

GERON CORP
Form 10-Q
November 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from _____ to _____.

Commission File Number: 0-20859

GERON CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

75-2287752
(I.R.S. Employer
Identification No.)

230 CONSTITUTION DRIVE, MENLO PARK, CA
(Address of principal executive offices)

94025
(Zip Code)

(650) 473-7700

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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Large accelerated filer Accelerated filer x
Non-accelerated filer Smaller reporting company o
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding at October 24, 2011:
Common Stock, \$0.001 par value	131,473,556 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GERON CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SEPTEMBER 30, 2011 (UNAUDITED)	DECEMBER 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 33,975	\$ 45,972
Restricted cash	793	792
Current portion of marketable securities	108,127	140,599
Interest and other receivables	1,569	1,799
Current portion of prepaid assets	2,840	5,855
Total current assets	147,304	195,017
Noncurrent portion of marketable securities	37,921	33,911
Noncurrent portion of prepaid assets	—	854
Investments in licensees	—	504
Property and equipment, net	2,247	3,088
Deposits and other assets	932	210
	\$ 188,404	\$ 233,584
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,006	\$ 3,462
Accrued compensation	2,855	6,186
Accrued liabilities	3,005	2,644
Stock issuance obligation	—	27,500
Deferred revenue	—	350
Fair value of derivatives	137	707
Total current liabilities	10,003	40,849
Long-term debt	3,194	—
Commitments and contingencies		
Stockholders' equity:		
Common stock	132	123
Additional paid-in capital	928,898	881,358
Accumulated deficit	(753,649)	(688,650)
Accumulated other comprehensive loss	(174)	(96)
Total stockholders' equity	175,207	192,735
	\$ 188,404	\$ 233,584

See accompanying notes.

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GERON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2011	2010	2011	2010
Revenues from collaborative agreements	\$ —	\$ 203	\$ 300	\$ 653
License fees and royalties	220	343	1,887	1,812
Total revenues	220	546	2,187	2,465
Operating expenses:				
Research and development (including amounts for related parties: three months - 2011-none; 2010-\$53; nine months - 2011-none; 2010-\$697)	16,345	13,728	49,644	40,662
General and administrative	3,811	5,021	18,251	13,359
Total operating expenses	20,156	18,749	67,895	54,021
Loss from operations	(19,936)	(18,203)	(65,708)	(51,556)
Unrealized gain (loss) on derivatives, net	291	(97)	570	133
Interest and other income	237	223	820	619
Losses recognized under equity method investment	—	(243)	(503)	(1,135)
Interest and other expense	(114)	(24)	(178)	(76)
Net loss	\$ (19,522)	\$ (18,344)	\$ (64,999)	\$ (52,015)
Basic and diluted net loss per share	\$ (0.16)	\$ (0.19)	\$ (0.52)	\$ (0.54)
Shares used in computing basic and diluted net loss per share	125,101,177	97,476,668	124,259,698	96,400,276

See accompanying notes.

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GERON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
CHANGE IN CASH AND CASH EQUIVALENTS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (64,999)	\$ (52,015)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,236	1,208
Accretion and amortization on investments, net	3,533	2,803
Accretion of discount on long-term debt	33	—
Interest expense on long-term debt	20	—
Loss on retirement/sale of property and equipment	—	53
Issuance of common stock for acquired in-process research and development	594	—
Issuance of common stock in exchange for services by non-employees	507	3,033
Stock-based compensation for employees and directors	12,532	10,442
Amortization related to 401(k) contributions	630	514
Loss on investments in licensees	503	1,135
Unrealized gain on fair value of derivatives	(570)	(133)
Changes in assets and liabilities:		
Other current and noncurrent assets	3,557	3,778
Other current and noncurrent liabilities	1,395	1,033
Translation adjustment	4	12
Net cash used in operating activities	(41,025)	(28,137)
Cash flows from investing activities:		
Restricted cash transfer	(1)	(1)
Purchases of property and equipment	(395)	(542)
Proceeds from sale of property and equipment	—	2
Purchases of marketable securities	(104,591)	(95,855)
Proceeds from maturities of marketable securities	129,439	114,195
Proceeds from sale of investments in licensees	1	—
Net cash provided by investing activities	24,453	17,799
Cash flows from financing activities:		
Proceeds from issuances of common stock and warrants, net of issuance costs	293	10,227
Proceeds from issuance of long-term debt	4,282	—
Net cash provided by financing activities	4,575	10,227
Net decrease in cash and cash equivalents	(11,997)	(111)
Cash and cash equivalents at the beginning of the period	45,972	34,601
Cash and cash equivalents at the end of the period	\$ 33,975	\$ 34,490

See accompanying notes.

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GERON CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The terms “Geron”, the “Company”, “we” and “us” as used in this report refer to Geron Corporation. The accompanying unaudited condensed consolidated balance sheet as of September 30, 2011 and unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management of Geron, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or any other period. These financial statements and notes should be read in conjunction with the financial statements for each of the three years ended December 31, 2010, included in the Company’s Annual Report on Form 10-K. The accompanying condensed consolidated balance sheet as of December 31, 2010 has been derived from audited financial statements at that date.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Geron, our wholly-owned subsidiary, Geron Bio-Med Ltd. (Geron Bio-Med), a United Kingdom company, and our majority-owned subsidiary, TA Therapeutics, Ltd. (TAT), a Hong Kong company. We have eliminated intercompany accounts and transactions. We prepare the financial statements of Geron Bio-Med using the local currency as the functional currency. We translate the assets and liabilities of Geron Bio-Med at rates of exchange at the balance sheet date and translate income and expense items at average monthly rates of exchange. The resultant translation adjustments are included in accumulated other comprehensive income (loss), a separate component of stockholders’ equity. The functional currency for TAT is U.S. dollars. In July 2010, the board of directors and shareholders of TAT approved actions to commence a voluntary winding up of the company. The full wind up of TAT was completed in March 2011.

We evaluate whether significant transactions require consideration of the variable interest consolidation model. For those entities in which we have a variable interest, we consider whether we are the primary beneficiary. Variable interest entities (VIEs) for which we are the primary beneficiary are required to be consolidated. We currently are not the primary beneficiary of any VIE. See Note 3 on Equity Method Investment.

Net Loss Per Share

Basic earnings (loss) per share is calculated based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is calculated based on the weighted average number of shares of common stock and dilutive securities outstanding during the period. Potential dilutive securities primarily consist of outstanding employee stock options, restricted stock and warrants to purchase common stock and are determined using the treasury stock method at an average market price during the period.

Because we are in a net loss position, diluted earnings (loss) per share excludes the effects of potential dilutive securities. Had we been in a net income position, diluted earnings per share would have included the shares used in the computation of basic net loss per share as well as an additional 531,446 and 1,117,454 shares for 2011 and 2010, respectively, related to outstanding options, restricted stock and warrants (as determined using the treasury stock method at the estimated average market value).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On a regular basis, management evaluates these estimates and assumptions. Actual results could differ from those estimates.

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GERON CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

Restricted Cash

The components of restricted cash are as follows:

	September 30, 2011	December 31, 2010
	(In thousands)	
Certificate of deposit for unused equipment line of credit	\$ 530	\$ 530
Certificate of deposit for credit card purchases	263	262
	\$ 793	\$ 792

Fair Value of Financial Instruments

Cash Equivalents and Marketable Securities

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. We are subject to credit risk related to our cash equivalents and marketable securities. We currently place our cash and cash equivalents in money market funds and municipal securities. Our investments include U.S. government-sponsored enterprise securities, certificates of deposit, commercial paper and corporate notes with original maturities ranging from six to 24 months.

We classify our marketable securities as available-for-sale. We record available-for-sale securities at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses are included in interest and other income and are derived using the specific identification method for determining the cost of securities sold and have been insignificant to date. Dividend and interest income are recognized when earned and included in interest and other income in our condensed consolidated statements of operations. We recognize a charge when the declines in the fair values below the amortized cost basis of our available-for-sale securities are judged to be other-than-temporary. We consider various factors in determining whether to recognize an other-than-temporary charge, including whether we intend to sell the security or whether it is more likely than not that we would be required to sell the security. Declines in market value associated with credit losses judged as other-than-temporary result in a charge to interest and other income. Other-than-temporary charges not related to credit losses are included in accumulated other comprehensive income (loss) in stockholders' equity. No other-than-temporary impairment charges were recorded for our available-for-sale securities for the three and nine months ended September 30, 2011 and 2010. See Note 2 on Fair Value Measurements.

Marketable and Non-Marketable Investments in Licensees

Investments in non-marketable nonpublic companies, in which we own less than 20% of the outstanding voting stock and do not otherwise have the ability to exert significant influence over the investees, are carried at cost, as adjusted for other-than-temporary impairments. Investments in marketable equity securities are carried at fair value as of the balance sheet date with unrealized gains and losses reported in accumulated other comprehensive income (loss) in stockholders' equity. Realized gains or losses are included in interest and other income and are derived using the specific identification method.

We apply the equity method of accounting for investments in licensees in which we own more than 20% of the outstanding voting stock or otherwise have the ability to exert significant influence over the investees, but are not the primary beneficiary. Under this method, we increase (decrease) the carrying value of our investment by a proportionate share of the investee's earnings (losses). If losses exceed the carrying value of the investment, losses are then applied against any advances to the investee, including any commitment to provide financial support, until those amounts are reduced to zero. Commitments to provide financial support include formal guarantees, implicit arrangements, reputational expectations, intercompany relationships or a consistent past history of providing financial support. The equity method is then suspended until the investee has earnings. Any proportionate share of investee earnings is first applied to the share of accumulated losses not recognized during

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the period the equity method was suspended. We recognize previously suspended losses to the extent additional investment is determined to represent the funding of prior losses.

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SEPTEMBER 30, 2011
(UNAUDITED)

We monitor our investments in licensees for impairment on a quarterly basis and make appropriate reductions in carrying values when such impairments are determined to be other-than-temporary. Other-than-temporary charges are included in interest and other income. Factors used in determining whether an other-than-temporary charge should be recognized include, but are not limited to: the current business environment including competition and uncertainty of financial condition; going concern considerations such as the rate at which the investee company utilizes cash, and the investee company's ability to obtain additional private financing to fulfill its stated business plan; the need for changes to the investee company's existing business model due to changing business environments and its ability to successfully implement necessary changes; and the general progress toward product development, including clinical trial results. See Note 2 on Fair Value Measurements.

Fair Value of Derivatives

For warrants and non-employee options classified as assets or liabilities, the fair value of these instruments is recorded on the condensed consolidated balance sheet at inception of such classification and adjusted to fair value at each financial reporting date. The change in fair value of the warrants and non-employee options is recorded in the condensed consolidated statements of operations as unrealized gain (loss) on derivatives. Fair value of warrants and non-employee options is estimated using the Black Scholes option-pricing model. The warrants and non-employee options continue to be reported as an asset or liability until such time as the instruments are exercised or expire or are otherwise modified to remove the provisions which require this treatment, at which time these instruments are marked to fair value and reclassified from assets or liabilities to stockholders' equity. For warrants and non-employee options classified as permanent equity, the fair value of the warrants and non-employee options is recorded in stockholders' equity as of their respective vesting dates and no further adjustments are made. See Note 2 on Fair Value Measurements.

