

**Prospectus Supplement No. 11
(To Prospectus dated March 16, 2023)**

eFFECTOR Therapeutics, Inc.



This prospectus supplement updates, amends and supplements the prospectus dated March 16, 2023 (the “Prospectus”), which forms a part of our Registration Statement on Form S-1 (Registration No. 333-262339). Capitalized terms used in this prospectus supplement and not otherwise defined herein have the meanings specified in the Prospectus.

This prospectus supplement is being filed to update, amend and supplement the information included in the Prospectus with the information contained in our Quarterly Report on Form 10-Q (the “Quarterly Report”), filed with the SEC on November 13, 2023. Accordingly, we have attached the Quarterly Report to this prospectus supplement.

This prospectus supplement is not complete without the Prospectus. This prospectus supplement should be read in conjunction with the Prospectus, which is to be delivered with this prospectus supplement, and is qualified by reference thereto, except to the extent that the information in this prospectus supplement updates or supersedes the information contained in the Prospectus.

Our common stock and warrants are listed on the Nasdaq Capital Market under the symbols “EFTR” and “EFTRW.” On November 10, 2023, the closing price of our common stock was \$0.59 and the closing price of our warrants was \$0.14.

We are an “emerging growth company” under federal securities laws and are subject to reduced public company reporting requirements. Investing in our securities involves certain risks. See “Risk Factors” beginning on page 7 of the Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if the Prospectus or this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 13, 2023.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

eFFECTOR THERAPEUTICS, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share par value data)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,386	\$ 8,708
Short-term investments	12,393	17,602
Prepaid expenses and other current assets	1,503	1,704
Total current assets	19,282	28,014
Property and equipment, net	244	241
Operating lease right-of-use assets	68	111
Other assets	567	711
Total assets	\$ 20,161	\$ 29,077
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	\$ 1,136	\$ 1,486
Accrued expenses	1,982	3,368
Current term loans, net	19,299	19,061
Accrued final payment on term loans, current	1,100	1,100
Lease liabilities, current portion	71	60
Total current liabilities	23,588	25,075
Other accrued liabilities, non-current	493	—
Earn-out liability	—	6
Non-current warrant liability	40	40
Non-current lease liabilities	6	60
Total liabilities	24,127	25,181
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized at September 30, 2023 and December 31, 2022; zero shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Common stock, \$0.0001 par value; 1,000,000,000 shares authorized at September 30, 2023 and December 31, 2022; 62,794,656 shares issued and 62,494,656 shares issued and outstanding as of September 30, 2023; 41,990,383 shares issued and 41,690,383 shares issued and outstanding as of December 31, 2022	6	4
Additional paid-in capital	166,276	147,476
Accumulated other comprehensive loss	(1)	(18)
Accumulated deficit	(170,247)	(143,566)
Total stockholders' equity (deficit)	(3,966)	3,896
Total liabilities and stockholders' equity (deficit)	\$ 20,161	\$ 29,077

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

eFFECTOR THERAPEUTICS, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Grant revenue	\$ —	\$ 867	\$ —	2,878
Operating expenses:				
Research and development	5,355	6,632	16,845	16,663
General and administrative	2,500	3,486	8,401	9,895
Total operating expenses	7,855	10,118	25,246	26,558
Operating loss	(7,855)	(9,251)	(25,246)	(23,680)
Other income (expense)				
Interest income	296	142	749	230
Interest expense	(750)	(570)	(2,161)	(1,554)
Other income (expense), net	—	38	(29)	(525)
Change in fair value of earn-out liability	6	82	6	12,124
Total other income (expense)	(448)	(308)	(1,435)	10,275
Net loss	\$ (8,303)	\$ (9,559)	\$ (26,681)	\$ (13,405)
Comprehensive loss:				
Net loss	(8,303)	(9,559)	(26,681)	(13,405)
Other comprehensive income (loss)	(2)	13	17	(69)
Comprehensive loss:	\$ (8,305)	\$ (9,546)	\$ (26,664)	\$ (13,474)
Net loss per share, basic and diluted	\$ (0.13)	\$ (0.23)	\$ (0.53)	\$ (0.33)
Weighted-average common shares outstanding, basic and diluted	61,767,952	41,171,990	50,604,982	41,047,533

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

eFFECTOR THERAPEUTICS, INC.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount				
Balance at December 31, 2022	41,690,383	\$ 4	\$ 147,476	\$ (18)	\$ (143,566)	\$ 3,896
Issuance of common stock, net of issuance costs	410,836	—	119	—	—	119
Stock-based compensation expense	—	—	1,167	—	—	1,167
Unrealized gain on short-term investments	—	—	—	19	—	19
Net loss	—	—	—	—	(10,014)	(10,014)
Balance at March 31, 2023	42,101,219	\$ 4	\$ 148,762	\$ 1	\$ (153,580)	\$ (4,813)
Stock option exercises	56,008	—	29	—	—	29
Issuance of common stock, net of issuance costs - Registered direct offerings	10,650,000	1	14,538	—	—	14,539
Exercise of prefunded warrants - Registered direct offerings	8,564,827	1	8	—	—	9
Issuance of common stock, net of issuance costs	93,562	—	13	—	—	13
Stock-based compensation expense	—	—	1,162	—	—	1,162
Net loss	—	—	—	—	(8,364)	(8,364)
Balance at June 30, 2023	61,465,616	\$ 6	\$ 164,512	\$ 1	\$ (161,944)	\$ 2,575
Stock option exercises	33,799	—	18	—	—	18
Issuance of common stock, net of issuance costs - Registered direct offerings	—	—	(16)	—	—	(16)
Issuance of common stock, net of issuance costs	995,241	—	620	—	—	620
Stock-based compensation expense	—	—	1,142	—	—	1,142
Unrealized loss on short-term investments	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	(8,303)	(8,303)
Balance at September 30, 2023	62,494,656	\$ 6	\$ 166,276	\$ (1)	\$ (170,247)	\$ (3,966)

eFFECTOR THERAPEUTICS, INC.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share data)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	40,389,975	\$ 4	\$ 138,181	\$ —	\$ (120,901)	\$ 17,284
Stock option exercises	4,828	—	3	—	—	3
Issuance of common stock, net of issuance costs	700,549	—	3,791	—	—	3,791
Stock-based compensation expense	—	—	1,137	—	—	1,137
Unrealized loss on short-term investments	—	—	—	(50)	—	(50)
Net income	—	—	—	—	3,069	3,069
Balance at March 31, 2022	<u>41,095,352</u>	<u>\$ 4</u>	<u>\$ 143,112</u>	<u>\$ (50)</u>	<u>\$ (117,832)</u>	<u>\$ 25,234</u>
Issuance of common stock, net of issuance costs	57,438	—	94	—	—	94
Stock-based compensation expense	—	—	1,242	—	—	1,242
Unrealized loss on short-term investments	—	—	—	(32)	—	(32)
Net loss	—	—	—	—	(6,915)	(6,915)
Balance at June 30, 2022	<u>41,152,790</u>	<u>\$ 4</u>	<u>\$ 144,448</u>	<u>\$ (82)</u>	<u>\$ (124,747)</u>	<u>\$ 19,623</u>
Issuance of common stock, net of issuance costs	195,518	—	(85)	—	—	(85)
Stock-based compensation expense	—	—	1,568	—	—	1,568
Unrealized gain on short-term investments	—	—	—	13	—	13
Net loss	—	—	—	—	(9,559)	(9,559)
Balance at September 30, 2022	<u>41,348,308</u>	<u>\$ 4</u>	<u>\$ 145,931</u>	<u>\$ (69)</u>	<u>\$ (134,306)</u>	<u>\$ 11,560</u>

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

eFFECTOR THERAPEUTICS, INC.

Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Operating activities:		
Net loss	\$ (26,681)	\$ (13,405)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization expense	81	26
Accretion of discount and amortization of premium on investments, net	(372)	98
Stock-based compensation	3,471	3,948
Loss on disposal of assets	—	1
Gain on change in fair value of warrant liability	—	(638)
Gain on change in fair value of earn-out liability	(6)	(12,124)
Other expense related to equity purchase agreement	29	1,161
Non-cash interest expense	237	263
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	402	714
Other non-current assets	144	144
Accounts payable	(392)	635
Accrued expenses	(898)	57
Operating lease right-of-use assets and liabilities, net	1	1
Net cash used in operating activities	(23,984)	(19,119)
Investing activities:		
Purchases of fixed assets	(43)	(179)
Maturities of short-term investments	22,750	25,500
Purchases of short-term investments	(17,169)	(46,803)
Net cash provided by (used in) investing activities	5,538	(21,482)
Financing activities:		
Payment of debt issuance costs	—	(37)
Proceeds from exercise of common stock options and warrants	56	3
Proceeds from issuance of common stock - Registered direct offerings, net of issuance costs	14,523	—
Proceeds from issuance of common stock including ESPP, net of issuance costs	545	2,836
Net cash provided by financing activities	15,124	2,802
Net decrease in cash and cash equivalents	(3,322)	(37,799)
Cash and cash equivalents at beginning of period	8,708	49,702
Cash and cash equivalents at end of period	\$ 5,386	\$ 11,903
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,874	\$ 1,295
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of commitment shares	—	862
Purchases of fixed assets included in accounts payable	55	4
Accrued issuance costs	7	197

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

**Notes to Financial Statements
(Unaudited)****1. Organization and Basis of Presentation*****Description of Business***

Locust Walk Acquisition Corp. ("LWAC") was initially formed on October 2, 2020 as a Delaware corporation formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business transaction with one or more operating businesses.

On May 26, 2021, LWAC entered into an Agreement and Plan of Merger (the "Merger Agreement") with Locust Walk Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of LWAC ("Merger Sub"), and eFFECTOR Therapeutics, Inc., a Delaware corporation ("Old eFFECTOR").

Pursuant to the terms of the Merger Agreement, a business combination between LWAC and Old eFFECTOR was effected through the merger of the Merger Sub with and into Old eFFECTOR, with Old eFFECTOR becoming the surviving company and a wholly-owned subsidiary of LWAC with the name of eFFECTOR Therapeutics Operations, Inc. On August 25, 2021, and in connection with the closing of the business combination (the "Business Combination"), LWAC was renamed eFFECTOR Therapeutics, Inc. ("eFFECTOR" or the "Company"). All outstanding preferred shares of Old eFFECTOR converted into common shares of Old eFFECTOR on a 1:1 basis, which were then converted, along with all outstanding common shares of Old eFFECTOR, into common shares of the surviving eFFECTOR company through application of an exchange ratio of approximately 0.09657.

The Company is a clinical-stage biopharmaceutical company focused on pioneering the development of a new class of oncology drugs the Company refers to as selective translation regulator inhibitors ("STRIs"). The Company's principal operations are in the United States, with its headquarters in Solana Beach, California. The Company has devoted substantially all of its resources to raising capital, identifying potential product candidates, establishing its intellectual property portfolio, conducting preclinical studies and clinical trials, establishing arrangements with third parties for the manufacture of its product candidates and related raw materials, and providing general and administrative support for these operations. The Company has not generated revenues from its principal operations, other than from licensing and grant revenue, through September 30, 2023.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements as of September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022 have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and pursuant to Article 10 of Regulation S-X of the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. These unaudited financial statements include only normal and recurring adjustments that the Company believes are necessary to fairly state the Company's financial position and the results of its operations and cash flows. The results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the full fiscal year or any subsequent interim period. The balance sheet at December 31, 2022 has been derived from the audited financial statements at that date but does not include all the disclosures required by GAAP for complete financial statements. Because all of the disclosures required by GAAP for complete financial statements are not included herein, these unaudited financial statements and the notes accompanying them should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022 included in its Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 8, 2023.

Liquidity

The Company has a limited operating history and the sales and income potential of the Company's business and market are unproven. The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Management is required to perform a two-step analysis over its ability to continue as a going concern. Management must first evaluate whether there are conditions and events that raise substantial doubt about the Company's ability to continue as a going concern (step 1). If management concludes that substantial doubt is raised, management is also required to consider whether its plans alleviate that doubt (step 2).

