or regulation of similar effect (including but not limited to the 2010 Patient Protection and Affordable Care Act, as amended by the 2010 Health Care and Education Reconciliation Act), then Company shall not be obligated to make the COBRA Benefits payments.

(b) Release. Company's obligation to make the payments and to provide the benefits under Sections 5(a)(ii) and 5(a)(iii) and to provide any other benefits contemplated herein is contingent upon:

- (i) Executive's execution of a release in a form reasonably acceptable to Company (the "**Release**"), which Release must be signed and any applicable revocation period with respect thereto must have expired by the 55th day following Executive's termination of employment. The Release will not waive any of Executive's rights, or obligations of Company, regarding: (1) any right to indemnification and/or contribution, advancement or payment of related expenses Executive may have pursuant to Company's Bylaws or Articles of Incorporation or under any written indemnification or other agreement between Company and Executive, and/or under applicable law; (2) any rights Executive may have to insurance coverage under any directors and officers liability insurance, other insurance policies of Company, COBRA or any similar state law; (3) any claims for worker's compensation, state disability or unemployment insurance benefits, or any other claims that cannot be released as a matter of applicable law; (4) rights to any vested benefits under any stock, compensation or other employee benefit plan of Company; (5) any rights Executive may have as an existing shareholder of Company; and (6) any claims arising after the effective date of the Release. Nothing in the Release or any other agreement between Executive and Company will prohibit or prevent Executive from providing truthful testimony or otherwise responding accurately and fully to any question, inquiry or request for information or documents when required by legal process, subpoena, notice, court order or law (including, without limitation, in any criminal, civil, or regulatory proceeding or investigation), or as necessary in any action for enforcement or claimed breach of this Agreement or any other legal dispute with Company; and
- (ii) Executive's timely tendering a written resignation as a director, if serving as a director of Company, as provided in Section 7.

(c) Section 280G of the Code.

- (i) Notwithstanding anything in this Agreement to the contrary, if any payment, distribution, or other benefit provided by Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (collectively, the "**Payments**"), (x) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code (the "**Code**"), and (y) but for this Section 5(c) would be subject to the excise tax imposed by Section 4999 of the Code or any similar or successor provision thereto (the "**Excise Tax**"), then the Payments shall be either: (A) delivered in full pursuant to the terms of this Agreement, or (B) delivered to such lesser extent as would result in no portion of the payment being subject to the Excise Tax, as determined in accordance with Section 5(c)(ii).
- (ii) The determination of whether clause (A) or clause (B) of Section 5(c)(i) shall be given effect shall be made by Company on the basis of which of such clauses results in the receipt by Executive of the greater Net After-Tax Receipt (as defined herein) of the aggregate Payments. The term "**Net After-Tax Receipt**" shall mean the present value (as determined in accordance with Section 280G of the Code) of the payments net of all applicable federal, state and local income, employment, and other applicable taxes and the Excise Tax.

- (iii) If clause (B) of Section 5(c)(i) is given effect, the reduction shall be accomplished in accordance with Section 409A of the Code and the following: first by reducing, on a pro rata basis, cash Payments that are exempt from Section 409A of the Code; second by reducing, on a pro rata basis, other cash Payments; and third by forfeiting any equity-based awards that vest and become payable, starting with the most recent equity-based awards that vest, to the extent necessary to accomplish such reduction.
- (iv) Unless Company and Executive otherwise agree in writing, any determination required under this Section 5(c) shall be made by Company's independent accountants or compensation consultants (the "**Third Party**"), and all such determinations shall be conclusive, final and binding on the parties hereto. Company and Executive shall furnish to the Third Party such information and documents as the Third Party may reasonably request in order to make a determination under this Section 5(c). Company shall bear all fees and costs of the Third Party with respect to all determinations under or contemplated by this Section 5(c).

(d) Definitions. For purposes of this Section 5, the following definitions shall apply:

- (i) "**Affiliated Group**" means (a) a Person and one or more other Persons in control of, controlled by, or under common control with such Person; and (b) two or more Persons who, by written agreement among them, act in concert to acquire Voting Securities entitling them to elect a majority of the directors of Company.
- (ii) "**Cause**" means a termination of Executive's employment based upon a finding by a majority of the Board of Directors, acting in good faith and based on its reasonable belief at the time, that Executive: (a) has refused to perform the explicitly stated or reasonably assigned lawful and material duties required by Executive's position (other than by reason of a disability or analogous condition); (b) has committed or engaged in a material act of theft, embezzlement, dishonesty or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information; (c) has breached a material fiduciary duty, or willfully and materially violated any other duty, law, rule, or regulation relating to the performance of Executive's duties to Company or any material policy of Company; (d) has been convicted of, or pled guilty or nolo contendere to, misdemeanor involving moral turpitude or a felony; (e) has willfully and materially breached any of the provisions of any agreement with Company which causes material injury to Company; (f) has willfully engaged in unfair competition with, or otherwise willfully acted in a manner materially injurious to the reputation, business or assets of, Company; or (g) has improperly induced a vendor or customer to break or terminate any material contract with Company or induced a principal for whom Company acts as agent to terminate such agency relationship. "Cause" shall only exist if Company first provides Executive with written notice of any claimed ground for Cause and an opportunity to cure such ground, if curable, for 30 days. For purposes of this Agreement, no act or failure to act on Executive's part will be considered "willful" unless it is done, or omitted to be done, by Executive intentionally, not in good faith and without reasonable belief that the action or omission was in the best interest of Company.

- (iii) **“Change of Control”** means (a) the acquisition of Voting Securities of Company by a Person or an Affiliated Group entitling the holder thereof to elect a majority of the directors of Company; provided, that an increase in the amount of Voting Securities held by a Person or Affiliated Group who on the date of this Agreement beneficially owned (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended, and the regulations thereunder) more than 10% of the Voting Securities shall not constitute a Change of Control; and provided, further, that an acquisition of Voting Securities by one or more Persons acting as an underwriter in connection with a sale or distribution of such Voting Securities shall not constitute a Change of Control under this clause (a); (b) the sale of all or substantially all of the assets of Company; or (c) a merger or consolidation of Company with or into another corporation or entity in which the shareholders of Company immediately before such merger or consolidation do not own, in the aggregate, Voting Securities of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity) entitling them, in the aggregate (and without regard to whether they constitute an Affiliated Group) to elect a majority of the directors or persons holding similar powers of the surviving corporation or entity (or the ultimate parent of the surviving corporation or entity).
- (iv) **“Disability”** means Executive’s inability (as determined by the Board of Directors) to perform the essential functions of Executive’s job responsibilities for a period of 180 days in the aggregate in any 12 month period.
- (v) **“Good Reason”** means the occurrence of any of the following events or circumstances without Executive’s written consent: (a) a material diminution in Executive’s base compensation; (b) a material diminution in Executive’s authority, duties or responsibility; (c) a material change in the principal geographic location at which Executive performs services to Company; (d) any requirement that Executive engage in any illegal conduct; or (e) a material breach by Company of this Agreement or any other material written agreement between Executive and Company. “Good Reason” shall only exist if Executive first provides Company with written notice of any claimed ground for Good Reason within 30 days of the first occurrence of such ground and Company has an opportunity to remedy such ground for 30 days after receipt of such notice. Executive must resign employment within 30 days after the Company’s remedy period has elapsed without remedy or else Executive will have waived Good Reason with respect to such ground.
- (vi) **“Person”** means any natural person or any corporation, partnership, limited liability company, trust, unincorporated business association, or other entity.
- (vii) **“Voting Securities”** means shares of capital stock or other equity securities entitling the holder thereof to regularly vote for the election of directors (or for person performing a similar function if the issuer is not a corporation), but does not include the power to vote upon the happening of some condition or event which has not yet occurred.

6. Turnover of Property and Documents on Termination. Executive agrees that on or before termination of Executive's employment, Executive will return to Company all equipment and other property belonging to Company, and all originals and copies of confidential information (in any and all media and formats, and including any document or other item containing confidential information) in Executive's possession or control, and all of the following (in any and all media and formats, and whether or not constituting or containing confidential information) in Executive's possession or control: (a) lists and sources of customers; (b) proposals or drafts of proposals for any research grant, research or development project or program, marketing plan, licensing arrangement, or other arrangement with any third party; (c) reports, notations of Executive, laboratory notes, specifications, and drawings pertaining to the research, development, products, patents, and technology of Company; (d) any and all intellectual property developed by Executive during the course of employment; and (e) the manual and memoranda related to the Policies. To the extent there is a conflict between this Section 6 and the Confidentiality and IP Agreement, the Confidentiality and IP Agreement shall control.

7. Resignation as a Director on Termination of Employment. If Executive's employment by Company is terminated for any reason or for no reason, whether by way of resignation, Disability, or termination by Company with or without Cause, and if Executive is then a member of the Board of Directors, Executive shall within two business days (as defined below) after such termination of employment resign from the Board of Directors by delivering to Company a letter or other written communication addressed to the Board of Directors stating that Executive is resigning from the Board of Directors effective immediately. A "business day" shall be any day other than a Saturday, Sunday, or federal holiday on which federal offices are closed.