Long-Term Debt

We estimate the fair value of our long-term debt instruments using market information for similar long-term debt. In connection with each disbursement under the Loan Agreement with the California Institute for Regenerative Medicine (CIRM), we are obligated to issue to CIRM warrants to purchase our common stock. The fair value of the CIRM warrants is estimated using the Black Scholes option-pricing model. The carrying value of the CIRM loan is determined by allocating the proceeds between the fair values of the debt and warrants using the relative fair value method. The discount to the debt resulting from the allocation of proceeds between fair values of the debt and warrants is amortized to interest expense and accreted to the principal face value of the debt over the term of the CIRM loan using the effective interest rate method. Allocation of proceeds to the fair value of the warrants is recorded as permanent equity. For further discussion regarding the CIRM loan and warrants, see Note 4 on Long-Term Debt.

Revenue Recognition

We have several license agreements with various oncology, diagnostics, research tools, agriculture and biologics production companies. With certain of these agreements, we receive nonrefundable license payments in cash or equity securities, option payments in cash or equity securities, royalties on future sales of products, milestone payments, or any combination of these items. Upfront nonrefundable signing, license or non-exclusive option fees are recognized as revenue when rights to use the intellectual property related to the license have been delivered and over the term of the agreement if we have continuing performance obligations. Milestone payments, which are subject to substantive contingencies, are recognized upon completion of specified milestones, representing the culmination of the earnings process, according to contract terms. Royalties are generally recognized upon receipt of the related royalty payment. Deferred revenue represents the portion of research and license payments received which has not been earned. When payments are received in equity securities, we do not recognize any revenue unless such securities are determined to be realizable in cash.

We recognize revenue under collaborative agreements as the related research and development costs for services are rendered. We recognize related party revenue under collaborative agreements as the related research and development costs for services are rendered and when the source of funds have not been derived from our contributions to the related party.

Research and Development

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Research and development expenses consist of expenses incurred in identifying, developing and testing our product candidates resulting from our independent efforts as well as efforts associated with collaborations. These expenses include, but are not limited to, acquired in-process research and development deemed to have no alternative future use, payroll and personnel expense, lab supplies, preclinical studies, clinical trials, raw materials to manufacture clinical trial drugs, manufacturing costs for research and clinical trial materials, sponsored research at other labs, consulting, costs to maintain technology licenses and research-related overhead. Research and development costs are expensed as incurred, including payments made under our license agreements.

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A significant component of our research and development expenses is clinical trial costs. We review and accrue clinical trial expenses based on work performed, which relies on estimates of total costs incurred based on patient enrollment, completion of patient studies and other events. We validate our accruals quarterly with our vendors and perform detailed reviews of the activities related to our significant contracts. Accrued clinical costs are subject to revisions as trials progress to completion. Revisions are charged to expense in the period in which the facts that give rise to the revision become known.

Depreciation and Amortization

We record property and equipment at cost and calculate depreciation using the straight-line method over the estimated useful lives of the assets, generally four years. Leasehold improvements are amortized over the shorter of the estimated useful life or remaining term of the lease.

Stock-Based Compensation

We recognize compensation expense on a straight-line basis over the requisite service period, which is generally the vesting period. The following table summarizes the stock-based compensation expense related to stock options, restricted stock awards and employee stock purchases for the three and nine months ended September 30, 2011 and 2010, which was allocated as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	(In thousands)			
Research and development	\$ 1,421	\$ 2,124	\$ 4,685	\$ 4,867
General and administrative	945	2,198	7,847	5,575
Stock-based compensation expense included in operating expenses	\$ 2,366	\$ 4,322	\$ 12,532	\$ 10,442

In February 2011, we and Thomas B. Okarma, Ph.D., M.D. entered into a separation agreement that provided for, among other things, the modification of the vesting and exercise periods of certain outstanding restricted stock awards and stock options held by Dr. Okarma. Non-cash stock-based compensation expense of approximately \$3,472,000 has been included in general and administrative expense for the modifications.

As stock-based compensation expense recognized in the condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures but, at a minimum, reflects the grant-date fair value of those awards that actually vested in the period. Forfeitures have been estimated at the time of grant based on historical experience and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

Stock Options

The fair value of options granted during the nine months ended September 30, 2011 and 2010 has been estimated at the date of grant using the Black Scholes option-pricing model with the following assumptions:

	Nine Months Ended September 30,	
	2011	2010
Dividend yield	None	None
Expected volatility range	0.629 to 0.644	0.625 to 0.629
Risk-free interest rate range	0.88% to 2.37%	1.46% to 2.65%
Expected term	5 yrs	5 yrs

Employee Stock Purchase Plan

The fair value of employees' purchase rights during the nine months ended September 30, 2011 and 2010 has been estimated using the Black Scholes option-pricing model with the following assumptions:

	Nine Months Ended September 30,	
	2011	2010
Dividend yield	None	None
Expected volatility range	0.278 to 0.584	0.468 to 0.995
Risk-free interest rate range	0.10% to 0.32%	0.18% to 0.54%
Expected term range	6 - 12 mos	6 - 12 mos

Dividend yield is based on historical cash dividend payments and Geron has paid no dividends to date. The expected volatility range is based on historical volatilities of our stock since traded options on Geron stock do not correspond to option terms and the trading volume of options is limited. The risk-free interest rate range is based on the U.S. Zero Coupon Treasury Strip Yields for the expected term in effect on the date of grant for an award. The expected term of options is derived from actual historical exercise data and represents the period of time that options granted are expected to be outstanding. The expected term of employees' purchase rights is equal to the purchase period. We grant service-based options under our equity plans to employees, non-employee directors and consultants, for which the vesting period is generally four years.

Restricted Stock Awards

We grant restricted stock awards to employees and non-employee directors with three types of vesting schedules: (i) service-based, (ii) performance-based or (iii) market-based. Service-based awards generally vest annually over four years. Performance-based awards vest only upon achievement of discrete strategic corporate goals within a specified performance period, generally three years. Market-based awards vest only upon achievement of certain market price thresholds of our common stock within a specified performance period, generally three years.

The fair value for service-based restricted stock awards is determined using the fair value of our common stock on the date of grant. The fair value is amortized as compensation expense over the requisite service period of the award on a straight-line basis and is reduced for estimated forfeitures, as applicable.

The fair value for performance-based restricted stock awards is determined using the fair value of our common stock on the date of grant. Compensation expense for awards with performance conditions is recognized over the period from the date the performance condition is determined to be probable of occurring through the date the applicable condition is expected to be met and is reduced for estimated forfeitures, as applicable. If the performance condition is not considered probable of being achieved, no expense is recognized until such time as the

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performance condition is considered probable of being met, if ever. If performance-based restricted stock awards are modified such that no continuing service is required for the award to vest and achievement of the performance condition is not considered probable on the date of modification, then no compensation cost is recognized until it becomes probable that the performance condition will be met. If that assessment of the probability of the performance condition being met changes, the impact of the change in estimate would be recognized in the period of the change. If the requisite service has been provided prior to the change in estimate, the effect of the change in estimate would be immediately recognized. We have not recognized any stock-based compensation expense for performance-based restricted stock awards in our condensed consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 as the achievement of the specified performance criteria was not considered probable during that time.

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GERON CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

The fair value for market-based restricted stock awards is determined using a lattice valuation model with a Monte Carlo simulation. The model takes into consideration the historical volatility of our stock and the risk-free interest rate at the date of grant. In addition, the model is used to estimate the derived service period for the awards. The derived service period is the estimated period of time that would be required to satisfy the market condition, assuming the market condition will be satisfied. Compensation expense is recognized over the derived service period for the awards using the straight-line method and is reduced for estimated forfeitures, as applicable, but is accelerated if the market condition is achieved earlier than estimated. The market conditions for the market-based restricted stock awards were not achieved as of September 30, 2011.

Non-Employee Stock-Based Awards

For our non-employee stock-based awards, the measurement date on which the fair value of the stock-based award is calculated is equal to the earlier of (i) the date at which a commitment for performance by the counterparty to earn the equity instrument is reached or (ii) the date at which the counterparty's performance is complete. We recognize stock-based compensation expense for the fair value of the vested portion of non-employee awards in our condensed consolidated statements of operations.

Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes certain changes in stockholders' equity which are excluded from net loss. The activity in comprehensive loss during the three and nine months ended September 30, 2011 and 2010 was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2011	2010	September 30, 2011	2010
	(In thousands)			
Net loss	\$ (19,522)	\$ (18,344)	\$ (64,999)	\$ (52,015)
Change in net unrealized gain on available-for-sale securities and marketable investments in licensees	(124)	240	(82)	378
Change in foreign currency translation adjustments	(8)	15	4	12
Comprehensive loss	\$ (19,654)	\$ (18,089)	\$ (65,077)	\$ (51,625)

The components of accumulated other comprehensive loss were as follows:

	September 30, 2011	December 31, 2010
	(In thousands)	
Unrealized (loss) gain on available-for-sale securities and marketable investments in licensees, net	\$ (10)	\$ 72
Foreign currency translation adjustments	(164)	(168)
Accumulated other comprehensive loss	\$ (174)	\$ (96)

Recently Issued Accounting Standards

In May 2011, the Financial Accounting Standards Board (FASB) issued a new accounting standard on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. We are required to adopt this standard in January 2012. We do not expect that this adoption will have a material impact on our

financial statements.

In June 2011, the FASB issued a new accounting standard on the presentation of comprehensive income. The new standard requires the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new standard also requires presentation of adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. We are required to adopt this standard in January 2012 and apply it retrospectively. We do not expect that this adoption will have a material impact on our financial statements.

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GERON CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(UNAUDITED)

2. FAIR VALUE MEASUREMENTS

We categorize assets and liabilities recorded at fair value on our condensed consolidated balance sheet based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 – Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for instruments measured at fair value on our condensed consolidated balance sheet, including the category for such instruments.

Cash Equivalents and Marketable Securities Available-for-Sale

Where quoted prices are available in an active market, securities are categorized as Level 1. Examples of such Level 1 securities include certificates of deposit and money market funds. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Examples of such Level 2 instruments include U.S. Treasury securities, U.S. government-sponsored enterprise securities, municipal securities, corporate notes, asset-backed securities and commercial paper.