The Company has experienced net losses and negative cash flows from operating activities since its inception, aside from the years ended December 31, 2021 and December 31, 2020 when net income was realized as a result of a gain in fair value recognized associated with the earn-out liability and revenue in connection with the Research Collaboration and License Agreement with Pfizer, respectively. The Company has an accumulated deficit of \$170.2 million at September 30, 2023. For the nine months ended September 30, 2023, the Company used \$24.0 million in cash for operations. At September 30, 2023, the Company had cash and cash equivalents and short-term investments of \$17.8 million. The Company anticipates that its expenses will increase significantly in connection with its ongoing activities to support its research and development efforts, and it expects to incur substantial operating losses and negative cash flows from operations for the foreseeable future. Management has prepared cash flow forecasts which indicate that based on the Company's expected operating losses and negative cash flows, there is substantial doubt about the Company's ability to continue as a going concern within twelve months from the date that these financial statements for the three and nine months ended September 30, 2023 are issued. The principal payments due under the Oxford Loans (as defined below), and the related accrued final payment, have been classified as current liabilities as of September 30, 2023, due to the considerations discussed above and the assessment that the material adverse change clause under the Oxford Loans is not within the Company's control. The Company has not been notified of an event of default by the lender as of the date of issuance of these financial statements.

The Company's ability to continue as a going concern is dependent upon its ability to receive additional capital. Management intends to raise additional capital through equity offerings or other capital sources, including potential additional collaborations, licenses and other similar arrangements. Additionally, the Company may receive additional milestone payments from the Research Collaboration and License Agreement with Pfizer (described in Note 12), through the issuance of common stock under the equity purchase agreement (the "Purchase Agreement") with Lincoln Park Capital Fund, LLC ("Lincoln Park") (described in Note 9) or through the issuance of common stock under the at-the-market offering program (described in Note 9) with Cantor Fitzgerald & Co ("Cantor"). However, the Company may not be able to secure additional financing in a timely manner or on favorable terms, if at all, and may not receive any milestone payments. Without additional capital, the Company may be forced to delay, scale back or eliminate some of its research and development activities, or other operations and potentially delay product development in an effort to provide sufficient funds to continue its operations, or may be required to pursue merger or acquisition strategies, all of which could adversely affect the holdings or the rights of its stockholders.

2. Summary of Significant Accounting Policies

Research and Development Costs

Research and development expenses primarily consist of costs associated with the preclinical and clinical development of the Company's product candidates. Research and development costs are expensed as incurred.

Clinical Trial Accruals and Preclinical Studies

The Company records expenses resulting from our obligations under contracts with vendors and consultants, CROs and clinical sites in connection with conducting clinical trials and preclinical studies. The financial terms of these contracts are subject to negotiations which vary from contract to contract and may result in payment flows that do not match the periods over which materials or services are provided under such contracts. The Company reflects clinical trial and preclinical study expenses in the financial statements by matching those expenses with the period in which services and efforts are expended. The Company accounts for these expenses according to the progress of the clinical trial or preclinical study as measured by the timing of various aspects of the clinical trial, preclinical study, or related activities. The Company determines accrual estimates based on the underlying contracts, correspondence with clinical and other key personnel and third-party service providers as to the progress of the clinical trials, preclinical studies, or other services being conducted, and amounts invoiced or paid to date. During the course of a clinical trial or preclinical study, the Company adjusts the rate of expense recognition if actual results differ from estimates.

Public and Private Placement Warrants

Upon completion of the Business Combination, the Company assumed public and private placement warrants that were issued by LWAC in connection with their initial public offering in January 2021 whereby holders of the public and private placement warrants are entitled to acquire common stock of the Company. The Company has concluded that the public warrants are equity-classified. Because the settlement value of the private placement warrants is dependent, in part, on who holds the warrants at the time of settlement, they are not considered indexed to the Company's stock and are therefore recorded as liabilities. Warrants classified as liabilities are recorded at their estimated fair value on the date of issuance and are revalued at each subsequent balance sheet date, with fair value changes recognized in other income (expense), net in the accompanying consolidated statements of operations and comprehensive loss. The Company estimates the fair value of these warrants using the Black-Scholes option pricing model.

Stock-Based Compensation Expense

Stock-based compensation expense represents the cost of the grant date fair value of employee stock option grants recognized over the requisite service period of the awards (usually the vesting period) on a straight- line basis. The Company estimates the fair value of stock option grants using the Black-Scholes option-pricing model. The Company accounts for stock options granted to non-employees using the fair value approach.

The Black-Scholes option-pricing model requires the use of subjective assumptions, including the risk-free interest rate, the expected stock price volatility, the expected term of stock options, and the expected dividend yield. The Company has limited historical stock option activity and therefore estimates the expected term of stock options granted using the simplified method, which represents the average of the contractual term of the stock option and its weighted-average vesting period. The fair value of the underlying common stock used within the Black-Scholes option-pricing model is based on the closing price of common stock on the date of grant.

Earn-Out Shares

In accordance with the Merger Agreement, 5,000,000 shares ("Earn-Out Shares") were contingently issuable to Old eFFECTOR stockholders and option holders upon the occurrence of the Triggering Event, defined within the Merger Agreement as the date on which the common stock price equals or exceeds \$20.00 over at least 20 trading days out of a 30 consecutive trading day period during the two-year period following the close date of the Business Combination. The estimated fair value of the Earn-Out Shares was determined using a Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis over the earn-out period using the most reliable information available.

The Company determined that the contingent obligation to issue Earn-Out Shares to existing Old eFFECTOR stockholders was not indexed to the Company's stock under Accounting Standards Codification ("ASC") 815-40 and therefore equity treatment was precluded. The Triggering Event that would determine the issuance of the Earn-Out Shares included terms that were not solely indexed to our common stock, and as such liability classification was required. Equity-linked instruments classified as liabilities are recorded at their estimated fair value on the date of issuance and are revalued at each subsequent balance sheet date, with fair value changes recognized in other income (expense), net in the accompanying consolidated statements of operations and comprehensive loss.

The Company has determined that the contingent obligation to issue Earn-Out Shares to existing Old eFFECTOR option holders falls within the scope of ASC 718, Share-based Compensation, because the option holders were required to continue providing service until the occurrence of the Triggering Event. The fair value of the option holder Earn-Out Shares was recorded as share-based compensation over the derived service period of the Monte Carlo simulation valuation model, recognized in research and development and general and administrative expense in the consolidated statements of operations and comprehensive loss.

The Triggering Event did not occur during the two-year period following the close date of the Business Combination and therefore the achievement period for the earn-out expired on August 25, 2023. As such, the Old eFFECTOR stockholders and option holders are no longer eligible to receive Earn-Out shares as of August 25, 2023.

Comprehensive Loss

Comprehensive loss consists of net loss and unrealized gains or losses on available-for-sale investments. The Company presents comprehensive loss and its components as part of the consolidated statements of operations and comprehensive loss.

Cash, Cash Equivalents and Short-term Investments

Cash and Cash Equivalents

The Company considers all highly liquid investments with insignificant interest rate risk and an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents consist of money market funds and U.S. Treasury securities with an original maturity of three months or less at the date of purchase.

Short-term Investments

Short-term investments consist of U.S. Treasury securities, classified as available-for-sale securities and have maturities of greater than three months but less than one year. The Company has classified all of its available-for-sale securities as current assets on the balance sheets because these are considered highly liquid securities and are available for use in current operations. The Company carries these securities at fair value and reports unrealized gains and losses as a separate component of accumulated other comprehensive income (loss). Amortization and accretion of any purchase premiums or discounts is included in interest income in the consolidated statements of operations and comprehensive loss.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes, based on its preliminary assessment, that the impact of recently issued standards that are not yet effective will not have a material impact on their financial position or results of operations upon adoption.

Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with the FASB guidance for Earnings Per Share, which established standards regarding the computation of earnings per share by companies that have issued securities other than common stock that contractually entitle the holder to participate in earnings and dividends. The guidance requires earnings available to common shareholders for the period, after deduction of preferred stock preferences, to be allocated between the common and preferred shareholders based on their respective rights to receive dividends.

Basic net income (loss) per share is calculated by dividing income (loss) allocable to common shareholders by the weighted-average number of common shares outstanding, during the period. The Company calculates diluted net income per share using the more dilutive of the 1) treasury stock method, if-converted method, or contingently issuable share method, as applicable, or 2) the two-class method.

Due to the Company recording net loss for the three and nine months ended September 30, 2023 and 2022 and none of the outstanding securities being dilutive for those periods, basic and diluted loss per share are the same for each respective period presented.

Potentially dilutive securities as of September 30, 2023 and 2022 are as follows (in common stock equivalent shares):

	As of September 30,	
	2023	2022
Common stock warrants	19,214,827	—
Placement agent warrants	1,345,038	—
Public warrants	5,833,323	5,833,323
Private placement warrants	181,667	181,667
Earn-Out Shares	—	5,000,000
Unvested sponsor shares	300,000	300,000
Stock options outstanding	12,035,764	8,738,880
Total	38,910,619	20,053,870

3. Business Combination

As discussed in Note 1, on August 25, 2021, the Company completed the Business Combination pursuant to the Merger Agreement. Upon closing of the Business Combination, the combined company was renamed eFFECTOR Therapeutics, Inc.

In connection with the closing of the Business Combination, the LWAC sponsor received 4,056,250 shares of eFFECTOR common stock, of which 300,000 shares were subject to vesting if, on or prior to August 25, 2024, the price of shares of common stock equals or exceeds \$15.00 per share for a period of at least 20 trading days out of 30 consecutive trading days ending on the trading day immediately prior to the date of determination (the "Sponsor Shares"). The 300,000 Sponsor Shares subject to vesting meet the criteria for equity classification, but are not considered outstanding from an accounting perspective. These shares are considered issued but not outstanding as of September 30, 2023 and September 30, 2022, and have been excluded from outstanding shares in the calculation of loss per share for the three and nine months ended September 30, 2023 and 2022.

4. Fair Value Measurements

The accounting guidance defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The Company's cash equivalents are classified using Level 1 inputs within the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. None of the Company's non-financial assets or liabilities are recorded at fair value on a non-recurring basis. No transfers between levels have occurred during the periods presented.

The Company estimates the fair value of its warrant liabilities at the time of issuance and subsequent remeasurement using the Black-Scholes option pricing model at each reporting date, if required, based on the following inputs: the risk-free interest rates; the expected dividend rates; the remaining contractual life of the warrants; the fair value of the underlying stock; and the expected volatility of the price of the underlying stock. The estimates are based, in part, on subjective assumptions and could differ materially in the future. Changes to these assumptions as well as the fair value of the Company's stock on the reporting date can have a significant impact on the fair value of the warrant liability.

The following table summarizes the Company's assets and liabilities that require fair value measurements on a recurring basis and their respective input levels based on the fair value hierarchy as of September 30, 2023 and December 31, 2022 (in thousands):

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	September 30, 2023			
Assets				
Cash equivalents:				
Money market funds	\$ 5,386	\$ 5,386	\$ —	\$ —
Short-term investments:				
U.S. Treasury securities	12,393	—	12,393	—
Total assets	<u>\$ 17,779</u>	<u>\$ 5,386</u>	<u>\$ 12,393</u>	<u>\$ —</u>
Liabilities				
Private placement warrant liability	\$ 40	\$ —	\$ —	\$ 40
Total liabilities	<u>\$ 40</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 40</u>

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	December 31, 2022			
Assets				
Cash equivalents:				
Money market funds	\$ 8,708	\$ 8,708	\$ —	\$ —
Short-term investments:				
U.S. Treasury securities	17,602	—	17,602	—
Total assets	<u>\$ 26,310</u>	<u>\$ 8,708</u>	<u>\$ 17,602</u>	<u>\$ —</u>
Liabilities				
Private placement warrant liability	\$ 40	\$ —	\$ —	\$ 40
Earn-out liability	6	—	—	6
Total liabilities	<u>\$ 46</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 46</u>

Cash Equivalents and Short-Term Investments

Financial assets measured at fair value on a recurring basis consist of the Company's cash equivalents and short-term investments. Cash equivalents consisted of money market funds and U.S. Treasury securities with an original maturity of less than three months at the date of purchase and short-term investments consisted of U.S. Treasury securities with an original maturity of more than three months at the date of purchase. The Company obtains pricing information from its investment manager and generally

determines the fair value of investment securities using standard observable inputs, including reported trades, broker/dealer quotes, and bids and/or offers.

Investments are classified as Level 1 within the fair value hierarchy if their quoted prices are available in active markets for identical securities. Investments in money market funds of \$5.4 million and \$8.7 million as of September 30, 2023 and December 31, 2022, respectively, were classified as Level 1 instruments and were included in cash and cash equivalents.