8. Arbitration. Except for injunctive proceedings against unauthorized disclosure of confidential information, any and all claims or controversies between Company and Executive, including but not limited to (a) those involving the construction or application of any of the terms, provisions, or conditions of this Agreement or the Policies; (b) all contract or tort claims of any kind; and (c) any claim based on any federal, state, or local law, statute, regulation, or ordinance, including claims for unlawful discrimination or harassment, shall be settled by arbitration in accordance with the then current Employment Dispute Resolution Rules of the American Arbitration Association. Judgment on the award rendered by the arbitrator(s) may be entered by any court having jurisdiction over Company and Executive. The location of the arbitration shall be San Diego, California. Unless Company or Executive mutually agree otherwise, the arbitrator shall be a retired judge selected from a panel provided by the American Arbitration Association, or the Judicial Arbitration and Mediation Service (JAMS). Company shall pay the arbitrator's fees and costs. Executive shall pay for Executive's own costs and attorneys' fees, if any. If Company is a party to an arbitration proceeding it shall pay for its own costs and attorneys' fees, if any. However, if any party prevails on a statutory claim which affords the prevailing party attorneys' fees, the arbitrator may award reasonable attorneys' fees and costs to the prevailing party.

EXECUTIVE UNDERSTANDS AND AGREES THAT THIS AGREEMENT TO ARBITRATE CONSTITUTES A WAIVER OF EXECUTIVE'S RIGHT TO A TRIAL BY JURY OF ANY MATTERS COVERED BY THIS AGREEMENT TO ARBITRATE.

9. Severability. In the event that any of the provisions of this Agreement or the Policies shall be held to be invalid or unenforceable in whole or in part, those provisions to the extent enforceable and all other provisions shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts had not been included in this Agreement or the Policies. In the event that any provision relating to a time period of restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period such court deems reasonable and enforceable, then the time period of restriction deemed reasonable and enforceable by the court shall become and shall thereafter be the maximum time period.

10. Agreement Read and Understood. Executive acknowledges that Executive has carefully read the terms of this Agreement, that Executive has had an opportunity to consult with an attorney or other representative of Executive's own choosing regarding this Agreement, that Executive understands the terms of this Agreement and that Executive is entering this Agreement of Executive's own free will.

11. Complete Agreement, Modification. This Agreement is the complete agreement and understanding between Executive and Company pertaining to the subject matter of this Agreement. This Agreement supersedes and replaces the Former Agreement and all previous correspondence, promises, representations, and agreements, if any, either written or oral with respect to Executive's employment by Company and any matter covered by this Agreement. No provision of this Agreement may be modified, amended, or waived except by a written document signed both by Executive and Company, and with respect to Company, with the express authorization of the Board of Directors or the Compensation Committee.

12. Governing Law. This Agreement shall be construed and enforced according to the laws of the State of California.

13. Assignability. This Agreement, and the rights and obligations of Executive and Company under this Agreement, may not be assigned by Executive. Company may assign any of its rights and obligations under this Agreement to any successor or surviving corporation, limited liability company, or other entity resulting from a merger, consolidation, sale of assets, sale of stock, sale of membership interests, or other reorganization, upon condition that the assignee shall assume, either expressly or by operation of law, all of Company's obligations under this Agreement.

14. Survival. This Section 14 and the covenants and agreements contained in Sections 3, 4 and 6 of this Agreement shall survive termination of this Agreement and Executive's employment.

15. Notices. Any notices or other communication required or permitted to be given under this Agreement shall be in writing and shall be sent by email, facsimile, certified mail, return receipt requested, or sent by next business day air courier service, or personally delivered to the party to whom it is to be given at the address of such party set forth on the signature page of this Agreement (or to such other address as the party shall have furnished in writing in accordance with the provisions of this Section 15), and shall be deemed delivered: a) upon personal delivery to the party to be notified; (b) on the date such notice is received from any reputable courier service that provides tracking and written verification of delivery; or (c) on the date on which such notice is delivered by certified mail, facsimile transmission or email, with confirmation that such facsimile transmission or email has been received and read.

16. Section 409A Compliance.

(a) This Agreement is intended to comply with the provisions of Section 409A of the Code ("**Section 409A**"), and, to the extent practicable, this Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder. Terms used in this Agreement shall have the meanings given such terms under Section 409A if, and to the extent required, in order to comply with Section 409A.