Marketable securities by security type at September 30, 2011 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
Included in cash and cash equivalents:				
Money market funds	\$ 11,056	\$ —	\$ —	\$ 11,056
Municipal securities	15,195	—	—	15,195
	\$ 26,251	\$ —	\$ —	\$ 26,251
Restricted cash:				
Certificates of deposit	\$ 793	\$ —	\$ —	\$ 793
Marketable securities:				
Certificate of deposit (due in less than 1 year)	\$ 332	\$ —	\$ —	\$ 332
Government-sponsored enterprise securities (due in less than 1 year)	12,139	12	(1)	12,150
Government-sponsored enterprise securities (due in 1 to 2 years)	12,490	38	(21)	12,507

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Commercial paper (due in less than 1 year)	27,210	38	—	27,248
Corporate notes (due in less than 1 year)	68,453	14	(70)	68,397
Corporate notes (due in 1 to 2 years)	25,434	26	(46)	25,414
	\$ 146,058	\$ 128	\$ (138)	\$ 146,048

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GERON CORPORATION
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Marketable securities by security type at December 31, 2010 were as follows:

	Cost (In thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Included in cash and cash equivalents:				
Money market funds	\$ 21,076	\$ —	\$ —	\$ 21,076
Municipal securities	18,450	—	—	18,450
Commercial paper	3,499	—	—	3,499
Corporate notes	1,856	—	(1)	1,855
	\$ 44,881	\$ —	\$ (1)	\$ 44,880
Restricted cash:				
Certificates of deposit	\$ 792	\$ —	\$ —	\$ 792
Marketable securities:				
Certificate of deposit (due in less than 1 year)	\$ 325	\$ —	\$ —	\$ 325
Government-sponsored enterprise securities (due in less than 1 year)	11,288	—	(1)	11,287
Government-sponsored enterprise securities (due in 1 to 2 years)	27,270	9	(11)	27,268
Commercial paper (due in less than 1 year)	12,087	7	—	12,094
Corporate notes (due in less than 1 year)	116,822	127	(56)	116,893
Corporate notes (due in 1 to 2 years)	6,645	1	(3)	6,643
Investments in licensees	1	—	—	1
	\$ 174,438	\$ 144	\$ (71)	\$ 174,511

Marketable securities with unrealized losses at September 30, 2011 and December 31, 2010 were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
(In thousands)						
As of September 30, 2011:						
Government-sponsored enterprise securities (due in less than 1 year)						
	\$ 4,033	\$ (1)	\$ —	\$ —	\$ 4,033	\$ (1)
Government-sponsored enterprise securities (due in 1 to 2 years)						
	3,980	(21)	—	—	3,980	(21)
Corporate notes (due in less than 1 year)						
	52,671	(70)	—	—	52,671	(70)
Corporate notes (due in 1 to 2 years)						
	14,990	(46)	—	—	14,990	(46)
	\$ 75,674	\$ (138)	\$ —	\$ —	\$ 75,674	\$ (138)

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As of December 31, 2010:

Government-sponsored enterprise securities (due in less than 1 year)	\$ 7,287	\$ (1)	\$ —	\$ —	\$ 7,287	\$ (1)
Government-sponsored enterprise securities (due in 1 to 2 years)	15,287	(11)	—	—	15,287	(11)
Corporate notes (due in less than 1 year)	61,354	(56)	3,019	(1)	64,373	(57)
Corporate notes (due in 1 to 2 years)	4,313	(3)	—	—	4,313	(3)
	\$ 88,241	\$ (71)	\$ 3,019	\$ (1)	\$ 91,260	\$ (72)

The gross unrealized losses related to government-sponsored enterprise securities and corporate notes as of September 30, 2011 and December 31, 2010 were due to changes in interest rates. We determined that the gross unrealized losses on our marketable securities as of September 30, 2011 and December 31, 2010 were temporary in nature. We review our investments quarterly to identify and evaluate whether any investments have indications of possible impairment. Factors considered in determining whether a loss is temporary include the length of time and extent to which the fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, and whether we intend to sell the security or whether it is more likely than not that we would be required to sell the security. We currently do not intend to sell these securities before recovery of their amortized cost basis.

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Marketable and Non-Marketable Investments in Licensees

Where quoted prices are available in an active market, securities are categorized as Level 1. Level 1 securities include publicly traded equities. Significant investments in licensees accounted for using the equity method of accounting or equity securities in non-marketable companies are not measured at fair value and are not assigned a category level.

As of September 30, 2011 and December 31, 2010, the carrying values of our investments in non-marketable nonpublic companies were zero and \$503,000, respectively. We recognized no charges related to other-than-temporary declines in fair values of investments in licensees for the three and nine months ended September 30, 2011 and 2010. See Note 3 on Equity Method Investment for further discussion of investments in licensees.

Derivatives

Warrants to purchase common stock and non-employee options are normally traded less actively, have trade activity that is one way, and/or traded in less-developed markets and are therefore valued based upon models with significant unobservable market parameters, resulting in Level 3 categorization.

The fair value of derivatives has been calculated at each reporting date using the Black Scholes option-pricing model with the following assumptions:

	September 30, 2011	December 31, 2010
Dividend yield	None	None
Expected volatility	0.700	0.668
Risk-free interest rate	0.42%	2.01%
Expected term	4 yrs	4 yrs

Dividend yield is based on historical cash dividend payments and Geron has paid no dividends to date. The expected volatility is based on historical volatilities of our stock since traded options on Geron stock do not correspond to derivatives' terms and trading volume of Geron options is limited. The risk-free interest rate is based on the U.S. Zero Coupon Treasury Strip Yields for the expected term in effect on the reporting date. The expected term of derivatives is equal to the remaining contractual term of the instrument.

As of September 30, 2011 and December 31, 2010, the following non-employee options to purchase common stock were considered derivatives and classified as current liabilities:

Issuance Date	Exercise Price	Exercisable Date	Expiration Date	At September 30, 2011		At December 31, 2010	
				Number of Shares	Fair Value (In thousands)	Number of Shares	Fair Value (In thousands)
March 2005	\$ 6.39	January 2007	March 2015	284,600	\$ 137	284,600	\$ 707

Non-employee options for which performance obligations are complete are classified as derivative liabilities on our condensed consolidated balance sheet. Upon the exercise of these options, the instruments are marked to fair value and reclassified from derivative liabilities to stockholders' equity. No reclassifications from current liabilities to stockholders' equity were made for derivatives during the nine months ended September 30, 2011.

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Long-Term Debt

We estimate the fair value of our long-term debt instruments using market information for similar long-term debt. In connection with each disbursement under the CIRM loan, we are obligated to issue to CIRM warrants to purchase our common stock. The fair value of the CIRM warrants is estimated using the Black-Scholes option-pricing model. The carrying value of the CIRM loan is determined by allocating the proceeds between the fair values of the debt and warrants using the relative fair value method. The estimated fair value of our outstanding debt as of the date of issuance was \$3,141,000. The book value of our outstanding debt as of September 30, 2011 was \$3,194,000, which includes amortized debt discount of \$33,000 and accrued interest of \$20,000. For further discussion regarding the CIRM loan and warrants, see Note 4 on Long-Term Debt.

Fair Value on a Recurring Basis

The following table presents information about our financial assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2011, and indicates the fair value category assigned.

(In thousands)	Fair Value Measurements at Reporting Date Using				Total	
	Quoted Prices in Active Markets for Identical Assets	Significant		Significant Unobservable Inputs		
		Other Observable Inputs	Level 2			Level 3
Assets						
Money market funds (1)	\$ 11,056	\$ —	\$ —	\$ —	\$ 11,056	
Certificate of deposit (2)	332	—	—	—	332	
Municipal securities (1)	—	15,195	—	—	15,195	
Government-sponsored enterprise securities (2) (3)	—	24,657	—	—	24,657	
Commercial paper (2)	—	27,248	—	—	27,248	
Corporate notes (2) (3)	—	93,811	—	—	93,811	
Total	\$ 11,388	\$ 160,911	\$ —	\$ —	\$ 172,299	

(In thousands)	Fair Value Measurements at Reporting Date Using				Total	
	Quoted Prices in Active Markets for Identical Assets	Significant		Significant Unobservable Inputs		
		Other Observable Inputs	Level 2			Level 3
Liabilities						
Derivatives (4)	\$ —	\$ —	\$ 137	\$ —	\$ 137	

(1) Included in cash and cash equivalents on our condensed consolidated balance sheet.

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- (2) Included in current marketable securities on our condensed consolidated balance sheet.
- (3) Included in noncurrent marketable securities on our condensed consolidated balance sheet.
- (4) Included in fair value of derivatives on our condensed consolidated balance sheet.

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Changes in Level 3 Recurring Fair Value Measurements

The tables below include a rollforward of the balance sheet amounts for the three and nine months ended September 30, 2011 (including the change in fair value), for financial instruments in the Level 3 category. When a determination is made to classify a financial instrument within Level 3, the determination is based upon the significance of the unobservable parameters to the overall fair value measurement. However, Level 3 financial instruments typically include, in addition to the unobservable components, observable components (that is, components that are actively quoted and can be validated to external sources). Accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the methodology.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Three Months Ended September 30, 2011

	Fair Value at June 30, 2011	Total Unrealized Gains Included in Earnings, net (1)	Purchases, Sales, Issuances, net	Transfers In and/or Out of Level 3	Fair Value at September 30, 2011	Change in Unrealized Gains Related to Financial Instruments Held at September 30, 2011 (1)
(In thousands)						
Derivative liabilities	\$ 428	\$ (291)	\$ —	\$ —	\$ 137	\$ (291)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Nine Months Ended September 30, 2011

	Fair Value at December 31, 2010	Total Unrealized Gains Included in Earnings, net (1)	Purchases, Sales, Issuances, net	Transfers In and/or Out of Level 3	Fair Value at September 30, 2011	Change in Unrealized Gains Related to Financial Instruments Held at September 30, 2011 (1)
(In thousands)						
Derivative liabilities	\$ 707	\$ (570)	\$ —	\$ —	\$ 137	\$ (570)

(1) Reported as unrealized gain on fair value of derivatives in our condensed consolidated statements of operations.

3. EQUITY METHOD INVESTMENT

In April 2005, we and Exeter Life Sciences, Inc. (Exeter) established Start Licensing, Inc. (Start), a joint venture to manage and license a broad portfolio of intellectual property rights related to animal reproductive technologies. We and Exeter owned 49.9% and 50.1% of Start, respectively. In connection with the establishment of Start, we granted a worldwide, exclusive, non-transferable license to our patent rights to nuclear transfer technology for use in animal cloning, with the right to sublicense such patent rights. Since there was no net book value associated with the patent rights at the execution of the joint venture, no initial value was recognized for our investment in Start. We suspended the equity method of accounting since our proportionate share of net losses in Start exceeded our original carrying value of the investment and

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we had no commitments to provide financial support or obligations to perform services or other activities for Start.

In August 2008, we and Exeter entered into Contribution Agreements whereby we and Exeter exchanged our equity interests in Start for equity interests in ViaGen, Inc. (ViaGen). As a result of the exchange, Start became a wholly-owned subsidiary of ViaGen. Ownership of ViaGen immediately following the transaction was as follows: Exeter– 69%; Geron – 27%; and Smithfield Foods – 4%. Since no value had been recorded for our investment in Start, the same zero carrying value was applied to our investment in ViaGen. Geron’s share of equity method losses from Start that were not recognized during the period the equity method was suspended was carried over to the investment in ViaGen.