Investments in marketable securities are valued using Level 2 inputs. Level 2 securities are initially valued at the transaction price and subsequently valued and reported upon utilizing inputs other than quoted prices that are observable either directly or indirectly, such as quotes from third-party pricing vendors. Fair values determined by Level 2 inputs, which utilize data points that are observable such as quoted prices, interest rates and yield curves, require the exercise of judgment and use of estimates, that if changed, could significantly affect the Company's financial position and results of operations. Accrued interest receivable related to short-term investments was \$23,000 and \$27,000 as of September 30, 2023 and December 31, 2022, respectively, and included as part of prepaid expenses and other current assets in the condensed balance sheets.

The following tables summarize the Company's short-term investments accounted for as available-for-sale securities as of September 30, 2023 and December 31, 2022 (in thousands):

	Maturity (in years)	Amortized Cost	September 30, 2023		
			Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	1 year or less	\$ 12,394	\$ —	\$ (1)	\$ 12,393
		<u>\$ 12,394</u>	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ 12,393</u>

	Maturity (in years)	Amortized Cost	December 31, 2022		
			Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	1 year or less	\$ 17,620	\$ 1	\$ (19)	\$ 17,602
		<u>\$ 17,620</u>	<u>\$ 1</u>	<u>\$ (19)</u>	<u>\$ 17,602</u>

Private Placement Warrant Liability

In connection with the Business Combination, the Company assumed the public and private placement warrants described in Note 2. The private placement warrants are precluded from equity treatment and are recorded as liabilities as they are not considered indexed to the Company's common stock. The private placement warrant liability is measured at fair value, using a combination of observable and unobservable inputs. The change in fair value of the private placement warrant liability is recorded in other income (expense) on the statement of operations and comprehensive loss. The following key assumptions were used in determining the fair value of the private placement warrant liability valued using the Black-Scholes option pricing model as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Common stock price	\$ 0.60	\$ 0.43
Expected volatility	125.0 %	125.0 %
Risk-free interest rate	4.8 %	4.2 %
Expected term (in years)	2.9	3.7
Expected dividend yield	—	—

The following table presents activity for the private placement warrant liability measured at fair value using significant unobservable Level 3 inputs during the nine months ended September 30, 2023 (in thousands):

	Private Placement Warrant Liability
Balance at December 31, 2022	\$ 40
Change in fair value	—
Balance at September 30, 2023	<u>\$ 40</u>

5. Property and Equipment, net

Property and equipment, net consists of the following (in thousands):

	September 30, 2023	December 31, 2022
Lab equipment	\$ 30	\$ 30
Computer and office equipment	154	149
Furniture and fixtures	78	61
Leasehold improvements	188	188
Construction in process	92	29
	542	457
Less accumulated depreciation and amortization	(298)	(216)
	<u>\$ 244</u>	<u>\$ 241</u>

The Company recorded depreciation and amortization expense of approximately \$26,000 and \$18,000 for the three months ended September 30, 2023 and 2022, respectively, and approximately \$81,000 and \$26,000 for the nine months ended September 30, 2023 and 2022, respectively.

6. Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Employee compensation	\$ 1,214	\$ 1,385
Research and development	409	1,206
Professional and outside services	142	112
Interest	216	197
Other	1	468
	<u>\$ 1,982</u>	<u>\$ 3,368</u>

7. Term Loans

Oxford Term Loans

In March 2021, Old eFFECTOR entered into a Loan and Security Agreement (“Oxford LSA”) with Oxford Finance LLC (“Oxford”), pursuant to which the Company may borrow up to \$30.0 million, issuable in two separate tranches of \$20.0 million (“Term A Loans”) and \$10.0 million (“Term B Loans”), collectively referred to as the Oxford Loans. The Term A Loans became available to the Company at the effective date of the Oxford LSA on March 19, 2021 and \$12.5 million of the proceeds were used to pay off the previously outstanding Silicon Valley Bank term loans. The remaining net proceeds from Term A Loans of \$7.4 million, after taking into effect specified issuance and legal fees designated within the distribution letter, were distributed to the Company in March 2021. The Company is required to make a final payment equal to 5.5% of each funded tranche at maturity, which has been recorded as a debt discount for the Term A Loans and is being amortized over the term of the debt arrangements. In connection with the Oxford LSA, the Company issued warrants to purchase a total of 37,575 shares of Series C Preferred Stock at an exercise price of \$5.33 per share. The warrants were automatically exercised on a cashless basis on August 25, 2021, in connection with the completion of the Business Combination, for 17,575 shares of common stock.

On February 22, 2022, the Company entered into an amendment to the Oxford LSA whereby the interest only period for the Term A Loans will end on March 1, 2024, instead of May 1, 2023. In connection with the amendment, the maturity of the Term A Loans was extended from March 18, 2026 to February 1, 2027. Additionally, Term B Loans would have become available to the Company after January 1, 2023 upon achievement of certain clinical development milestones, until the earlier of (i) June 30, 2023, (ii) 45 days after the achievement of certain clinical development milestones, and (iii) the occurrence of an event of default. As the Company did not achieve the clinical development milestones by June 30, 2023, it no longer has access to the additional \$10.0 million under the Term B Loans.

The Oxford Loans carry a variable interest rate equal to the greater of (i) 7.7% and (ii) the sum of the prime rate plus 4.45%. The Company has the option to prepay all, but not less than all, of the borrowed amounts, provided that the Company will be obligated to pay a prepayment fee equal to (i) 3.0% of the outstanding principal balance of the applicable Oxford Loans if prepayment is made prior to the first anniversary of the effective date of the Oxford LSA, (ii) 2.0% of the outstanding principal balance of the applicable Oxford Loans if prepayment is made after the first anniversary of the effective date of the Oxford LSA but before the second anniversary, and (iii) 1.0% of the outstanding principal balance of the applicable Oxford Loans if prepayment is made after the second

anniversary of the effective date of the Oxford LSA but before the third anniversary. No prepayment fee will apply for a prepayment made after the third anniversary of the effective date of the Oxford LSA and prior to the maturity date.

The Company's obligations under the Oxford LSA are secured by a first priority security interest in substantially all of its current and future assets, other than its owned intellectual property. The Company is also obligated to comply with various other customary covenants, including restrictions on its ability to encumber intellectual property assets without consent.

The Company recorded a debt discount of \$1.6 million for the estimated fair value of warrants, debt issuance costs, and final payment to be made, which is being amortized to interest expense over the term of the loan using the effective-interest method. As of September 30, 2023 and December 31, 2022, the Company had \$20.0 million of outstanding principal under the Term A Loans of which \$19.3 million is reflected on the balance sheet net of debt discounts as of September 30, 2023. Interest expense, including amortization of debt discount related to the Oxford Term A Loans, totaled \$0.7 million and \$2.1 million for the three and nine months ended September 30, 2023, respectively, and \$0.6 million and \$1.6 million for the three and nine months ended September 30, 2022, respectively. The Company is in compliance with all covenants under the Oxford LSA as of September 30, 2023. The Term A Loans include customary events of default, including instances of a material adverse change in our operations, that may require prepayment of the outstanding Term A Loans. The principal payments due under the Oxford Loans, and the related accrued final payment, have been classified as current liabilities as of September 30, 2023, due to the considerations discussed in the Liquidity section of Note 1. The Company has not been notified of an event of default by the lender as of the date of issuance of these financial statements.

Based on the outstanding principal amounts for the Company's Term A Loans, the following table sets forth by year the Company's required future principal payments as of September 30, 2023 (in thousands):

As of September 30, 2023		
2024	\$	5,555
2025		6,667
2026		6,667
2027		1,111
Required future principal payments	\$	20,000
Unamortized debt discount		(701)
Current term loans, net as of September 30, 2023	\$	19,299

8. Warrants

Assumed Public Warrants and Private Placement Warrants

Following the consummation of the Business Combination, holders of the public warrants and private placement warrants are entitled to acquire common stock of the Company. The warrants became exercisable on January 12, 2022, which is 12 months from the closing of the LWAC's initial public offering. Each warrant entitles the registered holder to purchase one share of common stock at an exercise price of \$11.50 per share. The public warrants and private placement warrants will expire on August 25, 2026, which is five years after the completion of the Business Combination.

Once the public warrants and private placement warrants became exercisable, the Company has the right to redeem the outstanding warrants in whole and not in part at a price of \$0.01 per warrant upon a minimum of 30 days' prior written notice of redemption, if and only if the last sale price of the common stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the warrant holders.

The private placement warrants are identical to the public warrants except that, so long as they are held by the Sponsor or its permitted transferees: (i) they will not be redeemable by the Company; (ii) they may be exercised by the holders on a cashless basis; and (iii) they are subject to registration rights.

Private placement warrants are liability-classified (See Note 4) and the public warrants are equity-classified. The following table summarizes the number of outstanding public warrants and private placement warrants and the corresponding exercise price as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022	Exercise Price	Expiration Date
Public warrants	5,833,323	5,833,323	\$ 11.50	August 24, 2026
Private placement warrants	181,667	181,667	\$ 11.50	August 24, 2026

Warrants - 2023 Registered Direct Offerings

In May 2023, the Company completed a registered direct offering ("May 2023 Registered Direct Offering") which included the issuance of 6,750,382 shares of common stock in the form of pre-funded warrants with a purchase price of \$0.654 per share and an exercise price of \$0.001 (the "May 2023 Pre-Funded Warrants"). The May 2023 Pre-Funded Warrants were immediately exercised. Additionally, in a concurrent private placement, the Company issued warrants to purchase up to 11,450,382 shares of common stock (the "May 2023 Common Stock Warrants") with an exercise price of \$0.53 per share. The May 2023 Common Stock Warrants will expire on November 30, 2028, which is five and one-half years from the issuance date. Further, the Company issued warrants to designees of the placement agent to purchase up to 801,527 shares of common stock ("May 2023 Placement Agent Warrants") with an exercise price of \$0.8188 per share. The May 2023 Placement Agent Warrants will expire on May 26, 2028, which is five years following the commencement of sales in the May 2023 Registered Direct Offering. See Note 9 for additional detail surrounding the May 2023 Registered Direct Offering.

In June 2023, the Company completed a registered direct offering ("June 2023 Registered Direct Offering") which included the issuance of 1,814,445 shares of common stock in the form of pre-funded warrants with a purchase price of \$1.124 per share and an exercise price of \$0.001 (the "June 2023 Pre-Funded Warrants"). The June 2023 Pre-Funded Warrants were immediately exercised. Additionally, in a concurrent private placement, the Company issued warrants to purchase up to 7,764,445 shares of common stock (the "June 2023 Common Stock Warrants") with an exercise price of \$1.00 per share. The June 2023 Common Stock Warrants will expire on December 8, 2028, which is five and one-half years from the issuance date. Further, the Company issued warrants to designees of the placement agent to purchase up to 543,511 shares of common stock ("June 2023 Placement Agent Warrants") with an exercise price of \$1.4063 per share. The June 2023 Placement Agent Warrants will expire on June 6, 2028, which is five years following the commencement of sales in the June 2023 Registered Direct Offering. See Note 9 for additional detail surrounding the June 2023 Registered Direct Offering.

The common stock warrants and placement agent warrants are equity-classified. The following table summarizes the number of outstanding common stock warrants and placement agent warrants and the corresponding exercise price as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022	Exercise Price	Expiration Date
May 2023 Common Stock Warrants	11,450,382	—	\$ 0.53	November 30, 2028
May 2023 Placement Agent Warrants	801,527	—	\$ 0.8188	May 26, 2028
June 2023 Common Stock Warrants	7,764,445	—	\$ 1.00	December 8, 2028
June 2023 Placement Agent Warrants	543,511	—	\$ 1.4063	June 6, 2028

9. Preferred Stock and Stockholders' Equity

Purchase Agreement

On January 24, 2022, the Company entered into the Purchase Agreement and a registration rights agreement with Lincoln Park which provides for the sale to Lincoln Park up to \$50.0 million of shares (the "Purchase Shares") of the Company's common stock over the thirty-six (36) month term of the Purchase Agreement. In connection with the Purchase Agreement, Lincoln Park made an initial purchase of \$3.0 million of shares of common stock, which equated to 557,610 shares of common stock, and the Company issued 142,939 shares of common stock to Lincoln Park as a commitment fee in connection with entering into the Purchase Agreement. The Company recognized \$0.8 million of other expense relating to the commitment fee share issuance. As of September 30, 2023, a total of 30,000 shares of common stock have been sold in addition to the upfront amount. There were no purchases under the Purchase Agreement during the three and nine months ended September 30, 2023.