(b) For purposes of amounts payable under this Agreement, the termination of employment shall be deemed to be effective upon "separation from service" with Company, as defined under Section 409A and the guidance issued thereunder. To the extent any nonqualified deferred compensation payment to Executive (whether under this Agreement or otherwise) could be paid in one or more of Executive's taxable years depending upon Executive completing certain employment-related actions (such as when Executive executes the Release), then any such payments will commence or occur in the later taxable year to the extent required by Section 409A.

(c) Notwithstanding anything to the contrary in this Agreement, to the extent required to avoid additional taxes and interest charged under Section 409A, if any of Company's stock is publicly traded and Executive is deemed to be a "specified employee" as determined by Company for purposes of Section 409A, Executive agrees that any non-qualified deferred compensation payments due to him under this Agreement (or any other agreement) and which are payable as a result of Executive's termination of employment that would otherwise have been payable at any time during the 6-month period immediately following such termination of employment shall not be paid prior to, and shall instead be payable in a lump sum on the first day of the 7th month following Executive's separation from service (or, if Executive dies during such period, within 30 days after Executive's death).

(d) Neither Company nor Executive shall have the right to accelerate or defer the delivery of, offset or assign any payment under this Agreement that constitutes "nonqualified deferred compensation" subject to Section 409A of the Code, except to the extent specifically permitted or required by Section 409A of the Code.

(e) If Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Executive's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. No right of Executive to reimbursement of expenses under this Agreement shall be subject to liquidation or exchange for another benefit.

(f) Notwithstanding the foregoing, the tax treatment of the payments and benefits provided under this Agreement is not warranted or guaranteed. To the extent that this Agreement or any payment or benefit hereunder shall be deemed not to comply with Section 409A, neither Company, nor the Board of Directors, nor any member of the Compensation Committee, nor any of their successors shall be liable to Executive or to any other person for any taxes, interest, penalties or other monetary amounts owed by Executive as a result of the application of Section 409A or for reporting in good faith any amounts as subject thereto.

17. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall be deemed to be one and the same instrument. This Agreement may be executed by facsimile, DocuSign® or by email exchange of a portable document format ("*pdf*") data file, where such signature shall be valid and binding with the same force and effect as if such facsimile or such pdf file were an original thereof.

[SIGNATURES TO THE EMPLOYMENT AGREEMENT ARE FOUND ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

EXECUTIVE:

/s/ Gary S. Hogge

Gary S. Hogge, DVM, Ph.D.
Address: 2173 Salk Avenue, Suite 200
Carlsbad, CA 92008

COMPANY:

LINEAGE CELL THERAPEUTICS, INC.

By: */s/ Brian M. Culley*

Brian Michael Culley
Chief Executive Officer
Lineage Cell Therapeutics, Inc
2173 Salk Avenue, Suite 200
Carlsbad, CA 92008

[SIGNATURE PAGE TO THE EMPLOYMENT AGREEMENT]

EXECUTIVE PERFORMANCE INCENTIVE BONUS PLAN

Adopted on September 20, 2022

This Executive Performance Incentive Bonus Plan (this “*Plan*”) was adopted by the Board of Directors (the “*Board*”) of Lineage Cell Therapeutics, Inc., a California corporation (the “*Company*”). Unless the Board determines otherwise, the Compensation Committee shall be the administrator of this Plan (the “*Administrator*”).

Participants and Performance Goals

From time to time, the Administrator may select executives of the Company or its subsidiaries to be eligible to receive cash bonuses under this Plan (“*Participants*”). For each Participant, the Administrator may establish (1) a target bonus amount (which the Administrator may adjust from time to time), (2) the Company Performance Goals (as defined below) and/or individual performance goals (together, “*Performance Goals*”), (3) the time period over which the achievement of Performance Goals will be assessed (a “*Performance Period*”), and (4) the formula(s) for determining the bonuses payable under this Plan. The Administrator shall determine when a Performance Period begins and ends. Performance Goals may be given such weight as determined by the Administrator and may differ among Participants. Performance Goals (and their weighting) and the applicable Performance Period will be conveyed to a Participant in a time and manner determined by the Administrator. The bonus amounts payable under this Plan shall be determined entirely in the discretion of the Administrator.

Subject to any terms contained in any other written agreement between the Participant and the Company or any of its subsidiaries, the payment of a bonus to a Participant under this Plan with respect to a Performance Period is conditioned on the Participant’s continuous employment by the Company or its subsidiary through the date of payment of such bonus, and if a Participant’s employment with the Company or its subsidiary terminates for any reason before such date with respect to a particular Performance Period, then no bonus shall be paid to the Participant for such Performance Period and such Participant shall cease to be a Participant as of the date of termination of their employment. If a Participant was not employed by the Company or its subsidiary (or was not a Participant) for an entire Performance Period, the Administrator may pro rate the bonus payable under this Plan based on the number of days such Participant was employed during such period.