In September 2009, we purchased \$3,603,000 in equity from ViaGen and simultaneously Exeter converted its outstanding debt with ViaGen into equity. The new equity purchase did not fund prior ViaGen losses and represented additional financial support to ViaGen. Ownership of ViaGen upon consummation of the transactions was as follows: Exeter – 70%; Geron28%; and Smithfield Foods – 2%. With the new investment in 2009, we resumed applying the equity method of accounting by increasing (decreasing) the carrying value of our investment by our proportionate share of ViaGen’s earnings (losses).

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In November 2010, we provided a loan of \$1,500,000 to ViaGen to fund its operations. Also in November 2010, we agreed to appoint one of our ViaGen board member representatives as executive chairman of the ViaGen board and purchased \$23,000 in ViaGen equity directly from another shareholder, Moral Compass Corporation (MCC, previously referred to as Exeter). As of September 30, 2011, ownership of ViaGen was as follows: MCC – 58%; Geron – 40%; and Smithfield Foods – 2%.

Since ViaGen does not have sufficient equity to finance its own activities without additional subordinated financial support, it meets the definition of a VIE. By providing financial support to ViaGen, we are a variable interest holder. However, as of September 30, 2011, we lacked the power to direct activities that most significantly impact ViaGen's economic performance. Although one of our ViaGen board representatives serves as executive chairman of the ViaGen board, he has no additional rights or obligations to direct ViaGen's activities. Control over ViaGen's economic performance is driven by the ViaGen management team with authorization and approval from the entire ViaGen board, which is currently comprised of two Geron representatives and two MCC representatives. As the majority holder of the equity and debt of ViaGen, MCC maintains controlling financial interest over the company, including the right to appoint a third board member, giving them majority control of the ViaGen board. Accordingly, we have not included ViaGen's financial information with our consolidated results.

For the three and nine months ended September 30, 2011, we recognized zero and \$503,000, respectively, for our proportionate share of ViaGen's operating losses compared to \$243,000 and \$1,135,000 for the comparable 2010 periods. Our share of losses is recorded in the condensed consolidated statements of operations under losses recognized under equity method investment.

Our maximum exposure to loss pertaining to ViaGen represents the balance sheet carrying amount of our investment in ViaGen which reflects the initial amount of cash invested less our proportionate share of losses over time. The adjusted basis of our investment in ViaGen at September 30, 2011 and December 31, 2010 was zero and \$503,000, respectively, which is reflected under investments in licensees on our condensed consolidated balance sheet. We suspended the equity method of accounting during the quarter ended June 30, 2011 since the adjusted basis of our investment was zero at June 30, 2011 and we have no commitments to provide financial support or obligations to perform services or other activities for ViaGen.

4. LONG-TERM DEBT

Effective August 1, 2011, we entered into a Loan Agreement with the California Institute for Regenerative Medicine (CIRM) solely to support development of our human embryonic stem-cell derived oligodendrocyte progenitor therapy (GRNOPC1) for the treatment of spinal cord injury. CIRM shall disburse an aggregate of approximately \$24,847,000 to us over a period of three years commencing on August 1, 2011 and ending on July 31, 2014. The disbursements are pursuant to an established schedule and, in certain cases, are conditioned upon the achievement of project milestones. The interest rate for each quarterly disbursement of the loan is equal to the one-year London Interbank Offered Rate (LIBOR) plus 2%. Interest is compounded annually on the principal amount from the date of the applicable disbursement. Repayment of the principal and any accrued interest shall be due and payable at the end of the initial term of five years (August 1, 2016). We may request extension of the Loan Agreement for one additional term of five years to August 1, 2021. If the loan is extended, certain interest payments are due during the second five years. Repayment of principal and interest may be suspended if the supported project is abandoned for any reason. Any principal or interest amount that has not been due and payable for 15 years after the granting of a suspension of repayment automatically will be forgiven by CIRM.

CIRM has the right to accelerate repayment of the loan amount in the event of a change in control of Geron and under certain termination provisions, such as in the event of a no go milestone, including, but not limited to, the occurrence of serious safety issues in a clinical trial that lead to termination of all clinical studies under the GRNOPC1 spinal cord injury project. If certain progress milestones are not met at the end of the first or second year of the project, CIRM may adjust the schedule of disbursements for subsequent years, based on the project costs associated with the elements of the milestone that are unmet, upon consultation with us.

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Other conditions of the Loan Agreement include customary representations, warranties and covenants, including restrictions on our ability to issue cash dividends and execute certain stock repurchases, as well as requirements to maintain certain levels of insurance coverage, quality of investments and sufficient assets during the term of the loan equal to the total loan commitment, or approximately \$24,847,000, plus any accrued interest to date. The Loan Agreement is unsecured and ranks senior to any of our current or future indebtedness and other liabilities. As of September 30, 2011, we were in compliance with all material covenants under the Loan Agreement.

In connection with each disbursement, we are obligated to issue to CIRM a warrant to purchase Geron common stock. The number of shares underlying each of the warrants will be equal to 50% of the applicable disbursement amount divided by the average of the closing sales prices of Geron common stock as reported by The NASDAQ Global Select Market for the ten consecutive trading days immediately preceding the corresponding disbursement (Average Closing Price). The exercise price of each warrant shall also be equal to the Average Closing Price preceding the issuance of the warrant. Each of the warrants and the underlying common stock will be unregistered and each warrant shall have a term of ten years from the respective date of issuance.

As of September 30, 2011, we have received aggregate disbursements of approximately \$4,282,000 under the Loan Agreement and we have issued to CIRM warrants to purchase an aggregate of 537,893 shares of Geron common stock. Warrants issued to CIRM were assigned a fair value of \$1,556,000 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.77%; expected life of ten years; volatility of 72.51% and expected dividend yield of 0%. The proceeds received under the Loan Agreement were allocated between the principal loan and the warrants based on the relative fair value method and recorded on our condensed consolidated balance sheet as follows: \$3,141,000 as long-term debt for the fair value of the loan and \$1,141,000 as a discount to the debt and as permanent equity in additional paid-in capital. The debt discount is being amortized to interest expense and accreted to the principal face value of the debt over the five-year loan term using the effective interest rate method.

As of September 30, 2011, the book value of our outstanding debt was \$3,194,000, which includes amortized debt discount of \$33,000 and accrued interest of \$20,000. For the three months ended September 30, 2011, \$33,000 has been recorded as interest expense for debt discount amortization and approximately \$1,108,000 remains as unamortized debt discount as of September 30, 2011. The aggregate debt maturity which would occur in 2016, subject to the terms of the loan as described above, was approximately \$4,282,000 as of September 30, 2011.

5. COLLABORATIVE AGREEMENT

In June 2009, we entered into a worldwide exclusive license and alliance agreement with GE Healthcare UK, Limited (GEHC) to develop and commercialize cellular assay products derived from human embryonic stem cells (hESCs) for use in drug discovery, development and toxicity screening. Under the terms of the agreement, GEHC has been granted an exclusive license under Geron's intellectual property portfolio covering the growth and differentiation of hESCs, as well as a sublicense under Geron's rights to the hESC patents held by the Wisconsin Alumni Research Foundation. We established a multi-year alliance program with GEHC under which scientists from both companies worked to develop hESC-based products for drug discovery. The first product developed under the alliance, human cardiomyocytes derived from hESCs, was launched in October 2010 by GEHC.

In connection with the agreement, we received upfront non-refundable license payments under the exclusive license and sublicense and can receive milestone payments upon achievement of certain commercial development and product sales events and royalties on future product sales. Under the alliance program, GEHC was responsible for all costs incurred by GEHC and all costs incurred by us for activities undertaken at Geron, including the funding of our scientists who worked on the alliance program. An Alliance Steering Committee, with representatives from each company, coordinated and managed the alliance program.

License payments under the GEHC agreement were recorded as deferred revenue upon receipt and were recognized ratably as revenue over the alliance program period as a result of our continuing involvement with the collaboration. Funding received for our efforts under the alliance program was recognized as revenue as costs were incurred, which reflected our level of effort over the period of the alliance program. Since the milestone payments are subject to substantive contingencies, any such payments will be recognized upon completion of the specified milestones. Royalties received under the agreement will generally be recognized as revenue upon receipt of the related royalty payment. For the three and nine months ended September 30, 2011, we recognized zero and \$300,000, respectively, as revenue from collaborative agreements, compared to

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\$203,000 and \$653,000 for the comparable 2010 periods. For the three and nine months ended September 30, 2011, we recognized zero and \$350,000, respectively, as license fee revenue, compared to \$175,000 and \$525,000 for the comparable 2010 periods.

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6. SEGMENT INFORMATION

Our executive management team represents our chief decision maker. To date, we have viewed our operations as one segment, the discovery and development of therapeutic and diagnostic products for oncology and human embryonic stem cell therapies. As a result, the financial information disclosed herein materially represents all of the financial information related to our principal operating segment.

7. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS DATA

Supplemental schedule of non-cash operating and investing activities:

(In Thousands)	Nine Months Ended September 30,	
	2011	2010
Supplemental Operating Activities:		
Issuance of common stock for performance bonus	\$ 2,807	\$ —
Issuance of common stock for 401(k) matching contributions	1,294	1,034
Issuance of common stock for acquired in-process research and development	27,500	—
Issuances of common stock for services rendered to date or to be received in future periods	251	8,468
Reclassification between deposits and other current assets	(180)	131
Supplemental Investing Activities:		
Net unrealized (loss) gain on marketable securities and investments in licensees	(82)	378

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements that involve risks and uncertainties. We use words such as “anticipate”, “believe”, “plan”, “expect”, “future”, “intend” and similar expressions to identify forward-looking statements. These statements are within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements appear throughout the Form 10-Q and are statements regarding our intent, belief, or current expectations, primarily with respect to our operations and related industry developments. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this Form 10-Q. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us and described in Part II, Item 1A, entitled “Risk Factors,” and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, Item 2 of this Form 10-Q.

OVERVIEW

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Form 10-Q and with Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission on February 25, 2011.

Geron is developing first-in-class biopharmaceuticals for the treatment of cancer and chronic degenerative diseases. We are advancing anti-cancer therapies through multiple Phase 2 clinical trials in different cancers by targeting the enzyme telomerase and with a compound designed to penetrate the blood-brain barrier (BBB). The company is developing cell therapies from differentiated human embryonic stem cells, with the first product in a Phase 1 clinical trial for spinal cord injury.