Under the Purchase Agreement, the Company has sole discretion, subject to certain conditions, on any business day selected by the Company to require Lincoln Park to purchase up to 30,000 shares of common stock (the "Regular Purchase Amount") at the Purchase Price (as defined below) per purchase notice (each such purchase, a "Regular Purchase"). The Regular Purchase Amount may be increased as follows: to up to 50,000 shares if the closing price is not below \$5.00, and up to 75,000 shares if the closing price is not below \$10.00. Lincoln Park's committed obligation under each Regular Purchase is capped at \$2,500,000, unless the Parties agree otherwise. The purchase price for Regular Purchases (the "Purchase Price") shall be equal to the lesser of: (i) the lowest sale price of the common shares during the Purchase Date (as defined in the Purchase Agreement), or (ii) the average of the three (3) lowest closing sale prices of the common shares during the ten (10) business days prior to the Purchase Date.

In addition to Regular Purchases and subject to certain conditions and limitations, the Company in its sole discretion may require Lincoln Park on each Purchase Date to purchase on the following business day up to the lesser of (i) three (3) times the number of shares purchased pursuant to such Regular Purchase or (ii) 25% of the trading volume on the Accelerated Purchase Date (as defined in the Purchase Agreement) (the "Accelerated Purchase") (unless the Parties agree otherwise) at a purchase price equal to the lesser of 97% of (i) the closing sale price on the Accelerated Purchase Date, or (ii) the Accelerated Purchase Date's volume weighted average price (the "Accelerated Purchase Price"). The Company has the sole right to set a minimum price threshold for each

Accelerated Purchase in the notice provided with respect to such Accelerated Purchase and under certain circumstances and in accordance with the Purchase Agreement the Company may direct multiple Accelerated Purchases in a day.

The aggregate number of shares that the Company can sell to Lincoln Park under the Purchase Agreement may not exceed 8,133,926 shares of the Common Shares (which is equal to approximately 19.99% of the shares of the Common Shares outstanding immediately prior to the execution of the Purchase Agreement) (the “Exchange Cap”), unless (i) shareholder approval is obtained to issue Purchase Shares above the Exchange Cap, in which the Exchange Cap will no longer apply, or (ii) the average price of all applicable sales of Common Shares to Lincoln Park under the Purchase Agreement equals or exceeds \$6.42 per share; provided that at no time may Lincoln Park (together with its affiliates) beneficially own more than 4.99% of the Company’s issued and outstanding Common Shares.

The Purchase Agreement contains customary representations, warranties, covenants, closing conditions, indemnification and termination provisions. The Purchase Agreement may be terminated by the Company at any time, at its sole discretion, without any cost or penalty, by giving one business day notice to Lincoln Park. Further, Lincoln Park has covenanted not to engage in any direct or indirect short selling or hedging of the Common Shares. There are no limitations on the use of proceeds, financial or business covenants, restrictions on future financings (other than restrictions on the Company’s ability to enter into a similar type of agreement or Equity Line of Credit during the Term, excluding an At-The-Market transaction with a registered broker-dealer), rights of first refusal, participation rights, penalties or liquidated damages in the Purchase Agreement.

At-the-Market Offering Program

In September 2022, the Company entered into a Controlled Equity Offering Sales Agreement (the “Sales Agreement”) with Cantor, under which the Company may, from time to time, sell shares of the Company’s common stock having an aggregate offering price of up to \$15.0 million in “at the market” offerings (the “ATM Offering Program”) through Cantor. Sales of the shares of common stock will be made at prevailing market prices at the time of sale, or as otherwise agreed with Cantor. Cantor will receive a commission from the Company of up to 3.0% of the gross proceeds of any shares of common stock sold under the Sales Agreement. In August 2023, the Company amended and supplemented its prospectus, dated September 9, 2022 (the “Prospectus”), relating to the offer and sale of shares of its common stock pursuant to the Sales Agreement (the “Prospectus Supplement”) as the Company is no longer subject to General Instruction I.B.6. of Form S-3, which limited the amounts that the Company could sell under the registration statement of which the Prospectus and Prospectus Supplement are a part. The Company may now offer and sell shares of the Company’s common stock having an aggregate offering price of up to \$50.0 million under the Sales Agreement. During the nine months ended September 30, 2023, the Company sold an aggregate of 1,406,077 shares of common stock at a weighted-average price of \$0.63 per share for gross proceeds of approximately \$0.9 million under the ATM Offering Program. Offering costs, including commissions, of approximately \$0.2 million were recorded as an offset to gross proceeds within additional paid-in capital.

2023 Registered Direct Offerings

The May 2023 Registered Direct Offering included the issuance and sale of an aggregate of 4,700,000 shares of the Company’s common stock at a purchase price of \$0.655 per share in a registered direct offering priced at-the-market under Nasdaq rules. In addition, the offering included the issuance of the May 2023 Pre-Funded Warrants, which were immediately exercised, and the May 2023 Common Stock Warrants. The Company received gross proceeds from the May 2023 Registered Direct Offering of \$7.5 million with net proceeds of approximately \$6.7 million after deducting \$0.8 million in commissions and other transaction costs.

In connection with the May 2023 Registered Direct Offering, the Company paid H.C. Wainwright & Co., LLC, as exclusive placement agent, an aggregate cash fee equal to 7.0% of the gross proceeds received by the Company from the offering and a management fee equal to 1.0% of the gross proceeds received by the Company from the offering. The Company also paid the placement agent \$75,000 for non-accountable expenses and \$15,950 for clearing fees. Additionally, the Company issued designees of the placement agent the May 2023 Placement Agent Warrants, equal to 7.0% of the aggregate number of shares of common stock and pre-funded warrants placed in the offering.

The June 2023 Registered Direct Offering included the issuance and sale of an aggregate of 5,950,000 shares of the Company’s common stock at a purchase price of \$1.125 per share in a registered direct offering priced at-the-market under Nasdaq rules. In addition, the offering included the issuance of the June 2023 Pre-Funded Warrants, which were immediately exercised, and the June 2023 Common Stock Warrants. The Company received gross proceeds from the June 2023 Registered Direct Offering of \$8.7 million with net proceeds of approximately \$7.8 million after deducting \$0.9 million in commissions and other transaction costs.

In connection with the June 2023 Registered Direct Offering, the Company paid H.C. Wainwright & Co., LLC, as exclusive placement agent, an aggregate cash fee equal to 7.0% of the gross proceeds received by the Company from the offering and a management fee equal to 1.0% of the gross proceeds received by the Company from the offering. The Company also paid the placement agent \$50,000 for non-accountable expenses and \$15,950 for clearing fees. Additionally, the Company issued designees of the placement agent the June 2023 Placement Agent Warrants, equal to 7.0% of the aggregate number of shares of common stock and pre-funded warrants placed in the offering.

Preferred Stock

Upon closing of the Business Combination transaction, pursuant to the terms of the Amended and Restated Certificate of Incorporation, 100,000,000 shares of preferred stock with a par value of \$0.0001 per share were authorized. eFFECTOR's Board of Directors (the "Board of Directors") has the authority, without further action by the stockholders to issue such shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each such series, and to fix the dividend, voting, and other rights, preferences and privileges of the shares. There were no issued and outstanding shares of preferred stock immediately after the closing of the Business Combination and no preferred stock has been issued as of September 30, 2023.

Employee Stock Purchase Plan

The ESPP provides for six-month offering periods, and at the end of each offering period, employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock on the first trading day of the offering period or on the last trading day of the offering period. An aggregate of 880,000 shares were initially reserved and available for issuance under the ESPP. The ESPP provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2022, by 1.0% of the outstanding number of shares of common stock on the immediately preceding December 31, or such lesser amount as determined by our Board of Directors; provided that the total number of shares of common stock that become available for issuance under the ESPP will never exceed 15,000,000. If our capital structure changes because of a stock dividend, stock split or similar event, the number of shares that can be issued under the ESPP will be appropriately adjusted. As of September 30, 2023, 1,524,183 shares were reserved for future issuance under the ESPP. During the three and nine months ended September 30, 2023, zero and 93,562 shares of common stock were issued under the ESPP, respectively. During the three and nine months ended September 30, 2022, zero and 27,428 shares of common stock were issued under the ESPP, respectively.

2013 Equity Incentive Plan

Prior to the Business Combination, Old eFFECTOR maintained its 2013 Equity Incentive Plan (the "2013 Plan"), under which Old eFFECTOR granted incentive stock options, restricted stock awards, and other stock-based awards to employees, directors, and non-employee consultants. Upon completion of the Business Combination, the Company ceased granting awards under the 2013 Plan and, as described below, all awards under the 2013 Plan were converted into awards under the 2021 Plan with the same terms and conditions. As of August 25, 2021, prior to the Business Combination transaction, 3,920,657 Old eFFECTOR options remained outstanding under the 2013 Plan. As of September 30, 2023, the number of shares reserved and options outstanding under the 2013 Plan was 3,280,428. There were zero shares available for grant under the 2013 Plan as of September 30, 2023. In connection with the completion of the Business Combination and the adoption of the 2021 Plan, no further awards will be granted under the 2013 Plan.

2021 Equity Incentive Plan

In connection with the consummation of the Business Combination on August 25, 2021, the Board of Directors approved the adoption of the 2021 Equity Incentive Plan (the "2021 Plan"). As of September 30, 2023, 11,153,615 shares of common stock are authorized for issuance pursuant to awards under the 2021 Plan, inclusive of any shares of common stock subject to stock options, restricted stock awards or other awards that were assumed in the Business Combination. As of September 30, 2023, 9,388,410 options to purchase common shares have been awarded and 2,398,279 shares remain available for issuance under the 2021 Plan. The 2021 Plan permits the granting of incentive stock options, restricted stock awards, other stock-based award or other cash-based awards to employees, directors, and non-employee consultants.

Options granted under the 2021 Plan are exercisable at various dates as determined upon grant and will expire no more than ten years from their date of grant, or in the case of certain non-statutory options, ten years from the date of grant. The exercise price of each option shall be determined by the Board of Directors based on the fair market value of the Company's stock on the date of the option grant, defined as the closing sales price of the Company's common stock. In the case of incentive stock options, the exercise price shall not be less than 100% of the fair market value of the Company's common stock at the time the option is granted. For holders of more than 10% of the Company's total combined voting power of all classes of stock, incentive stock options may not be granted at less than 110% of the fair market value of the Company's stock at the date of grant and for a term not to exceed five years.

A summary of the Company's stock option activity under the plans is as follows (in thousands, except share and per share amounts and years):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2022	8,738,880	\$ 2.73	7.4	\$ —
Granted	3,790,001	0.52	9.4	
Exercised	(89,807)	0.52	—	
Cancelled or forfeited	(403,310)	2.28	7.1	
Outstanding at September 30, 2023	12,035,764	\$ 2.07	7.5	\$ 437
Vested and exercisable at September 30, 2023	6,600,679	\$ 2.32	6.3	\$ 103

For the nine months ended September 30, 2023 the total fair value of vested options was \$3.9 million. The weighted-average grant date fair value of employee and non-employee option grants during the nine months ended September 30, 2023 was \$0.38 per share.

Stock-Based Compensation Expense

The Company recognized stock-based compensation expense specifically related to stock options of \$1.1 million and \$3.4 million for the three and nine months ended September 30, 2023, and \$1.6 million and \$3.6 million for the three and nine months ended September 30, 2022, respectively. The assumptions used in the Black-Scholes option pricing model to determine the fair value of the stock option grants were as follows:

	Nine Months Ended September 30,	
	2023	2022
Risk-free interest rate	3.6% - 4.4%	1.7% - 4.1%
Expected volatility	84% - 85%	82% - 86%
Expected term (in years)	5.3 - 6.1	5.2 - 6.1
Expected dividend yield	0%	0%

Risk-free interest rate. The risk-free rate assumption is based on the U.S. Treasury instruments, the terms of which were consistent with the expected term of the Company's stock options.

Expected volatility. Due to the Company's limited operating history and lack of company-specific historical or implied volatility, the expected volatility assumption was determined by examining the historical volatilities of a group of industry peers whose share prices are publicly available.

Expected term. The expected term of stock options represents the weighted-average period the stock options are expected to be outstanding. The Company uses the simplified method for estimating the expected term as provided by the SEC. The simplified method calculates the expected term as the weighted average of the time-to-vesting and the contractual life of the options.