“*Company Performance Goals*” means performance objectives established by the Administrator for the applicable Performance Period for a Participant that relate to financial and/or operational metrics with respect to the Company or any of its subsidiaries, including the following: developmental, clinical or regulatory milestones; clinical trial results; business development and financing milestones; acquisitions or strategic transactions; revenue; expense levels; total shareholder return; earnings before interest, taxes, depreciation and amortization; net income (loss) (either before or after interest, taxes, depreciation and/or amortization); changes in the market price of the Company’s common stock; economic value-added; sales or revenue milestones; operating income (loss); cash flow (including, but not limited to, operating cash flow and free cash flow); return on capital, assets, equity, or investment; gross or net profit levels; productivity; expense efficiency; margins; operating efficiency; customer satisfaction; publications; reimbursement decisions; working capital; earnings (loss) per share of the Company’s common stock; sales or market share; investor relations milestones; number of customers or units of products sold; and operating income and/or net annual recurring revenue any of the foregoing may be (A) measured in absolute terms or compared to any incremental increase, (B) measured in terms of growth, (C) compared to another company or companies or to results of a peer group, (D) measured against the market as a whole and/or as compared to applicable market indices, (E) measured on a pre-tax or post-tax basis (if applicable), and (F) used to measure the performance of the Company as a whole or a business unit or other segment of the Company, or one or more product lines or specific markets.

Taxes

Each Participant will be solely liable and responsible for the payment of taxes, penalties and/or interest arising in connection with this Plan or due to any payment to such Participant hereunder.

This Plan is intended to (the maximum extent possible) be exempt from (but in any event comply with) the requirements of Section 409A of the Internal Revenue Code of 1986 (the "**Code**"). For purposes of Code Section 409A and to the extent applicable, each payment under this Plan is a separate payment (and not one of series of payments) and this Plan may be terminated by the Administrator at any time in accordance with the Code Section 409A plan termination rules.

In the event that it is determined that any payment or distribution of any type to or for a Participant's benefit made by the Company, by any person who acquires ownership or effective control or ownership of a substantial portion of the Company's assets (within the meaning of Code Section 280G) or by any affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise (the "**Total Payments**"), would be subject to the excise tax imposed by Code Section 4999 or any interest or penalties with respect to such excise tax (and/or would not deductible under Code Section 280G) (such loss of a tax deduction under Code Section 280G and/or excise tax, together with any such interest or penalties, are collectively referred to as the "**Excise Tax**"), then such payments or distributions or benefits shall be reduced and shall be payable only as to the maximum portion of such lesser amount which would result in no portion of such Total Payments being subject to the Excise Tax. Any determination required with respect to the foregoing shall be made in writing by the Company or by a qualified accountant or counsel selected by the Company (the "**Accountant**") whose determination shall be conclusive and binding on the Company and each Participant, absent manifest error. Each Participant and the Company shall furnish the Accountant such documentation and documents as the Accountant may reasonably request in order to make its determination.

Miscellaneous

The validity, interpretation, construction and performance of this Plan shall be governed by the laws of the State of California without regard to its conflicts of law principles.

The terms of the Plan are subject to any other written agreement between Participant and the Company. In the event of a conflict between this Plan and any such written agreement, the terms of such written agreement will govern.

The Administrator shall have the sole discretion and authority to administer and interpret this Plan and to take such actions it deems necessary or advisable for the administration of the Plan, including, without limitation, to determine the rights and obligations of the Company and Participants under this Plan in the event this Plan is terminated during a Performance Period or a change of control of the Company occurs. The Administrator may amend or terminate the Plan (or make bonus payments outside of this Plan) at any time in its discretion. The Administrator's decisions and determinations under the Plan shall be final, conclusive and binding on all persons.

This Plan is not an employment agreement and does not give any Participant the right to be retained by the Company or any of its subsidiaries and every Participant acknowledges and agrees that Participant's employment is "at-will." The Company reserves the right to terminate the Participant's service as an employee at any time and for any reason or no reason.

All amounts payable under this Plan are unfunded and unsecured and are payable out of the general funds of the Company.

CERTIFICATIONS

I, Brian M. Culley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lineage Cell Therapeutics, 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. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my 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 10, 2022

/s/ Brian M. Culley

Brian M. Culley

Chief Executive Officer and Interim Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

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

In connection with the Quarterly Report on Form 10-Q of Lineage Cell Therapeutics, Inc. (the "Company") for the quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian M. Culley, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2022

/s/ Brian M. Culley

Brian M. Culley
Chief Executive Officer and Interim Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)