Our results of operations have fluctuated from period-to-period and may continue to fluctuate in the future, as well as the progress of our research and development efforts and variations in the level of expenses related to developmental efforts during any given period. Results of operations for any period may be unrelated to results of operations for any other period. In addition, historical results should not be viewed as indicative of future operating results. We are subject to risks common to companies in our industry and at our stage of development, including, but not limited to, risks related to our research and development efforts, need for future capital, timely completion of our clinical trials, uncertainty of clinical trial results or regulatory approvals or clearances, manufacturing of our product candidates at scales and costs appropriate for commercialization, enforcement of our patent and proprietary rights, reliance upon our collaborative partners and potential competition. In order for our product candidates to be commercialized, we and our collaborators must conduct preclinical tests and clinical trials, demonstrate the safety and efficacy of our product candidates, obtain regulatory approvals or clearances and enter into manufacturing, distribution and marketing arrangements, as well as obtain market acceptance. We do not expect to receive revenues or royalties based on therapeutic products for a period of years, if at all.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2011 that materially impact our condensed consolidated financial statements as compared to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010, except as described below with respect to our loan agreement with the California Institute for Regenerative Medicine in the section titled “Long-Term Debt” and Note 4 of Notes to Condensed Consolidated Financial Statements.

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported assets, liabilities, revenues and expenses. Note 1 of Notes to Condensed Consolidated Financial Statements describes the significant accounting policies used in the preparation of the condensed consolidated financial statements.

Estimates and assumptions about future events and their effects cannot be determined with certainty. We base our estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as our operating environment changes. These changes have historically been minor and have been included in the condensed consolidated financial statements as soon as they became known. Based on a critical assessment of our

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accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that our condensed consolidated financial statements are fairly stated in accordance with accounting principles generally accepted in the United States, and present a meaningful presentation of our financial condition and results of operations.

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Long-Term Debt

We estimate the fair value of our long-term debt instruments using market information for similar long-term debt. In connection with each disbursement under the Loan Agreement with the California Institute for Regenerative Medicine (CIRM), we are obligated to issue to CIRM warrants to purchase our common stock. The fair value of the CIRM warrants is estimated using the Black Scholes option-pricing model. Option-pricing model assumptions such as expected volatility, risk-free interest rate and expected term impact the fair value estimate which affects the value recorded as debt discount and resulting interest expense amortization. The carrying value of the CIRM loan is determined by allocating the proceeds between the fair values of the debt and warrants using the relative fair value method. The discount to the debt resulting from the allocation of proceeds between fair values of the debt and warrants is amortized to interest expense and accreted to the principal face value of the debt over the term of the CIRM loan using the effective interest rate method. Allocation of proceeds to the fair value of the warrants is recorded as permanent equity. For further discussion regarding the CIRM loan and warrants, see Note 4 on Long-Term Debt in Notes to Condensed Consolidated Financial Statements.

RESULTS OF OPERATIONS

Revenues

We recognized revenues from collaborative agreements of zero and \$300,000 for the three and nine months ended September 30, 2011, respectively, compared to \$203,000 and \$653,000 for the comparable 2010 periods. Revenues in 2011 and 2010 reflect revenue recognized under our collaboration with GE Healthcare UK, Ltd. (GE Healthcare).

We have entered into license and option agreements with companies involved in oncology, diagnostics, research tools, agriculture and biologics production. In each of these agreements, we have granted certain rights to our technologies. In connection with the agreements, we are entitled to receive license fees, option fees, milestone payments and royalties on future sales, or any combination thereof. We recognized license fee revenues of \$165,000 and \$1.1 million for the three and nine months ended September 30, 2011, respectively, compared to \$295,000 and \$1.2 million for the comparable 2010 periods related to our various agreements. Current revenues may not be predictive of future revenues.

We received royalties of \$55,000 and \$813,000 for the three and nine months ended September 30, 2011, respectively, compared to \$48,000 and \$610,000 for the comparable 2010 periods on product sales of telomerase detection and telomere measurement kits to the research-use-only market, cell-based research products and nutritional products. License and royalty revenues are dependent upon additional agreements being signed and future product sales.

Research and Development Expenses

Research and development expenses were \$16.3 million and \$49.6 million for the three and nine months ended September 30, 2011, respectively, compared to \$13.7 million and \$40.7 million for the comparable 2010 periods. The increase in research and development expenses for the three months ended September 30, 2011, compared to the comparable 2010 period was primarily the result of increased clinical trial costs of \$1.7 million for the start-up and enrollment of four Phase 2 clinical trials of imetelstat and the Phase 1 clinical trial of GRNOPC1 and higher clinical drug product purchases and manufacturing costs of \$2.5 million related to imetelstat and GRN1005, offset by reduced preclinical study and scientific supply costs of \$848,000 and lower non-cash stock based compensation expense of \$703,000. The increase in research and development expenses for the nine months ended September 30, 2011, compared to the comparable 2010 period was primarily the result of increased clinical trial costs of \$5.0 million for the start-up and enrollment of four Phase 2 clinical trials of imetelstat and the Phase 1 clinical trial of GRNOPC1 and higher clinical drug product purchases and manufacturing costs of \$4.0 million related to imetelstat and GRN1005. Overall, we expect research and development expenses to increase as we incur expenses related to the initiation of GRN1005 Phase 2 clinical trials in the fourth quarter of 2011 and ongoing support of the imetelstat Phase 2 trials and the GRNOPC1 Phase 1 trial.

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The following table briefly describes our current clinical development product candidates and their stage of development:

Product	Product Description	Disease Treatment	Development Stage	Patient Enrollment Status
Imetelstat (GRN163L)	Telomerase Inhibitor	Non-Small Cell Lung Cancer (NSCLC)	Phase 2 Trial	Open
		Breast Cancer	Phase 2 Trial	Open
		Multiple Myeloma	Phase 2 Trial	Open
		Essential Thrombocythemia	Phase 2 Trial	Open
GRN1005	Peptide-Conjugated Paclitaxel	Brain Metastases from Breast Cancer	Phase 2 Trial	Planned to open in fourth quarter 2011
		Brain Metastases from NSCLC	Phase 2 Trial	Planned to open in fourth quarter 2011
GRNOPC1	Oligodendrocyte Progenitor Cells	Spinal Cord Injury	Phase 1 Trial	Open

Having met our main objectives for Phase 1 of assessing the safety, tolerability, pharmacokinetics and pharmacodynamics of imetelstat, we are advancing the product candidate through Phase 2 clinical trials in four different malignancies. Two of the Phase 2 trials are randomized studies that test imetelstat in patients with NSCLC as maintenance therapy following platinum-based induction therapy and in patients with locally recurrent or metastatic breast cancer in combination with paclitaxel (with or without bevacizumab). The other two Phase 2 trials are single-arm studies that test imetelstat in patients with essential thrombocythemia (ET) and in patients with previously treated multiple myeloma. Patients have been enrolled in all four clinical trials.

On December 6, 2010, we and Angiochem entered into an Exclusive License Agreement that provides us with a worldwide exclusive license, with the right to grant sublicenses, to Angiochem's proprietary peptide technology that facilitates the transfer of anti-cancer compounds across the BBB to be used with tubulin disassembly inhibitors. Our initial product candidate under the license is GRN1005 (formerly ANG1005), a novel peptide-drug conjugate, which we are advancing to Phase 2 clinical studies in patients with brain metastases from breast cancer and brain metastases from NSCLC.

We have developed proprietary methods to grow, maintain, and scale the culture of undifferentiated hESCs using feeder cell-free and serum-free media with chemically defined components. Moreover, we have developed scalable processes to differentiate these cells into therapeutically relevant cells and cryopreserved formulations of these cells to enable our business model of delivering "on demand" cells for therapeutic use. We initiated the Phase 1 clinical trial of GRNOPC1 in patients with spinal cord injury with the first subject receiving cells in October 2010. A total of four patients are currently enrolled in the trial with the fourth subject receiving cells in September 2011. This is the first FDA-approved clinical trial of a cellular therapy derived from hESCs to be initiated. The clinical trial is a Phase 1 multi-center study designed to assess the safety and tolerability of GRNOPC1 in patients with complete ASIA (American Spinal Injury Association) Impairment Scale grade A thoracic spinal cord injuries. Seven clinical sites are currently open for patient enrollment.

Research and development expenses incurred under each of these programs are as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(Unaudited)			
Oncology	\$ 10,073	\$ 6,281	\$ 28,318	\$ 19,115
hESC Therapies	6,272	7,447	21,326	21,547
Total	\$ 16,345	\$ 13,728	\$ 49,644	\$ 40,662

At this time, we cannot provide reliable estimates of how much time or investment will be necessary to commercialize products from the programs currently in progress. Drug development in the United States is a process that includes multiple steps defined by the FDA under applicable statutes, regulations and guidance documents. After the preclinical research process of identifying, selecting and testing in animals a

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potential pharmaceutical compound, the clinical development process begins with the filing of an Investigational New Drug (IND) application. Clinical development typically involves three phases of trials: Phase 1, 2 and 3. The most significant costs associated with clinical development are incurred in Phase 3 trials, which tend to be the longest and largest studies conducted during the drug development process. After the completion of a successful preclinical and clinical development program, a New Drug Application (NDA) or Biologics License Application (BLA) must be filed with the FDA, which includes, among other things, substantial amounts of preclinical and clinical data and results and manufacturing-related information necessary to support requested approval of the product. The NDA or BLA must be reviewed and approved by the FDA.

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According to industry statistics, it generally takes 10 to 15 years to research, develop and bring to market a new prescription medicine in the United States. In light of the steps and complexities involved, the successful development of our product candidates is highly uncertain. Actual timelines and costs to develop and commercialize a product are subject to enormous variability and are very difficult to predict. The costs to take a product through clinical trials are dependent upon a number of factors including, but not limited to, the clinical indications, timing, size and design of each clinical trial, the number of patients enrolled in each trial and the speed at which patients are enrolled and treated. In addition, product candidates may be found to be ineffective or to cause unacceptable side effects during clinical trials, may take longer to progress through clinical trials than anticipated, may fail to receive necessary regulatory approvals or may prove impractical to manufacture in commercial quantities at reasonable cost or with acceptable quality. Furthermore, various statutes and regulations also govern or influence the manufacturing, safety reporting, labeling, storage, record keeping and marketing of each product.

The lengthy process of seeking these regulatory reviews and approvals, and the subsequent compliance with applicable statutes and regulations, require the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could materially adversely affect our business. In responding to an NDA or a BLA submission, the FDA may grant marketing approval, may request additional information, may deny the application if it determines that the application does not provide an adequate basis for approval, and may also refuse to review an application that has been submitted if it determines that the application does not provide an adequate basis for filing and review. We cannot provide assurance that any approval required by the FDA will be obtained on a timely basis, if at all.

For a more complete discussion of the risks and uncertainties associated with completing development of our product candidates, see the sub-sections titled “Risks Related to Our Business” and “Risks Related to Clinical and Commercialization Activities” in Part II, Item 1A entitled “Risk Factors” and elsewhere in this quarterly report.