Expected dividend yield. The expected dividend assumption is based on the Company's history and expectation of dividend payouts. The Company has not paid and does not intend to pay dividends.

Forfeitures. The Company reduces stock-based compensation expense for actual forfeitures during the period in which they occur.

As of September 30, 2023, the unrecognized compensation cost related to outstanding employee options was \$5.2 million and is expected to be recognized as expense over approximately 2.5 years. Unrecognized compensation cost related to outstanding nonemployee options was \$1.3 million as of September 30, 2023, and is expected to be recognized as expense over approximately 1.0 year.

Common Stock Reserved for Future Issuance

Common stock reserved for future issuance consists of the following as of September 30, 2023:

	September 30, 2023
Stock options issued and outstanding	12,035,764
Public warrants issued and outstanding	5,833,323
Private placement warrants issued and outstanding	181,667
Common stock warrants issued and outstanding	19,214,827
Placement agent warrants issued and outstanding	1,345,038
Unvested sponsor shares	300,000
Authorized for future stock awards or option grants	2,398,279
Authorized for future issuances under the ESPP	1,524,183
Total	42,833,081

10. Earn-Out Shares

In accordance with the Merger Agreement, 5,000,000 Earn-Out Shares were contingently issuable to Old eFFECTOR stockholders and option holders upon the occurrence of the Triggering Event, defined within the Merger Agreement as the date on which the common stock price equals or exceeds \$20.00 over at least 20 trading days out of 30 consecutive trading day period for the two-year period following the close date of the Business Combination. The Triggering Event did not occur during the two-year period following the close date of the Business Combination and therefore the achievement period for the earn-out expired on August 25, 2023. As such, the Old eFFECTOR stockholders and option holders are no longer eligible to receive Earn-Out shares as of August 25, 2023 and the value of the earn-out liability is zero as of September 30, 2023. The resulting reduction in value was recorded as a gain on change in fair value of the earn-out liability and included within the consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2023.

As of December 31, 2022, the stockholders and option holders were eligible to receive approximately 4,561,353 and 438,647 Earn-Out Shares, respectively. The fair value per share of the Earn-Out Shares was less than \$0.01 as of December 31, 2022. The fair value was determined using a Monte Carlo simulation valuation model using a distribution of potential outcomes on a monthly basis over the earn-out period using the most reliable information available. Assumptions used in the valuation were as follows:

	December 31, 2022
Stock price	\$ 0.43
Expected volatility	115.0 %
Risk-free interest rate	4.8 %
Forecast period (in years)	0.6
Cost of equity	20.0 %

Old eFFECTOR Stockholders

The Company determined that the contingent obligation to issue Earn-Out Shares to existing Old eFFECTOR stockholders was not indexed to the Company's stock under ASC 815-40 and therefore equity treatment was precluded. The Triggering Event that would determine the issuance of the Earn-Out Shares includes terms that are not solely indexed to the common stock of the Company, and as such liability classification was required. The Company estimated the fair value of the shareholder Earn-Out Shares at date of issuance and revalued the liability each reporting period with the changes in fair value being recorded to the consolidated statements of operations and comprehensive loss. In accordance with the Merger Agreement, Earn-Out Shares attributable to Old eFFECTOR option holders who discontinue providing service before the occurrence of the Triggering Event are reallocated to the remaining eligible stockholders and option holders. As the two-year period following the close date of the Business Combination expired on August 25, 2023, the earn-out liability of approximately \$6,000 was reduced to zero during the three months ended September 30, 2023 and a gain on change in fair value was recognized on the consolidated statement of operations and comprehensive loss. For the three and nine months ended September 30, 2022, there was a decrease in the earn-out liability of \$0.1 million and \$12.1 million, respectively, which was recorded as a gain on change in fair value within the consolidated statement of operations and comprehensive loss.

The following table presents activity for the earn-out liability measured at fair value using significant unobservable Level 3 inputs at December 31, 2022 and September 30, 2023 (in thousands):

	Earn-out Liability
Balance at December 31, 2022	\$ 6
Change in fair value	(6)
Balance at September 30, 2023	\$ —

Old eFFECTOR Option Holders

The contingent obligation to issue Earn-Out Shares to existing Old eFFECTOR option holders falls within the scope of ASC 718, Share-based Compensation, because the option holders were required to continue providing service until the occurrence of the Triggering Event. The fair value of the option holder Earn-Out Shares at the consummation date of the Business Combination was approximately \$7.9 million, which was recorded as share-based compensation over the derived service period of 0.36 years following the consummation of the Business Combination. There was zero share-based compensation recorded for the three and nine months ended September 30, 2023 related to the Earn-Out Shares. For the three and nine months ended September 30, 2022, there was approximately zero and \$0.3 million, respectively, recorded in share-based compensation related to the Earn-Out Shares and the derived service period was completed as of March 31, 2022, with no additional share-based compensation expense to be recorded.

11. License Agreements

In May 2013, the Company entered into an agreement with the Regents of the University of California (“UCSF”) which provides the Company with an exclusive license to UCSF’s patent rights in certain inventions (the “UCSF Translational Profiling Patent Rights”) relating to translational profiling laboratory techniques initially developed at UCSF. Under the agreement, the Company is permitted to research, develop, make and sell products that it discovers and develops utilizing the UCSF Translational Profiling Patent Rights, which the Company refers to as licensed products, and use certain licensed processes utilizing the UCSF Translational Profiling Patent Rights and to sublicense such licensed products and processes.

In July 2021, the Company entered into an amendment to the license agreement to confirm the impact of the Business Combination on the license agreement, including clarifying that in connection with the closing of the Business Combination, the Company would pay UCSF a one-time cash payment of approximately \$1.0 million. The \$1.0 million payment was made to UCSF in August 2021 in connection with the close of the Business Combination. The Company is also required to make cash milestone payments to UCSF upon the completion of certain clinical and regulatory milestones for the licensed products. No milestone events occurred during the three and nine months ended September 30, 2023 and September 30, 2022. The aggregate remaining potential milestone payments are approximately \$375,000.

The Company paid an annual minimum royalty of \$15,000 to UCSF during each of the nine months ended September 30, 2023 and 2022. All license related fees were recorded as research and development expense.

12. Research Collaboration and License Agreement

In December 2019, the Company entered into a Research Collaboration and License Agreement (the “Pfizer Agreement”) with Pfizer to research and develop small molecules that target eIF4E.

Under the Pfizer Agreement, the Company was responsible for initial research in collaboration with Pfizer, and Pfizer is responsible for all further development of the program, including submission of an investigational new drug application and conducting all clinical development and commercialization activities. Pfizer is obligated to use commercially reasonable efforts to develop and seek regulatory approval for a licensed product, and commercialize a licensed product where Pfizer has received regulatory approval, in the United States and certain other countries. In the event the Company exercises its co-funding and co-promotion option, a joint steering committee will oversee the development plan and budget of the co-developed product, and the Company will have the responsibility to conduct a portion of product marketing presentations to healthcare providers.

Pursuant to the Pfizer Agreement, the Company received an upfront, one-time, non-refundable, non-creditable payment of \$15 million from Pfizer. Pfizer was obligated to reimburse the Company for costs incurred for research performed, up to a specified cap in the low double-digit millions. Upon the achievement of specified early development and regulatory milestones, Pfizer will be obligated to pay the Company up to \$80 million in the aggregate. For other non-early stage development milestones Pfizer’s payment obligations to the Company depends upon whether the Company has exercised its co-funding and co-promotion option: 1) if it does not exercise the option, non-early stage development payments may total up to \$165 million in aggregate, and 2) if it does exercise the option, non-early stage development payments may total up to \$70 million in aggregate. Upon the achievement of specified sales milestones, Pfizer is also obligated to make tiered milestone payments of up to \$235 million in aggregate. On a product-by-product basis, Pfizer will also be required to pay the Company high single-digit percentage royalties on annual net sales of each licensed product. If the Company exercises its co-promotion and co-funding option, royalty payments will exclude sales in the United States and the Company will share with Pfizer profits from sale of the relevant licensed product in the United States.

The initial transaction price of \$27.0 million was allocated to the two performance obligations on a relative standalone value basis, with \$25.6 million allocated to the license and \$1.4 million allocated to the research activities, which were completed in 2020. The value attributable to the license was recognized upon delivery of the license to Pfizer and the value attributable to the research activities was recognized pro-rata based on the actual costs incurred by the Company compared to the total estimated costs of the research activities from the time of execution to the end of the research program.

There was no revenue recorded in connection with this agreement for the three and nine months ended September 30, 2023 and 2022 because all development and sales milestones (variable consideration) were fully constrained.

13. DARPA Grant Revenue

In April 2021, the Company entered into a Research Subaward Agreement with UCSF (the "Subaward Agreement"), whereby up to \$5.0 million in allowable costs were reimbursable for clinical and manufacturing activities related to zotatifin for the treatment of COVID-19. Under the terms of the Subaward Agreement, the Company was obligated to provide financial and technical reports to UCSF on a periodic basis. The Subaward Agreement can be terminated by either party upon written notice and also in the event that DARPA suspends or terminates its cooperative agreement with UCSF. The initial award period for the Subaward Agreement ended in December 2021, and in April 2022 the Company received an extension of the award period to December 2022, with the same maximum \$5.0 million reimbursement amount. The Company did not recognize any revenue under the Subaward Agreement in the three and nine months ended September 30, 2023. The Company recognized \$0.9 million and \$2.9 million of revenue under the Subaward Agreement in the three and nine months ended September 30, 2022, respectively. As of December 31, 2022, the Company exhausted the full \$5.0 million of allowable reimbursable costs under the Subaward Agreement.

14. Commitments and Contingencies

Leases

In September 2021, the Company entered a non-cancelable three-year lease for certain office space in Solana Beach, California, with an option to renew for an additional three-year term. The initial term of the lease started on November 1, 2021, and is serving as the Company's headquarters. Rent expense under this lease was \$16,000 and \$49,000 for the three and nine months ended September 30, 2023 and 2022, respectively.

During the three and nine months ended September 30, 2023, the Company paid \$18,000 and \$48,000, respectively, in lease payments. During the three and nine months ended September 30, 2022, the Company paid \$13,000 and \$48,000, respectively, in lease payments. All lease payments were included in operating activities in the statements of cash flows.

The following table summarizes supplemental balance sheet information related to leases as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023	December 31, 2022
Assets:		
Operating lease right-of-use assets	\$ 68	\$ 111
Total right-of-use assets	<u>68</u>	<u>111</u>
Liabilities		
Operating lease liabilities, current	71	60
Operating lease liabilities, non-current	6	60
Total operating lease liabilities	<u>\$ 77</u>	<u>\$ 120</u>

As of September 30, 2023, the future minimum annual lease payments under the existing operating leases were as follows (in thousands, except for weighted-average remaining lease term and weighted-average discount rate):

Remainder of 2023	\$ 18
2024	62
Total remaining lease payments	<u>80</u>
Less: imputed interest	(3)
Total operating lease liabilities	<u>77</u>
Less: current portion	(71)
Long-term operating lease liabilities	<u>\$ 6</u>
Weighted-average remaining lease term (<i>in years</i>)	1.08
Weighted-average discount rate	8%

15. Employee Benefits

The Company has a defined contribution 401(k) plan available to eligible employees. Under the terms of the plan, employees may make voluntary contributions as a percent of compensation, limited to the maximum amount allowable under federal tax regulations. The Company, at its discretion, may make certain contributions to the 401(k) plan. Through September 30, 2023, the Company made no matching contributions.