General and Administrative Expenses

General and administrative expenses were \$3.8 million and \$18.3 million for the three and nine months ended September 30, 2011, respectively, compared to \$5.0 million and \$13.4 million for the comparable 2010 periods. The decrease in general and administrative expenses for the three months ended September 30, 2011, compared to the comparable 2010 period primarily reflects lower non-cash stock-based compensation expense of \$1.3 million. The increase in general and administrative expenses for the nine months ended September 30, 2011, compared to the comparable 2010 period primarily reflects expenses incurred pursuant to the separation agreement executed in February 2011 with Thomas B. Okarma Ph.D., M.D., our former CEO, which includes \$3.5 million in non-cash stock-based compensation expense associated with the modification of outstanding equity awards held by Dr. Okarma, in addition to higher corporate legal and consulting fees and increased legal costs associated with our patents.

Unrealized Gain (Loss) on Derivatives

Unrealized gain on fair value of derivatives reflects a non-cash adjustment for changes in fair value of warrants to purchase common stock and options held by non-employees that are classified as current liabilities. Derivatives classified as assets or liabilities are marked to fair value at each financial reporting date with any resulting unrealized gain (loss) recorded in the condensed consolidated statements of operations. The derivatives continue to be reported as an asset or liability until such time as the instruments are exercised or expire or are otherwise modified to remove the provisions which require them to be recorded as assets or liabilities, at which time these instruments are marked to fair value and reclassified from assets or liabilities to stockholders' equity. We incurred unrealized gains on derivatives of \$291,000 and \$570,000 for the three and nine months ended September 30, 2011, respectively, compared to an unrealized loss of \$97,000 and an unrealized gain of \$133,000 for the comparable 2010 periods. The unrealized gains and losses on derivatives for 2011 and 2010 primarily reflect the change in fair values of derivative liabilities as a result of fluctuations in the market value of our stock and changes in other inputs factored into the estimate of their fair value such as the volatility of our stock. See Note 2 on Fair Value Measurements in Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further discussion of the fair value of derivatives.

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Interest and Other Income

Interest income was \$237,000 and \$820,000 for the three and nine months ended September 30, 2011, respectively, compared to \$223,000 and \$619,000 for the comparable 2010 periods. The increase in interest and other income in 2011 compared to 2010 was due to higher cash and investment balances as a result of the receipt of \$93.7 million in net proceeds in December 2010 from an underwritten public offering of our common stock. Interest earned in future periods will depend on the size of our securities portfolio and prevailing interest rates.

Losses Recognized Under Equity Method Investment

We own 40% of ViaGen, Inc. (ViaGen), a licensee with in-house breeding services and expertise in advanced reproductive technologies for animal cloning. In accordance with the equity method of accounting, we recognized losses of zero and \$503,000 for the three and nine months ended September 30, 2011, respectively, compared to \$243,000 and \$1.1 million for the comparable 2010 periods for our proportionate share of ViaGen's losses. See Note 3 on Equity Method Investment in Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further discussion of ViaGen.

Interest and Other Expense

Interest and other expense was \$114,000 and \$178,000 for the three and nine months ended September 30, 2011, respectively, compared to \$24,000 and \$76,000 for the comparable 2010 periods. The increase in interest and other expense in 2011 compared to 2010 primarily reflects \$53,000 in interest expense resulting from the amortization of the debt discount and accrual of interest on the CIRM loan. See Note 4 on Long-Term Debt in Notes to Condensed Consolidated Financial Statements of this Form 10-Q for further discussion of the CIRM loan.

Net Loss

Net loss was \$19.5 million and \$65.0 million for the three and nine months ended September 30, 2011, respectively, compared to \$18.3 million and \$52.0 million for the comparable 2010 periods. The increase in net loss in 2011 compared to 2010 was primarily due to higher clinical trial costs for start-up and enrollment of four Phase 2 clinical trials of imetelstat and the Phase 1 clinical trial of GRNOPC1, increased clinical drug product purchases and manufacturing costs for imetelstat and GRN1005 and higher personnel costs, which primarily consisted of non-cash stock-based compensation expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash, restricted cash, cash equivalents and marketable securities at September 30, 2011 were \$180.8 million, which included approximately \$24.8 million that we are required to maintain pursuant to covenants in our loan agreement with CIRM, compared to \$221.3 million at December 31, 2010. We have an investment policy to invest these funds in liquid, investment grade securities, such as interest-bearing money market funds, certificates of deposit, municipal securities, U.S. government and agency securities, corporate notes, commercial paper and asset-backed securities. Our investment portfolio does not contain securities with exposure to sub-prime mortgages, collateralized debt obligations or auction rate securities and, to date, we have not recognized an other-than-temporary impairment on our marketable securities or any significant changes in aggregate fair value that would impact our cash resources or liquidity. To date, we have not experienced lack of access to our invested cash and cash equivalents; however, we cannot provide assurances that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets. The decrease in cash, restricted cash, cash equivalents and marketable securities in 2011 was the result of use of cash for operations.

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We estimate that our existing capital resources, interest income, scheduled disbursements under our loan agreement with CIRM and amounts available to us under our equipment financing facility will be sufficient to fund our current level of operations through at least December 2012. However, our future capital requirements will be substantial. Changes in our research and development plans or other changes affecting our operating expenses or cash balances may result in the expenditure of available resources before such time. Factors that may require us to use our available capital resources sooner than we anticipate include:

- the accuracy of the assumptions underlying our estimates for our capital needs for the remainder of 2011 and beyond;
- changes in our clinical development plans for our product candidates, imetelstat, GRN1005 and GRNOPC1;
- our ability to meaningfully reduce manufacturing costs of current product candidates;
- changes in the magnitude and scope of our research and development programs, including the number and type of product candidates we intend to pursue;
- timing of the initiation of future clinical trials for our product candidates and future clinical trial results;
- whether we establish new and maintain existing strategic arrangements for research, development, clinical testing, manufacturing and marketing;
- reduction in the schedule of disbursements from CIRM under our loan agreement as a result of progress milestones not being met;
- the receipt of an accelerated repayment demand from CIRM as a result of a no go milestone occurring under our loan agreement;
- CIRM's denial of a request for loan repayment suspension;
- progress of our research programs;
- the cost and timing of regulatory approvals; and
- the filing, maintenance, prosecution, defense and enforcement of patent claims and other intellectual property rights.

Our minimum liquidity requirements are also determined by financial covenants in our loan agreement with CIRM as described below.

If our capital resources are insufficient to meet future capital requirements, we will need to raise additional capital to fund our operations. We anticipate that we would need to seek additional funding through strategic collaborations, public or private equity financings, equipment loans or other financing sources that may be available. However, we may be unable to raise sufficient additional capital when we need it, on favorable terms or at all. Our ability to raise additional funds may be severely impaired if any of our product candidates fails to show adequate safety or efficacy in clinical testing. If we are unable to obtain adequate funds on reasonable terms, we may be required to curtail operations significantly or obtain funds by entering into financing, supply or collaboration agreements on unattractive terms or we may be required to relinquish rights to technology or product candidates or to grant licenses on terms that are unfavorable to us.

Cash Flows from Operating Activities. Net cash used in operations for the nine months ended September 30, 2011 and 2010 was \$41.0 million and \$28.1 million, respectively. The increase in net cash used for operations in 2011 was primarily the result of higher clinical trial costs for start-up and enrollment of four Phase 2 clinical trials of imetelstat and the Phase 1 clinical trial of GRNOPC1 and increased clinical drug product purchases and manufacturing costs for imetelstat and GRN1005.

Cash Flows from Investing Activities. Net cash provided by investing activities for the nine months ended September 30, 2011 and 2010 was \$24.5 million and \$17.8 million, respectively. The increase in net cash provided by investing activities reflected higher proceeds from maturities of marketable securities, partially offset by higher purchases of marketable securities.

As of September 30, 2011, we had approximately \$500,000 available for borrowing under our equipment financing facility. We renewed the commitment for this equipment financing facility in 2009 to further fund equipment purchases. If we are unable to renew the commitment in the future, we will use our cash resources for capital expenditures.

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Cash Flows from Financing Activities. Net cash provided by financing activities for the nine months ended September 30, 2011 and 2010 was \$4.6 million and \$10.2 million, respectively. In August 2011, we entered into a Loan Agreement with CIRM solely to support development of GRNOPC1 for the treatment of spinal cord injury. As of September 30, 2011, we have received aggregate disbursements of approximately \$4.3 million under the Loan Agreement. In January 2010, we exchanged outstanding warrants held by certain institutional investors for shares of our common stock. In connection with the warrant exchange, we sold 1,481,481 shares of our common stock and warrants to purchase an additional 740,741 shares of common stock to the investors for gross proceeds of \$10.0 million.

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Long-Term Debt

Effective August 1, 2011, we entered into a Loan Agreement with CIRM solely to support development of GRNOPC1 for the treatment of spinal cord injury. CIRM shall disburse an aggregate of approximately \$24.8 million to us over a period of three years commencing on August 1, 2011 and ending on July 31, 2014. The disbursements are pursuant to an established schedule and, in certain cases, are conditioned upon the achievement of project milestones. The interest rate for each quarterly disbursement of the loan is equal to the one-year London Interbank Offered Rate (LIBOR) plus 2%. Interest is compounded annually on the principal amount from the date of the applicable disbursement. Repayment of the principal and any accrued interest shall be due and payable at the end of the initial term of five years (August 1, 2016). We may request extension of the Loan Agreement for one additional term of five years to August 1, 2021. If the loan is extended, certain interest payments are due during the second five years. Repayment of principal and interest may be suspended if the supported project is abandoned for any reason. Any principal or interest amount that has not been due and payable for 15 years after the granting of a suspension of repayment automatically will be forgiven by CIRM.

CIRM has the right to accelerate repayment of the loan amount in the event of a change in control of Geron and under certain termination provisions, such as in the event of a no go milestone, including, but not limited to, the occurrence of serious safety issues in a clinical trial that lead to termination of all clinical studies under the GRNOPC1 spinal cord injury project. If certain progress milestones are not met at the end of the first or second year of the project, CIRM may adjust the schedule of disbursements for subsequent years, based on the project costs associated with the elements of the milestone that are unmet, upon consultation with us.

Other conditions of the Loan Agreement include customary representations, warranties and covenants, including restrictions on our ability to issue cash dividends and execute certain stock repurchases, as well as requirements to maintain certain levels of insurance coverage, quality of investments and sufficient assets during the term of the loan equal to approximately \$24.8 million plus any accrued interest to date. The Loan Agreement is unsecured and ranks senior to any of our current or future indebtedness and other liabilities. As of September 30, 2011, we were in compliance with all material covenants under the Loan Agreement.