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

Unless the context otherwise requires, all references in this section to “we,” “our,” “us” or “eFFECTOR” refer to the business of eFFECTOR Therapeutics, Inc. prior to the consummation of the Business Combination, which is our business following the consummation of the Business Combination. The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K, filed with the SEC on March 8, 2023.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts contained in this Quarterly Report, including statements regarding our future results of operations or financial condition, research and development plans, the anticipated timing, costs, design and conduct of our ongoing and planned preclinical studies and planned clinical trials for our product candidates, the timing and likelihood of regulatory filings and approvals for our product candidates, our ability to commercialize our product candidates, if approved, the potential to develop future product candidates, the potential benefits of strategic collaborations, the timing and likelihood of success, plans and objectives of management for future operations, and future results of anticipated product development efforts, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “expect,” “intend,” “target,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” or the negative of these terms or other similar expressions. These forward-looking statements are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q, Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K, filed with the SEC on March 8, 2023 and Part II, Item 1A, “Risk Factors” of our subsequently filed quarterly reports. The events and circumstances reflected in our forward-looking statements may not be achieved or occur, and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Overview

We are a clinical-stage biopharmaceutical company focused on pioneering the development of a new class of oncology drugs we refer to as STRIs. Translation is the process in cells whereby the synthesis of proteins is directed by information contained in genetic sequences. We utilized our proprietary selective translation regulation technology platform to internally discover a portfolio of small molecule STRI product candidates. Our product candidates target the eIF4F complex and its activating kinase, mitogen-activated protein interacting kinase (“MNK”). The eIF4F complex is a central node where two of the most frequently mutated signaling pathways in cancer, the PI3K-AKT and RAS-MEK pathways, converge to activate the translation of select mRNA into proteins that are frequent culprits in key disease-driving processes. Inhibition of any one of these targets simultaneously downregulates multiple disease-driving proteins before they are synthesized. Each of our product candidates is designed to act on a single protein that drives the expression of a network of multiple functionally related proteins, including oncoproteins, which are proteins whose aberrant function can cause cancer, immunosuppressive proteins in T cells and proteins known to drive drug resistance that together control tumor growth, survival and immune evasion.

Our lead product candidate, tomivosertib, is an oral small-molecule inhibitor of MNK that we are developing in combination with inhibitors of anti-PD-(L)1 therapy, for the treatment of patients with solid tumors. In the second quarter of 2021, we initiated dosing in KICKSTART, our randomized Phase 2b clinical trial evaluating tomivosertib in combination with pembrolizumab in patients with metastatic non-small cell lung cancer (“NSCLC”) with PD-L1 expression level greater than or equal to 50% (“PD-L1 \geq 50%”). Pembrolizumab is owned and marketed by Merck for frontline NSCLC and several other indications. We recently expanded enrollment to ex-U.S. countries with the goal of achieving the targeted full enrollment of 60 patients to support additional analyses of Overall Survival (OS) and safety. As a result of enrollment progress and accrual of Progression Free Survival (“PFS”) events, we anticipate reporting topline data from the KICKSTART trial in the first quarter of 2024. Our second product candidate, zotatifin, is an inhibitor of eIF4A, a component of the eIF4F complex, and is currently being evaluated in a Phase 1/2 clinical trial in patients with certain solid tumors. We have completed the initial dose escalation portion of this trial and are currently evaluating zotatifin in combination with fulvestrant and abemaciclib (“ZFA triplet”) in a Phase 2a open-label expansion cohort in patients with ER+ breast cancer. In light of the favorable safety results observed in the Phase 1/2 clinical trial and target engagement data generated to date, we have also resumed dose escalation of zotatifin in combination with fulvestrant (“ZF doublet”) in patients with ER+ breast cancer to determine if a higher dose of zotatifin can be utilized in future clinical studies. To date, we’ve reported data from four cohorts including patients with ER+ breast cancer, which demonstrated that zotatifin appeared to be safe, well tolerated and showed signals of activity, including partial responses in heavily pretreated ER+ breast cancer patients. We reported topline results for the

fully enrolled ZFA triplet cohort in ER+ breast cancer at the American Society of Clinical Oncology ("ASCO") 2023 Annual Meeting in June, where partial responses were observed in 5 of 19 (26%) evaluable patients treated with the ZFA triplet. In addition, a partial response was observed in 1 of 3 (33%) patients in the first resumed dose escalation cohort of the ZF doublet. Both ZFA and ZF combinations were generally well tolerated with a large majority of adverse events Grade 1 or 2. The median PFS from the ZFA cohort and additional data from ZF dose escalation cohorts are anticipated in the fourth quarter of 2023. We have also completed a Phase 1b clinical trial evaluating zotatifin as an antiviral agent against SARS-CoV-2. The study was a double-blind, randomized, placebo-controlled trial evaluating the safety and antiviral activity of a single dose of zotatifin. In this trial, zotatifin was found to be safe and well-tolerated, and demonstrated favorable trends in several assessments of viral clearance compared to placebo. We have entered into a global collaboration and license agreement with Pfizer for our earliest stage program, inhibitors of eIF4E, and Pfizer is currently conducting investigational new drug application ("IND") enabling studies for this program.

Since our inception in 2012 we have devoted substantially all of our resources to raising capital, identifying potential product candidates, establishing our intellectual property portfolio, conducting preclinical studies and clinical trials, establishing arrangements with third parties for the manufacture of our product candidates and related raw materials, and providing general and administrative support for these operations. We do not have any products approved for sale and have not generated any revenue from product sales. As of September 30, 2023, we have raised a total of \$319.5 million to fund our operations, comprised of aggregate gross proceeds of \$150.0 million from the sale and issuance of convertible preferred stock, gross proceeds of \$67.0 million from the issuance of common stock in connection with the Business Combination in August 2021, \$42.0 million in collaboration revenue under our research collaboration and license agreement with Pfizer ("Pfizer Agreement"), \$35.0 million from loans under credit facilities, \$16.2 million in gross proceeds from the sale of common stock in the May 2023 Registered Direct Offering (as defined below) and June 2023 Registered Direct Offering (as defined below), \$3.1 million gross proceeds from the sale of common stock under the equity purchase agreement ("Purchase Agreement") with Lincoln Park Capital Fund, LLC ("Lincoln Park"), \$5.0 million in grant revenue under the Research Subaward Agreement with The Regents of the University of California, on behalf of its San Francisco campus ("UCSF"), and \$1.2 million in gross proceeds from the sale of common stock under our Controlled Equity Offering Sales Agreement ("Sales Agreement") with Cantor Fitzgerald & Co ("Cantor"). Other than with respect to the net income generated as a result of revenue under the Pfizer Agreement generated in 2020 and the net income generated in 2021 as a result of the change in valuation of the earn-out liability in 2021, we have incurred significant operating losses since our inception. For the three and nine months ended September 30, 2022, our net loss for the respective periods was \$9.6 million and \$13.4 million, and for the three and nine months ended September 30, 2023, we had a net loss for the respective periods of \$8.3 million and \$26.7 million. As of December 31, 2022 and September 30, 2023, we had an accumulated deficit of \$143.6 million and \$170.2 million, respectively. Substantially all of our operating losses resulted from expenses incurred in connection with the research and development of our product candidates and general and administrative costs associated with our operations.

We expect to continue to incur significant expenses and losses for at least the next several years. We anticipate our expenses will increase substantially as we continue our development of, seek regulatory approval for and potentially commercialize any approved product candidates, hire additional personnel, protect our intellectual property and incur additional costs associated with being a public company. Our net losses may fluctuate significantly from quarter-to-quarter and year-to-year, depending on the timing of our clinical trials and preclinical studies and our expenditures on other research and development activities. As of September 30, 2023, we had \$17.8 million in cash, cash equivalents and short-term investments. To fund further operations, we will need to raise additional capital. Our current capital resources will not be sufficient for us to complete the clinical development of any of our product candidates or, if applicable, to prepare for commercializing any product candidate which may receive approval from the FDA or comparable foreign regulatory authority. Accordingly, we expect to finance our cash needs through a combination of equity offerings, debt financings, or other capital sources, including potential additional collaborations, licenses, and other similar arrangements. Adequate funding may not be available to us on acceptable terms, if at all. Our failure to raise capital or enter into such other arrangements when needed would have a negative impact on our financial condition and could force us to delay, limit, reduce, or terminate our research and development programs or other operations, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Financial Operations Overview

Revenue

We currently have no products approved for sale, and all revenue generated has been from the Pfizer Agreement along with grant revenue. In the future, we may generate additional revenue from collaboration, grant or license agreements we have entered into, or may enter into, with respect to our product candidates, as well as product sales from any approved product. Our ability to generate product revenues will depend on the successful development and eventual commercialization of our product candidates. If we fail to complete the development of our product candidates in a timely manner or to obtain regulatory approval for our product candidates, our ability to generate future revenue and our results of operations and financial position would be materially adversely affected.

Pfizer Agreement

In December 2019, we entered into the Pfizer Agreement, to research and develop small molecules that target eIF4E. Pursuant to the Pfizer Agreement, we granted Pfizer a worldwide, exclusive license, with a right to sublicense, under certain of our patents, know-how, and materials to use, develop, manufacture, commercialize, and otherwise exploit compounds or products targeting eIF4E, for any and all indications. Under the agreement, we were responsible for initial research in collaboration with Pfizer, and Pfizer is responsible for all further development of this development program, including submission of an IND and conducting all clinical development and commercialization activities.

Pursuant to the Pfizer Agreement, we received an upfront, one-time, non-refundable, non-creditable payment of \$15 million dollars from Pfizer. Pfizer was obligated to reimburse us for costs incurred for research performed, up to a specified cap in the low double-digit millions. Upon the achievement of specified development, regulatory and sales milestones, Pfizer will be obligated to pay us up to \$480 million dollars in the aggregate, as well as to pay us high single-digit percentage royalties on annual net sales of each licensed product. See “Business — Our Collaboration and License Agreements” in our Annual Report on Form 10-K filed with the SEC on March 8, 2023, for additional information about this agreement, including with respect to potential payments to us thereunder.

DARPA Subaward Agreement

In April 2021, we entered into a Research Subaward Agreement with UCSF (the "Subaward Agreement"), whereby up to \$5.0 million in allowable costs were reimbursable for clinical and manufacturing activities related to zotatifin for the treatment of COVID-19. Under the terms of Subaward Agreement, we were obligated to provide financial and technical reports to UCSF on a periodic basis. We have exhausted the full \$5.0 million of allowable costs under the Subaward Agreement as of December 31, 2022.

Operating Expenses

Research and Development Expenses

Research and development expenses primarily consist of costs associated with the preclinical and clinical development of our product candidates. Our research and development expenses include:

- external costs, including:
 - expenses incurred under arrangements with third parties, such as CROs and consultants and advisors that perform biology, chemistry, toxicology, clinical and regulatory functions;
 - costs related to acquiring and manufacturing preclinical and clinical trial materials, including continued testing such as process validation and stability of drug product;
 - costs related to toxicology testing and other research and preclinical studies; and
 - costs related to compliance with regulatory requirements and license fees.
- internal costs, including:
 - salaries and related overhead expenses, which include stock-based compensation and benefits, for personnel in research and development functions; and
 - facilities, depreciation, insurance and other expenses related to research and development.

We expense research and development costs as incurred. We account for nonrefundable advance payments for goods and services that will be used in future research and development activities as expenses when the service has been performed or when the goods have been received. We track external expenses on a development program and other program specific basis. However, we do not track internal costs on a program specific basis because these costs primarily relate to personnel and facilities, which are deployed across multiple programs under development.

The following table summarizes our research and development expenses for the periods indicated (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
External development program expenses:				
tomivosertib (eFT508)	\$ 2,016	\$ 2,792	\$ 6,537	\$ 6,616
zotatifin (eFT226)	1,628	1,774	5,119	4,447
eIF4E	—	—	—	8
Unallocated internal research and development expenses:				
Personnel related	1,301	1,464	3,838	3,898
Other	410	602	1,351	1,694
Total research and development expenses	\$ 5,355	\$ 6,632	\$ 16,845	\$ 16,663

We expect our research and development expenses to increase substantially for the foreseeable future as we continue the development of our product candidates, particularly as we move into later stages of clinical development which typically cost more. The process of conducting clinical trials and preclinical studies necessary to obtain regulatory approval is costly and time-consuming. We may never succeed in achieving marketing approval for any of our product candidates. At this time, we cannot reasonably estimate the nature, timing or costs of the efforts that will be necessary to complete the remainder of the development of any of our product candidates or the period, if any, in which material net cash inflows from these product candidates may commence. We anticipate we will make determinations as to which product candidates and programs to pursue and how much funding to direct to each product candidate and program on an ongoing basis in response to clinical and preclinical results, regulatory developments, ongoing assessments as to each product candidate's and program's commercial potential, and our ability to enter into collaborations, to the extent we determine the resources or expertise of a collaborator would be beneficial for a given product candidate or program.

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

- per patient trial costs;
- the number and scope of trials required for approval and preclinical and IND-enabling studies;
- the number of sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of doses that patients receive;
- the number of patients that participate in the trials;
- the drop-out or discontinuation rates of patients;
- the duration of patient follow-up;
- the extent of reimbursement for the costs of approved therapies used in our combination trials;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the number and complexity of procedures, analyses and tests performed during the trial;
- the phase of development of the product candidate;
- the impact of any interruptions to our operations or to those of the third parties with whom we work due to any healthcare emergencies;
- the efficacy and safety profile of the product candidate; and
- the extent to which we establish additional collaboration, license or other arrangements.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and other related costs, including stock-based compensation and benefits, and consulting fees for finance, accounting, and other administrative functions. Other costs include legal fees relating to patent and corporate matters, insurance, and facility costs not otherwise included in research and development expenses.

We expect our general and administrative expenses will increase substantially for the foreseeable future as we advance our product candidates through clinical development. We also will incur additional expenses as a result of operating as a public company, including expenses related to compliance with the rules and regulations of the SEC and the Nasdaq listing rules, additional insurance expenses, investor relations activities and other administrative and professional services. In addition, if we obtain regulatory approval

for any of our product candidates, we expect to incur expenses associated with building a sales and marketing team if we choose to commercialize such product candidates on our own.

Other Income (Expense)

Interest Income

Interest income consists of interest earned on our cash equivalents and short-term investments.

Interest Expense

Interest expense recorded in the three and nine months ended September 30, 2023 and 2022 consisted of amounts attributable to our outstanding term loan with Oxford Financial LLC ("Oxford").

Other Income (Expense)

We assumed private placement warrants in connection with the Business Combination transaction that are required to be accounted for as liabilities and remeasured to fair value at each reporting date, with changes in the fair value reported as a component of other income (expense).

In January 2022, we entered into the Purchase Agreement with Lincoln Park and recorded other expense in connection with commitment shares of common stock issued to Lincoln Park in the transaction.

Change in Fair Value of Earn-Out Liability

We determined that the contingent obligation to issue Earn-Out Shares to existing Old eFFECTOR stockholders was not indexed to our stock under Accounting Standards Codification ("ASC") 815-40 and was therefore required to be accounted for as a liability and remeasured at fair value each reporting period, with changes in fair value reported as a component of other income (expense). Our achievement period for the earn-out expired on August 25, 2023 as the Triggering Event did not occur during the two-year period following the close date of the Business Combination. As such, Old eFFECTOR stockholders and option holders are no longer eligible to receive Earn-Out shares as of August 25, 2023 and the value of the earn-out liability is zero as of September 30, 2023. The resulting reduction in value was recorded as a gain on change in fair value of the earn-out liability and included within the consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2023.

Results of Operations

Comparison of the three months ended September 30, 2023 and 2022

The following table sets forth our results of operations for the three months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Period-to-Period
	2023	2022	Change
Grant revenue	\$ —	\$ 867	\$ (867)
Operating expenses:			
Research and development	5,355	6,632	(1,277)
General and administrative	2,500	3,486	(986)
Total operating expenses	7,855	10,118	(2,263)
Loss from operations	(7,855)	(9,251)	1,396
Other income (expense)	(448)	(308)	(140)
Net loss	<u>\$ (8,303)</u>	<u>\$ (9,559)</u>	<u>\$ 1,256</u>

Grant Revenue

Grant revenue was zero and \$0.9 million for the three months ended September 30, 2023 and 2022, respectively. The decrease in grant revenue is due to the timing associated with grant completion, which concluded as of December 31, 2022.

Research and Development Expenses

Research and development expenses were \$5.4 million and \$6.6 million for the three months ended September 30, 2023 and 2022, respectively. The decrease in research and development expenses of \$1.3 million was primarily due to a \$0.8 million decrease for the tomivosertib program and a \$0.5 million decrease for the zotatifin COVID-19 program due to lower external development expenses associated with the timing of clinical trial activities and manufacturing related activities. Further, there was a \$0.2 million

decrease in consultant costs and a \$0.2 million decrease in personnel-related costs in the three months ended September 30, 2023 as compared to the same period in 2022. These costs were partially offset by a \$0.4 million increase for the zotatifin oncology program.

General and Administrative Expenses

General and administrative expenses were \$2.5 million and \$3.5 million for the three months ended September 30, 2023 and 2022, respectively. The decrease in general and administrative expenses of \$1.0 million was primarily related to a \$0.5 million decrease in personnel-related costs in the three months ended September 30, 2023 as compared to the three months ended September 30, 2022. Further, there was a \$0.3 million decrease in other general and administrative costs primarily related to insurance costs and a \$0.2 million decrease in consultant costs in the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

Other Income (Expense)

Other expense was \$0.4 million and \$0.3 million for the three months ended September 30, 2023 and 2022, respectively. The decrease of \$0.1 million was mostly due to the change in fair value of the earn-out liability and warrant liability during the three months ended September 30, 2022 as compared to the same period in 2023.

Comparison of the nine months ended September 30, 2023 and 2022

The following table sets forth our results of operations for the nine months ended September 30, 2023 and 2022 (in thousands):

	Nine Months Ended September 30,		Period-to-Period Change
	2023	2022	
Grant revenue	\$ —	\$ 2,878	\$ (2,878)
Operating expenses:			
Research and development	16,845	16,663	182
General and administrative	8,401	9,895	(1,494)
Total operating expenses	25,246	26,558	(1,312)
Loss from operations	(25,246)	(23,680)	(1,566)
Other income (expense)	(1,435)	10,275	(11,710)
Net loss	<u>\$ (26,681)</u>	<u>\$ (13,405)</u>	<u>\$ (13,276)</u>

Grant Revenue

Grant revenue was zero and \$2.9 million for the nine months ended September 30, 2023 and 2022, respectively. The decrease in grant revenue is due to the timing associated with grant completion, which concluded as of December 31, 2022.

Research and Development Expenses

Research and development expenses were \$16.8 million and \$16.7 million for the nine months ended September 30, 2023 and 2022, respectively. The increase in research and development expenses of \$0.2 million was primarily due to a \$1.7 million increase in costs associated with the eFT226-002 (zotatifin oncology) trial. These costs were partially offset by a \$1.0 million decrease for the zotatifin COVID-19 program, a \$0.4 million decrease in consultant costs, and a \$0.1 million decrease for the tomivosertib program due primarily to decreased costs associated with the eFT508-011 (KICKSTART) trial.

General and Administrative Expenses

General and administrative expenses were \$8.4 million and \$9.9 million for the nine months ended September 30, 2023 and 2022, respectively. The decrease in general and administrative expenses during this period of \$1.5 million was primarily related to a decrease of \$0.9 million in other general and administrative costs primarily related to insurance costs and a \$0.5 million decrease in consultant and audit related costs. Further, there was a decrease of \$0.2 million in personnel-related costs as compared to the nine months ended September 30, 2022. These costs were partially offset by a \$0.1 million increase in patent related fees as compared to the nine months ended September 30, 2022.

Other Income (Expense)

Other expense was \$1.4 million for the nine months ended September 30, 2023 and other income was \$10.3 million for the nine months ended September 30, 2022. The decrease of \$11.7 million was mostly due to the gain on change in fair value of the earn-out

liability and warrant liability during the nine months ended September 30, 2022, partially offset by \$1.2 million in other expense recorded in 2022 related to the Purchase Agreement with Lincoln Park.

Liquidity and Capital Resources

Sources of Liquidity

From our inception through September 30, 2023, we have raised a total of \$319.5 million to fund our operations, comprised of aggregate gross proceeds of \$150.0 million from the sale and issuance of convertible preferred stock, gross proceeds of \$67.0 million from the issuance of common stock in connection with the Business Combination in August 2021, \$42.0 million in collaboration revenue under our research collaboration and license agreement with Pfizer, \$35.0 million from loans under credit facilities, \$16.2 million in gross proceeds from the sale of common stock in the May 2023 Registered Direct Offering and June 2023 Registered Direct Offering, \$3.1 million in gross proceeds from the sale of common stock to Lincoln Park under the Purchase Agreement (\$46.9 million remaining available for sale under the Purchase Agreement as of September 30, 2023), \$5.0 million in grant revenue under the Subaward Agreement with UCSF, and \$1.2 million in gross proceeds from the sale of common stock under the ATM Offering Program.

Prior to the Business Combination, our operations were funded primarily from the issuance of convertible preferred stock and common stock. Upon the closing of the Business Combination in August 2021, we received net proceeds totaling approximately \$52.9 million.

Our cash and cash equivalents and short-term investments totaled \$17.8 million as of September 30, 2023. Until required for use in our business, we typically invest our cash in investments that are highly liquid, readily convertible to cash with original maturities of 1 year or less at the date of purchase. We attempt to minimize the risks related to our cash and cash equivalents and investments by maintaining balances in accounts only with accredited financial institutions and, consequently, we do not believe we are subject to unusual credit risk beyond the normal credit risk associated with ordinary commercial banking relationships.

Oxford Loan Facility

In March 2021, we entered into a Loan and Security Agreement (“Oxford LSA”) with Oxford, pursuant to which we could borrow up to \$30.0 million, issuable in two separate tranches of \$20.0 million (“Term A Loan”) and \$10.0 million (“Term B Loan”), collectively referred to as the Oxford Loans. The Term A Loan became available at the effective date of the Oxford LSA and \$12.5 million of the proceeds were used to pay off the previously outstanding Silicon Valley Bank term loans. The remaining net proceeds from the Term A Loan of \$7.4 million, after taking into effect specified issuance and legal fees designated within the distribution letter, were distributed in March 2021. The Term A Loan had an interest-only period that commenced upon the borrowing with interest due and payable upon the first day of each month.

On February 22, 2022, we entered into an amendment to the Oxford LSA whereby the interest only period for the Term A Loans will end on March 1, 2024, instead of May 1, 2023. In connection with the amendment, the maturity of the Term A Loans was extended from March 18, 2026 to February 1, 2027. The principal payments due under the Oxford Loans, and the related accrued final payment, have been classified as current liabilities as of December 31, 2022 and September 30, 2023, due to our assessment that the material adverse change clause under the Oxford Loans is not within our control. We have not been notified of an event of default by the lender as of the date of this report.

The Term B Loan would have become available upon achievement of certain clinical development milestones, and was available until the earlier of (i) June 30, 2023, (ii) forty-five days after the occurrence of such clinical development milestone, and (iii) the occurrence of an event of default. As we did not achieve the clinical development milestones by June 30, 2023, we no longer have access to the additional \$10.0 million under the Term B Loan.

We are required to make a final payment equal to 5.5% of each funded tranche at maturity, which has been recorded as a debt discount and is being amortized over the term of the debt arrangements.

Purchase Agreement with Lincoln Park

On January 24, 2022, we entered into the Purchase Agreement with Lincoln Park which provides for the sale to Lincoln Park up to \$50.0 million of shares of our common stock over the thirty-six (36) month term of the Purchase Agreement, subject to certain conditions. In connection with the Purchase Agreement, Lincoln Park made an initial purchase of \$3.0 million of shares of common stock, which equated to 557,610 shares of common stock, and we issued 142,939 shares of common stock to Lincoln Park as a commitment fee in connection with entering into the Purchase Agreement. As of September 30, 2023, a total of 30,000 shares of common stock have been sold in addition to the upfront amount, with such shares sold during the three months ended June 30, 2022. The minimum price that we can sell shares to Lincoln Park is \$1.00 per share. No assurance can be given that we will sell any additional shares of common stock under the Purchase Agreement, or, if we do, as to the price or amount of shares of common stock

that we sell or the dates when such sales will take place. See Note 9 to our consolidated financial statements contained elsewhere in this Form 10-Q for information concerning the Purchase Agreement.

At-the-Market Offering Program with Cantor

In September 2022, we entered into the Sales Agreement with Cantor, under which we may, from time to time, sell shares of our common stock having an aggregate offering price of up to \$50.0 million (the "ATM Offering Program"). Sales of the shares of common stock will be made at prevailing market prices at the time of sale, or as otherwise agreed with Cantor. We will pay a commission to Cantor of up to 3.0% of the gross proceeds of any shares of common stock sold under the Sales Agreement. During the three months ended September 30, 2023, we sold an aggregate of 995,241 shares of common stock at a weighted-average price of \$0.67 per share for gross proceeds of approximately \$0.7 million under the ATM Offering Program. During the nine months ended September 30, 2023, we sold an aggregate of 1,406,077 shares of common stock at a weighted-average price of \$0.63 per share for gross proceeds of approximately \$0.9 million under the ATM Offering Program. We incurred offering costs in connection with the ATM Offering Program, including commissions, of approximately \$42,000 and \$0.2 million during the three and nine months ended September 30, 2023, respectively.