In connection with each disbursement, we are obligated to issue to CIRM a warrant to purchase our common stock. The number of shares underlying each of the warrants will be equal to 50% of the applicable disbursement amount divided by the average of the closing sales price of our common stock as reported by The NASDAQ Global Select Market for the ten consecutive trading days immediately preceding the corresponding disbursement (the Average Closing Price). The exercise price of each warrant shall also be equal to the Average Closing Price preceding the issuance of such warrant. Each of the warrants and the underlying common stock will be unregistered and each warrant shall have a term of ten years from the respective date of issuance.

Significant Cash and Contractual Obligations

The following table summarizes our scheduled contractual obligations and commitments that will affect our future liquidity as of September 30, 2011:

Contractual Obligations (1)	Principal Payments Due by Period				
	Total	Remainder in 2011	2012- 2013	2014- 2015	After 2015
	(Amounts in thousands)				
Equipment leases	\$ 30	\$ 5	\$ 25	\$ —	\$ —
Long-term debt, including interest (2)	4,302	—	—	—	4,302
Operating leases (3)	—	—	—	—	—
Research funding (4)	3,246	939	1,415	367	525
Total contractual cash obligations	\$ 7,578	\$ 944	\$ 1,440	\$ 367	\$ 4,827

- (1) This table does not include any milestone payments under research collaborations or license agreements as the timing and likelihood of such payments are not known. In addition, this table does not include payments under our severance plan if there were a change in control of Geron or severance payments to key employees under involuntary termination.

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- (2) The principal amount shown represents the aggregate funding received as of September 30, 2011 under the CIRM loan agreement and assumes repayment is made at the end of the loan term. Repayment of the loan may be suspended upon abandonment of the underlying project. Interest accrues under CIRM loan at a variable rate which was 2.76% at September 30, 2011. We calculated future interest payments assuming that interest on the loan will be paid at a rate of 2.76%, which may not represent actual interest payments to be made.
- (3) In March 2008, we issued 742,158 shares of our common stock to the lessor of our premises at 200 and 230 Constitution Drive in payment of our monthly rental obligation from August 1, 2008 through July 31, 2012. In January 2010 and April 2010, we issued an aggregate of 187,999 shares of our common stock to the lessor of our premises at 149 Commonwealth Drive in payment of our monthly rental obligation from May 1, 2010 through July 31, 2012. The fair value of the common stock issuances has been recorded as a prepaid asset and is being amortized to rent expense on a straight-line basis over the lease periods. Future minimum payments under non-cancelable operating leases are zero through July 31, 2012, as a result of the prepayments of rent with our common stock.
- (4) Research funding is comprised of sponsored research commitments at various laboratories around the world.

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Off-Balance Sheet Arrangements

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our market risk disclosures contains forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. We are exposed to market risk related to changes in interest rates and foreign currency exchange rates. We do not use derivative financial instruments for speculative or trading purposes.

Credit Risk. We place our cash, restricted cash, cash equivalents and marketable securities with six financial institutions in the United States and Scotland. Deposits with banks may exceed the amount of insurance provided on such deposits. While we monitor the cash balances in our operating accounts and adjust the cash balances as appropriate, these cash balances could be impacted if the underlying financial institutions fail or could be subject to other adverse conditions in the financial markets. Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents and marketable securities. Cash equivalents and marketable securities currently consist of money market funds, certificates of deposit, municipal securities, U.S. government-sponsored enterprise securities, commercial paper and corporate notes. Our investment policy, approved by our Board of Directors, limits the amount we may invest in any one type of investment issuer, thereby reducing credit risk concentrations. We limit our credit and liquidity risks through our investment policy and through regular reviews of our portfolio against our policy. To date, we have not experienced any loss or lack of access to cash in our operating accounts or to our cash equivalents and marketable securities in our investment portfolios.

Interest Rate Risk. The primary objective of our investment activities is to manage our marketable securities portfolio to preserve principal and liquidity while maximizing the return on the investment portfolio through the full investment of available funds without significantly increasing risk. To achieve this objective, we invest in widely diversified investments consisting of both fixed rate and floating rate interest earning instruments, which both carry a degree of interest rate risk. Fixed rate securities may have their fair value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future interest income may fall short of expectations due to changes in market conditions and in interest rates or we may suffer losses in principal if forced to sell securities which may have declined in fair value due to changes in interest rates.

The fair value of our cash equivalents and marketable securities at September 30, 2011 was \$172.3 million. These investments include \$26.3 million of cash equivalents that are due in less than 90 days, \$108.1 million of short-term investments that are due in less than one year and \$37.9 million of long-term investments that are due in one to two years. We primarily invest our marketable securities portfolio in securities with at least an investment grade rating to minimize interest rate and credit risk as well as to provide for an immediate source of funds. Although changes in interest rates may affect the fair value of the marketable securities portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold. Due to the nature of our investments, which are primarily money market funds, certificates of deposit, municipal securities, U.S. government-sponsored enterprise securities, commercial paper and corporate notes, we have concluded that there is no material interest rate risk exposure.

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Foreign Currency Exchange Risk. Because we translate foreign currencies into U.S. dollars for reporting purposes, currency fluctuations can have an impact, though generally immaterial, on our operating results. We believe that our exposure to currency exchange fluctuation risk is insignificant primarily because our wholly-owned international subsidiary, Geron Bio-Med Ltd., satisfies its financial obligations almost exclusively in its local currency. As of September 30, 2011, there was an immaterial currency exchange impact from our intercompany transactions. As of September 30, 2011, we did not engage in foreign currency hedging activities.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The Securities and Exchange Commission defines the term “disclosure controls and procedures” to mean a company’s controls and other procedures that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO) have concluded, based on the evaluation of the effectiveness of our disclosure controls and procedures by our management, with the participation of our CEO and our CFO, as of the end of the period covered by this report, that our disclosure controls and procedures were effective, at a reasonable assurance level, for this purpose.

(b) Changes in Internal Controls Over Financial Reporting. There was no change in our internal control over financial reporting for the three months ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable assurance, and not absolute assurance, that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals in all future circumstances.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Our business is subject to various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this Form 10-Q. Any of these risks could materially adversely affect our business, operating results and financial condition.

RISKS RELATED TO OUR BUSINESS

Our business is at an early stage of development, and we must overcome numerous risks and uncertainties to become successful.

Our business is at an early stage of development, in that we do not yet have product candidates in late-stage clinical trials or on the market. Our ability to develop product candidates that progress to and through clinical trials is subject to our ability to, among other things:

- succeed in our research and development efforts;
- select promising therapeutic compounds or cell therapies for development;
- obtain required regulatory approvals;
- obtain financing on commercially reasonable terms for our operations;
- manufacture product candidates at commercially reasonable costs; and
- collaborate successfully with clinical trial sites, academic institutions, physician investigators, clinical research organizations and other third parties.

Potential lead drug compounds or other product candidates and technologies require significant preclinical and clinical testing prior to regulatory approval in the United States and other countries. Our product candidates may prove to have undesirable and unintended side effects or other characteristics adversely affecting their safety, efficacy or cost-effectiveness that could prevent or limit their commercial use. In addition, our product candidates may not prove to be more effective for treating disease or injury than current therapies. Accordingly, we may have to delay or abandon efforts to research, develop or obtain regulatory approvals to market our product candidates. In addition, we will need to determine whether any of our product candidates can be manufactured in commercial quantities at an acceptable cost. Our research and development efforts may not result in a product that can be or will be approved by regulators or marketed successfully. Competitors may have proprietary rights which prevent us from developing and marketing our products or they may sell similar, superior or lower-cost products.

Our research and development programs are subject to numerous risks and uncertainties.

The science and technology of telomere biology, telomerase, receptor-targeting peptides that cross the blood brain barrier (BBB) and human embryonic stem cells (hESCs) are relatively new. There is no precedent for the successful commercialization of therapeutic product candidates based on these technologies. In addition, we, our licensees, or our collaborators must undertake significant research and development activities to develop product candidates based on these technologies, which will require additional funding and may take years to accomplish, if ever.

Because of the significant scientific, regulatory and commercial milestones that must be reached for any of our research and development programs or product candidates to be successful, any program or product candidate may be delayed or abandoned, even after we have expended significant resources on it. Such a delay or abandonment of our programs in telomerase technology, receptor-targeting peptide technology to

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cross the BBB, hESCs, imetelstat, GRN1005 or GRNOPC1, would likely have a material adverse effect on our business.

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In our Phase 1 clinical trials of imetelstat, we observed dose-limiting toxicities, including thrombocytopenia when the drug was used as a single agent, and neutropenia when the drug was used in combination with paclitaxel, and a low incidence of severe infusion reactions. We also did not observe single agent efficacy with imetelstat in our Phase 1 program. Further, the information we have related to the ability of GRN1005 to penetrate brain tissue and its anti-tumor activity is preliminary and based on Phase 1 clinical studies conducted by Angiochem. In the Phase 1 studies of GRN1005, Grade 4 neutropenia was the primary dose-limiting toxicity observed. In our Phase 2 clinical trials of imetelstat or GRN1005, we may observe similar dose-limiting toxicities or other safety issues which may impact our ability to complete our oncology clinical trials on a timely basis, if at all. In animal studies of GRNOPC1, a low frequency of injected animals developed microscopic cysts at the site of injection. Were these cysts to occur and grow in a confined space such as the spinal cord, this might result in adverse symptoms or worsening of neurologic function in patients.

Similarly, research stage programs are inherently subject to high levels of technical risk and timeline delays. For example, recent technical challenges identified by our collaborator for hESC-derived chondrocytes (GRNCHND1) mean that we can no longer expect to report efficacy data from a preliminary short-term sheep study at the end of 2011, or to report data from a long-term large animal efficacy study by the end of 2012.

Restrictions on the use of hESCs, political commentary and the ethical and social implications of research involving hESCs could prevent us from developing or gaining acceptance for commercially viable products based upon such stem cells and adversely affect the market price of our common stock.

Some of our most significant programs involve the use of stem cells that are derived from human embryos. The use of hESCs gives rise to ethical and social issues regarding the appropriate use of these cells. Our research related to hESCs may become the subject of adverse commentary or publicity, which could significantly harm the market price of our common stock.

Some political and religious groups have voiced opposition to our technology and practices. We use stem cells derived from human embryos that had been created for in vitro fertilization procedures but were no longer desired or suitable for that use and were donated with appropriate informed consent. Many research institutions, including some of our scientific collaborators, have adopted policies regarding the ethical use of human embryonic tissue. These policies may have the effect of limiting the scope of research conducted using hESCs, thereby impairing our ability to conduct research in this field.

Government-imposed restrictions with respect to use of embryos or hESCs in research and development could have a material effect on our business, including:

- harming our ability to establish critical partnerships and collaborations;
- delaying or preventing progress in our research, product development or clinical testing; and
- preventing commercialization of therapies derived from hESCs.

These potential effects and others may result in a decrease in the market price of our common stock.

Changes in governmental regulations relating to funding of stem cell research may also materially impact our product development programs and result in an increase to the volatility of the market price of our common stock. For example, in March 2009 President Obama issued Executive Order 13505, entitled "Removing Barriers to Responsible Scientific Research Involving Human Stem Cells." As a result, the Secretary of Health and Human Services, through the Director of the National Institutes of Health (NIH), issued new guidelines relating to human stem cell research to allow federal funding for research using hESCs derived from embryos created by in vitro fertilization for reproductive purposes, but are no longer needed for that purpose. However, in August 2010 the Federal District Court for the District of Columbia issued a preliminary injunction prohibiting federal funding for hESC research. The injunction was overturned by the appeals court in April 2011 and the case was dismissed in July 2011 upon remand to the District Court. Opponents of the Executive Order and the NIH guidelines may pursue further legal challenges, potentially seeking review from the United States Supreme Court. Meanwhile, certain states are considering enacting, or already have enacted, legislation relating to stem cell research, including California, whose voters approved Proposition 71 to provide state funds for stem cell research in November 2004. In the United Kingdom and other countries, the use of embryonic or fetal tissue in research (including the derivation of hESCs) is regulated by the government, whether or not the research involves government funding.

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RISKS RELATED TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL FINANCING

We have a history of losses and anticipate future losses, and continued losses could impair our ability to sustain operations.

We have incurred operating losses every year since our operations began in 1990. As of September 30, 2011, our accumulated deficit was approximately \$753.6 million. Losses have resulted principally from costs incurred in connection with our research and development activities and from general and administrative costs associated with our operations. We expect to incur additional operating losses and, as our development efforts and clinical testing activities continue, our operating losses may increase in size.

Substantially all of our revenues to date have been research support payments under collaboration agreements and revenues from our licensing arrangements. We may be unsuccessful in entering into any new corporate collaboration or license agreements that result in revenues. We do not expect that the revenues generated from these arrangements will be sufficient alone to continue or expand our research or development activities and otherwise sustain our operations.

While we receive royalty revenue from licenses, we do not currently expect to receive sufficient royalty revenues from these licenses to independently sustain our operations. Our ability to continue or expand our research and development activities and otherwise sustain our operations is dependent on our ability, alone or with others, to, among other things, manufacture and market therapeutic products.

We also expect to experience negative cash flow for the foreseeable future as we fund our operating losses and capital expenditures. This will result in decreases in our working capital, total assets and stockholders' equity, which may not be offset by future financings. We will need to generate significant revenues to achieve profitability. We may not be able to generate these revenues, and we may never achieve profitability. Our failure to achieve profitability could negatively impact the market price of our common stock and our ability to sustain operations. Even if we do become profitable, we cannot assure you that we would be able to sustain or increase profitability on a quarterly or annual basis.

We will need additional capital to conduct our operations and develop our product candidates, and our ability to obtain the necessary funding is uncertain.

We will require substantial capital resources in order to conduct our operations and develop our product candidates, and we cannot assure you that our existing capital resources, scheduled disbursements under our loan agreement with CIRM, interest income and equipment financing arrangement will be sufficient to fund future planned operations. The timing and degree of any future capital requirements will depend on many factors, including:

- the accuracy of the assumptions underlying our estimates for our capital needs for the remainder of 2011 and beyond;
- changes in our clinical development plans for our product candidates, imetelstat, GRN1005 and GRNOPC1;
- our ability to meaningfully reduce manufacturing costs of current product candidates;
- the magnitude and scope of our research and development programs, including the number and type of product candidates we intend to pursue;
- the progress we make in our research and development programs, preclinical development and clinical trials;
- our ability to establish, enforce and maintain strategic arrangements for research, development, clinical testing, manufacturing and marketing;
- achievement of progress milestones under our loan agreement with CIRM to maintain the current disbursement schedule;
- receipt of an accelerated repayment demand from CIRM as a result of an event of default under our loan agreement;

- CIRM's denial of a request for loan repayment suspension;
- the time and costs involved in obtaining regulatory approvals and clearances; and
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patent claims.

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Our current committed sources of additional capital are limited to our equipment financing facility and our loan arrangement with CIRM. Notably, the receipt of future disbursements from our loan arrangement with CIRM is subject to the achievement of various milestones and proceeds received, if any, must be used solely to fund the clinical development of GRNOPC1 for the treatment of spinal cord injury. Additional financing through strategic collaborations, public or private equity financings, capital lease transactions or other financing sources may not be available on acceptable terms, or at all. The receptivity of the public and private equity markets to proposed financings is substantially affected by the general economic, market and political climate and by other factors which are unpredictable and over which we have no control. Additional equity financings, if we obtain them, could result in significant dilution to our stockholders. Further, in the event that additional funds are obtained through arrangements with collaborative partners, these arrangements may require us to relinquish rights to some of our technologies, product candidates or proposed products that we would otherwise seek to develop and commercialize ourselves. If sufficient capital is not available, we may be required to delay, reduce the scope of, suspend or eliminate one or more of our programs, any of which could have a material adverse effect on our business. For example, we are not currently funding continued research in our GRNCM1, GRNIC1, or GRNVAC2 programs.

Our loan arrangement with the California Institute for Regenerative Medicine (CIRM) contains progress milestones that must be achieved prior to receiving future disbursements, as well as certain covenants that limit our flexibility to use the proceeds and in operating our business.

On August 1, 2011, we entered into a loan agreement with CIRM that provides us with a product-backed loan in an amount up to approximately \$24.8 million to support the clinical development of our human embryonic stem-cell derived oligodendrocyte progenitor cell therapy (GRNOPC1) for the treatment of spinal cord injury. Our ability to receive any future disbursements under the loan is subject to the achievement of certain progress milestones set forth in the Notice of Loan Award (NLA). Whether we can achieve these milestones and, as a result, receive future disbursements under the loan is uncertain.

The loan agreement with CIRM contains certain restrictions on our ability to use the proceeds from the loan, specifically, the proceeds we receive must be used solely to fund the clinical development of GRNOPC1 for the treatment of spinal cord injury. In addition, the loan agreement requires that we reserve sufficient capital to fund our portion of the GRNOPC1 project costs and re-pay the outstanding loan balance, and also contains covenants that limit our flexibility to engage in specified types of transactions, including, among other things:

- selling, transferring, leasing or disposing of certain of our assets;
- creating, incurring or assuming additional indebtedness related to our GRNOPC1 project;
- encumbering or permitting liens on certain of our assets;
- making restricted payments, including paying dividends on, repurchasing or making cash distributions with respect to our common stock;
- making specified investments (including loans and advances);
- consolidating, merging, selling or otherwise disposing of all or substantially all of our assets; and
- entering into certain transactions with our affiliates.

A breach of any of these covenants could result in a default under our loan agreement. Upon the occurrence of an event of default under our loan agreement, CIRM could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments regarding future disbursements, which could have a material adverse effect on our ability to fund our operations. In addition, if certain progress milestones are not met, CIRM may adjust the schedule of disbursements under the loan agreement.

RISKS RELATED TO CLINICAL AND COMMERCIALIZATION ACTIVITIES

Our ability to timely complete our ongoing clinical trials is subject to risks and uncertainties related to factors such as patient enrollment and regulatory approval.

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Our ongoing clinical trials may be delayed due to insufficient patient enrollment, which is a function of many factors, including the size and nature of the patient population, the nature of the protocol, the proximity of patients to clinical sites, the availability of effective treatments for the relevant disease, and the eligibility criteria for the clinical trial. Delays in timely completion of clinical testing of our product candidates could increase research and development costs and could prevent or would delay us from obtaining regulatory approval for our product candidates, both of which would likely have a material adverse effect on our business.

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With respect to our clinical studies of GRN1005, we have aggressive initiation and enrollment goals, and we can give no assurance that our studies will start on time or that our enrollment projections will be met. Enrollment into our Phase 2 studies of imetelstat in multiple myeloma and essential thrombocythemia, and our Phase 1 study of GRNOPC1 in thoracic spinal cord injury, has been slower than expected. We have enrolled four patients into our GRNOPC1 study since October 2010. Our ability to escalate dosing in thoracic patients and to expand enrollment into patients with cervical injuries is also subject to numerous risks and uncertainties. For example, regulatory agencies and Institutional Review Boards may find our existing non-clinical or clinical data insufficient.

Delays in the initiation of new clinical trials of future product candidates or initiation of later stage clinical testing of our current product candidates could result in increased costs to us and would delay our ability to generate revenues.

The commencement of clinical trials can be delayed for a variety of reasons, including delays in:

- demonstrating sufficient safety and efficacy to obtain regulatory clearance to commence a clinical trial;
- manufacturing sufficient quantities or producing drugs meeting our quality standards for a product candidate;
- obtaining approval of an IND application or proposed trial design from the FDA;
- reaching agreement on acceptable terms with our collaborators on all aspects of the clinical trial, including the contract research organizations (CROs) and the trial sites; and
- obtaining institutional review board approval to conduct a clinical trial at a prospective site.

We may not achieve manufacturing at costs or scales necessary to conduct our clinical programs or potential future commercialization activities.

Our product candidates are likely to be more expensive to manufacture than most other treatments currently on the market today. Our manufacturing processes are conducted at a modest scale. If we are not able to substantially reduce manufacturing costs through process improvements and scale increases, the profit margin on our product candidates, including GRNOPC1, imetelstat and GRN1005, would likely be significantly less than that of most drugs on the market today.

The commercial cost of manufacturing imetelstat and GRN1005 will need to be significantly lower than our current scale costs in order for these product candidates to become commercially successful products. Oligonucleotides are relatively large molecules produced using complex chemistry, and the cost of manufacturing an oligonucleotide like imetelstat is greater than the cost of making typical small-molecule drugs. Our present imetelstat manufacturing processes are conducted at a relatively modest scale appropriate for Phase 2 clinical trials. Similarly, our GRN1005 manufacturing processes are currently conducted at a relatively small scale, and there is also limited history of manufacturing of GRN1005. Accordingly, we can provide no assurance that we will achieve sufficient scale increases or cost reductions necessary for successful commercial production of imetelstat or GRN1005.

Manufacturing our product candidates is subject to process and technical challenges and regulatory risk.

Processes and technologies for manufacturing of cellular therapeutics in general, and hESC-derived therapies in particular, are significantly less mature than those for small molecule and protein therapeutics. For example, significant risks impact the manufacturability of our GRNOPC1 product, including:

- we have a low frequency of manufactured lots that currently meet all release testing requirements;
- several critical raw materials are currently sole sourced and/or are not available at sufficient scale and levels of regulatory compliance to support regulatory approval; and
- the current manufacturing process is not sufficiently scaled to enable randomized trials or commercial production.

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In addition, regulatory requirements for product quality of oligonucleotide products are less well-defined than for small molecule drugs, and there is no guarantee that we will achieve sufficient product quality standards required for Phase 3 clinical trials or for commercial approval and manufacturing of imetelstat. Similarly, the required product quality for GRN1005, while appropriate for Phase 2 clinical studies, will need to continue to advance to meet regulatory requirements for Phase 3 clinical trials and ultimately for commercial approval.