2023 Registered Direct Offerings

In May 2023, we entered into the Securities Purchase Agreement with a single institutional investor in which 4,700,000 shares of common stock were issued in a registered direct offering (the "May 2023 Registered Direct Offering"). In connection with the May 2023 Registered Direct Offering, we issued 6,750,382 shares of common stock in the form of pre-funded warrants, which were immediately exercised. In a concurrent private placement, we issued warrants to purchase up to 11,450,382 shares of common stock with an exercise price of \$0.53 per share ("May 2023 Common Stock Warrants"). Additionally, we issued H.C. Wainwright & Co., LLC (the "Placement Agent") warrants to purchase up to 801,527 shares of common stock with an exercise price of \$0.8188 per share ("May 2023 Placement Agent Warrants"). We received gross proceeds from the May 2023 Registered Direct Offering of \$7.5 million with net proceeds of approximately \$6.7 million after deducting \$0.8 million in commissions and other transaction costs. See Note 9 to our consolidated financial statements contained elsewhere in this Form 10-Q for information concerning the May 2023 Registered Direct Offering.

In June 2023, we entered into an additional Securities Purchase Agreement with the same institutional investor in which 5,950,000 shares of common stock were issued in a registered direct offering (the "June 2023 Registered Direct Offering"). In connection with the June 2023 Registered Direct Offering, we issued 1,814,445 shares of common stock in the form of pre-funded warrants, which were immediately exercised. In a concurrent private placement, we issued warrants to purchase up to 7,764,445 shares of common stock with an exercise price of \$1.00 per share ("June 2023 Common Stock Warrants"). Additionally, we issued the Placement Agent warrants to purchase up to 543,511 shares of common stock with an exercise price of \$1.4063 per share ("June 2023 Placement Agent Warrants"). We received gross proceeds from the June 2023 Registered Direct Offering of \$8.7 million with net proceeds of approximately \$7.8 million after deducting \$0.9 million in commissions and other transaction costs. See Note 9 to our consolidated financial statements contained elsewhere in this Form 10-Q for information concerning the June 2023 Registered Direct Offering.

As of July 31, 2023, our public float exceeded \$75 million, based on 60,695,500 shares of outstanding common stock held by non-affiliates and at a price of \$1.39 per share, the closing price of our common stock on June 6, 2023 which was the highest reported sale price of our common stock on the Nasdaq Capital Market within 60 days of July 31, 2023. As a result of our public float being above \$75 million, we are no longer subject to General Instruction I.B.6. of Form S-3, which previously limited the amounts we can raise through primary public offerings of securities in any twelve-month period using shelf registration statements to an aggregate of one-third of our public float, which is referred to as the baby shelf rules. We may become subject to the baby shelf rules again if, at the time of filing an amendment to our shelf registration statement or upon filing an Annual Report on Form 10-K, our public float is less than \$75 million.

Funding Requirements

As of September 30, 2023, we had \$17.8 million in cash and cash equivalents and short-term investments, which we estimate is sufficient to fund operations into the second quarter of 2024. However, we have prepared cash flow forecasts which indicate that based on our expected operating cash flows, without taking into account future projected cash inflows, there is substantial doubt about our ability to continue as a going concern within twelve months after the date that the financial statements for the nine months ended September 30, 2023, are issued. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we expect. Furthermore, our operating plans may change and we may need additional funds sooner than

planned. Additionally, the process of testing product candidates in clinical trials is costly, and the timing of progress in these trials is uncertain. Our future capital requirements are difficult to forecast and will depend on many factors, including but not limited to:

- the type, number, scope, progress, expansions, results of and timing of clinical trials and preclinical studies of our product candidates which we are pursuing or may choose to pursue in the future;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs of obtaining, maintaining and enforcing our patents and other intellectual property rights;
- the costs and timing of manufacturing for our product candidates, including commercial manufacturing if any product candidate is approved;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company, including enhanced internal controls over financial reporting;
- the costs associated with hiring additional personnel and consultants as our clinical and preclinical activities increase;
- the costs and timing of establishing or securing sales and marketing capabilities if any product candidate is approved;
- our ability to achieve sufficient market acceptance, coverage and adequate reimbursement from third-party payors and adequate market share and revenue for any approved products;
- any delays and cost increases that result from the COVID-19 pandemic or future epidemic diseases;
- the terms and timing of establishing and maintaining additional collaborations, licenses and other similar arrangements; and
- the costs associated with any products or technologies that we may in-license or acquire.

We have no other committed sources of capital, other than potential future sales under the Purchase Agreement with Lincoln Park and the ATM Offering Program with Cantor. Until we can generate a sufficient amount of product revenue to finance our cash requirements, if ever, we expect to finance our future cash needs primarily through equity offerings, debt financings or other capital sources, including potential additional collaborations, licenses and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders will be or could be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional funds through other collaborations or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our research and development programs or other operations, or grant rights to develop and market product candidates to third parties that we would otherwise prefer to develop and market ourselves.

Public Warrants and Private Placement Warrants

LWAC issued public warrants and private placement warrants (collectively, the "Warrants") in its initial public offering in January 2021. The Warrants became exercisable beginning on January 12, 2022, which was 12 months from the closing of LWAC's initial public offering. Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the warrants. Each whole warrant entitles the holder to purchase one share of common stock at an exercise price of \$11.50 per share.

We will use commercially reasonable efforts to maintain the effectiveness of our registration statement and a current prospectus relating to those common shares issuable upon exercise of the warrants until the warrants expire or are redeemed, as specified in the Warrant Agreement, dated January 7, 2021, between the Company and Continental Stock Transfer & Trust Company (the "Warrant Agreement"). If the common stock at the time of any exercise of a warrant is not listed on a national securities exchange, we may, at our option, require holders of the warrants who exercise their warrants to do so on a "cashless basis." We are not required to file or maintain in effect a registration statement. In no event will the Company be required to net cash settle any warrant.

As the Warrants are now exercisable, we may redeem the outstanding warrants in whole and not in part at a price of \$0.01 per warrant upon a minimum of 30 days' prior written notice of redemption, and, if and only if the last sale price of our common stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the Warrant holders.

The private placement warrants are identical to the public warrants except that, so long as they are held by the Locust Walk Sponsor, LLC or its permitted transferees: (i) they will not be redeemable by the Company; (ii) they may be exercised by the holders on a cashless basis; and (iii) they are subject to registration rights.

The Warrants will expire on August 25, 2026, which is five years after the completion of the Business Combination, or earlier upon redemption or liquidation.

Common Stock Warrants and Placement Agent Warrants

We issued the May 2023 Common Stock Warrants in connection with the May 2023 Registered Direct Offering. The May 2023 Common Stock Warrants were exercisable immediately upon issuance and will expire on November 30, 2028, which is five and one-half years from the issuance date. Further, we issued the May 2023 Placement Agent Warrants to designees of the Placement Agent. The May 2023 Placement Agent Warrants will expire on May 26, 2028, which is five years following the commencement of sales in the May 2023 Registered Direct Offering.

Additionally, we issued the June 2023 Common Stock Warrants in connection with the June 2023 Registered Direct Offering. The June 2023 Common Stock Warrants were exercisable immediately upon issuance will expire on December 8, 2028, which is five and one-half years from the issuance date. Further, we issued the June 2023 Placement Agent Warrants to designees of the Placement Agent. The June 2023 Placement Agent Warrants will expire on June 6, 2028, which is five years following the commencement of sales in the June 2023 Registered Direct Offering.

Cash Flows

The following table sets forth a summary of the net cash flow activity for each of the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Net cash provided by (used in):		
Operating activities	\$ (23,984)	\$ (19,119)
Investing activities	5,538	(21,482)
Financing activities	15,124	2,802
Net decrease in cash and cash equivalents	<u>\$ (3,322)</u>	<u>\$ (37,799)</u>

Operating Activities

During the nine months ended September 30, 2023, net cash used in operating activities was \$24.0 million, which resulted from a net loss of \$26.7 million adjusted for changes in operating assets and liabilities and non-cash charges. Non-cash charges and other adjustments included \$3.5 million in stock-based compensation, \$0.4 million in accretion of discount and amortization of premium on investments, \$0.2 million in non-cash interest expense and \$0.1 million in depreciation expense. Changes in operating assets and liabilities included a \$0.9 million decrease in accrued expenses due primarily to a decrease in accrued research and development costs, a \$0.5 million decrease in prepaid expenses and other assets related to amortization of prepaid public company insurance policies, and a \$0.4 million decrease in accounts payable due to timing of invoices paid.

During the nine months ended September 30, 2022, net cash used in operating activities was \$19.1 million, which resulted from a net loss of \$13.4 million adjusted for changes in operating assets and liabilities and non-cash charges. Non-cash charges and other adjustments included \$12.1 million from a gain recorded from the change in fair value of the earn-out liability, \$3.9 million in stock-based compensation, \$1.2 million other expense recorded in connection with the Purchase Agreement with Lincoln Park, \$0.6 million from a gain recorded from change in fair value of liability-classified warrants and \$0.3 million in non-cash interest expense. Changes in operating assets and liabilities included a \$0.9 million decrease in prepaid expenses and other assets related to the amortization of prepaid public company insurance policies, a \$0.6 million increase in accounts payable due to timing of invoices paid, and a \$0.1 million increase in accrued expenses primarily related to accrued research and development costs.

Investing Activities

During the nine months ended September 30, 2023, net cash provided by investing activities was \$5.5 million as a result of the maturities of short-term investments, partially offset by purchases during the period.

During the nine months ended September 30, 2022, net cash used in investing activities was \$21.5 million as a result of the purchases of short-term investments, partially offset by maturities during the period.

During the nine months ended September 30, 2023, net cash provided by financing activities was \$15.1 million, which was primarily the result of net proceeds from the issuance of common stock in the May 2023 Registered Direct Offering and June 2023 Registered Direct Offering as well as net proceeds from the issuance of common stock under the ATM Offering Program during the period.

During the nine months ended September 30, 2022, net cash provided by financing activities was \$2.8 million, which was the result of net proceeds from the issuance of common stock to Lincoln Park under the Purchase Agreement and proceeds from the issuance of common stock under the ATM Offering Program during the period.

Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimates during the nine months ended September 30, 2023 as compared to those disclosed in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates," in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 8, 2023.

Recent Accounting Pronouncements

See Note 2 to our financial statements contained elsewhere in this Form 10-Q for information concerning recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As of September 30, 2023, there have been no material changes surrounding our market risk, including interest rate risk, foreign currency exchange risk, and inflation risk, from the discussion provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 8, 2023.

Item 4. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Under the supervision and with participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 under the Exchange Act that occurred during the nine months ended September 30, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently a party to any material legal proceedings. However, from time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Regardless of outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in the section titled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 8, 2023, in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, filed with the SEC on May 9, 2023, and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, filed with the SEC on August 8, 2023.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	<u>Amended and Restated Certificate of Incorporation of eFFECTOR Therapeutics, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on August 31, 2021).</u>
3.2	<u>Certificate of Amendment to Amended and Restated Certificate of Incorporation, dated June 23, 2023 (incorporated by reference to Exhibit 3.1 to the Company's 8-K filed on June 23, 2023).</u>
3.3	<u>Amended and Restated Bylaws of eFFECTOR Therapeutics, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Form 8-K filed on August 31, 2021).</u>
4.1	<u>Specimen common stock certificate (incorporated by reference to Exhibit 4.1 to the Company's Form S-4 (333-257091) filed on August 5, 2021).</u>
4.2	<u>Warrant Agreement, dated January 7, 2021, by and between Continental Stock Transfer & Trust Company and Locust Walk Acquisition Corp. (incorporated by reference Exhibit 4.1 to the Company's Form 8-K filed on January 13, 2021).</u>
4.3	<u>Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on May 30, 2023).</u>
4.4	<u>Form of Common Warrant (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on May 30, 2023).</u>
4.5	<u>Form of Wainwright Warrant (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed on May 30, 2023).</u>
4.6	<u>Form of Pre-Funded Warrant (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on June 8, 2023).</u>
4.7	<u>Form of Common Warrant (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on June 8, 2023).</u>
4.8	<u>Form of Wainwright Warrant (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed on June 8, 2023).</u>
31.1	<u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1*	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2*	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* This certification is deemed not filed for purpose of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

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.

eFFECTOR Therapeutics, Inc.

Date: November 13, 2023

By: /s/ Stephen Worland
Stephen Worland, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 2023

By: /s/ Michael Byrnes
Michael Byrnes
Chief Financial Officer
(Principal Financial and Accounting Officer)

