GERON CORP
Form 10-Q
October 30, 2009

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

o **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	**75-2287752**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
230 CONSTITUTION DRIVE, MENLO PARK, CA	**94025**
(Address of principal executive offices)	*(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 x No o

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 o No o

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.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	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 o 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 26, 2009:
Common Stock, $0.001 par value	91,627,842 shares

GERON CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GERON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SEPTEMBER 30, 2009 (UNAUDITED)	DECEMBER 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 97,869	$ 109,348

Restricted cash	791	816
Marketable securities	80,748	53,491
Interest and other receivables	1,041	882
Current portion of prepaid and other assets	4,234	3,709
Total current assets	184,683	168,246
Noncurrent portion of prepaid assets	1,523	2,236
Investments in licensees	2,010	657
Property and equipment, net	4,265	4,386
Deposits and other assets	441	693
	$ 192,922	$ 176,218
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,008	$ 2,414
Accrued compensation	2,633	1,398
Accrued liabilities (including amounts for related parties: 2009-none, 2008-$270)	2,677	2,248
Current portion of deferred revenue	700	27
Fair value of derivatives	1,341	1,184
Current portion of advance payment from related party for research and development, net	—	440
Total current liabilities	9,359	7,711
Noncurrent portion of deferred revenue	525	52
Commitments and contingencies		
Stockholders' equity:		
Common stock	92	81
Additional paid-in capital	741,940	675,227
Accumulated deficit	(558,876)	(506,893)
Accumulated other comprehensive (loss) income	(118)	40
Total stockholders' equity	183,038	168,455
	$ 192,922	$ 176,218

See accompanying notes.

GERON CORPORATION

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENI SEPTEMBER 30,	
	2009	**2008**	**2009**	**20**
Revenues from collaborative agreements (including amounts from related parties: three months - 2009-none, 2008-$20; nine months - 2009-none, 2008-$79)	$ 225	$ 74	$ 225	$
License fees and royalties (including amounts from related parties: three months - 2009-none, 2008-none; nine months - 2009-none, 2008-$1,500)	269	293	896	
Total revenues	494	367	1,121	
Operating expenses:				

Research and development (including amounts for related parties: three months - 2009-$397, 2008-$184; nine months - 2009-$1,328, 2008-$502)	13,395	14,208	42,278	
General and administrative	3,499	4,093	10,705	
Total operating expenses	16,894	18,301	52,983	
Loss from operations	(16,400)	(17,934)	(51,862)	
Unrealized gain (loss) on derivatives, net	966	(162)	(287)	
Interest and other income	240	1,197	1,128	
Losses recognized under equity method investment	—	(229)	(656)	
Interest and other expense	(30)	(23)	(116)	
Net loss	(15,224)	(17,151)	(51,793)	
Deemed dividend on derivatives	—	—	(190)	
Net loss applicable to common stockholders	$ (15,224)	$ (17,151)	$ (51,983)	$
Basic and diluted net loss per share applicable to common stockholders				
Net loss per share applicable to common stockholders	$ (0.17)	$ (0.22)	$ (0.59)	$
Shares used in computing net loss per share applicable to common stockholders	89,402,642	78,752,645	87,370,361	77,

See accompanying notes.

GERON CORPORATION

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2009	**2008**
Cash flows from operating activities:		
Net loss	$ (51,793)	$ (44,389)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,346	1,609
Accretion and amortization on investments, net	421	(1,065)
Loss (gain) on retirement/sale of property and equipment	127	(9)
Issuance of common stock in exchange for services by non-employees	2,227	1,166
Stock-based compensation for employees and directors	7,916	8,701
Amortization related to 401(k) contributions	416	347
Loss on investments in licensees	682	273
Unrealized loss (gain) on derivatives, net	287	(739)
Changes in assets and liabilities:		
Other current and noncurrent assets	3,527	6,358
Other current and noncurrent liabilities	3,512	(1,894)
Advance payment from related party for research and development	(440)	(989)
Translation adjustment	—	(5)
Net cash used in operating activities	(31,772)	(30,636)

Cash flows from investing activities:		
Restricted cash transfer	25	1,608
Loan to related party		(1,500)
Investment in licensee, net	(2,009)	
Proceeds from sale of fixed assets		15
Purchases of property and equipment	(1,352)	(1,780)
Purchases of marketable securities	(110,491)	(57,833)
Proceeds from maturities of marketable securities	82,630	66,250
Net cash (used in) provided by investing activities	(31,197)	6,760
Cash flows from financing activities:		
Repurchase of common stock		(455)
Proceeds from issuances of common stock, net of issuance costs	51,490	113
Net cash provided by (used in) financing activities	51,490	(342)
Net decrease in cash and cash equivalents	(11,479)	(24,218)
Cash and cash equivalents at the beginning of the period	109,348	146,025
Cash and cash equivalents at the end of the period	$ 97,869	$ 121,807

See accompanying notes.

Geron Corporation
Notes to Condensed Consolidated Financial Statements
September 30, 2009
(Unaudited)

1. 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, 2009 and condensed consolidated statements of operations for the three and nine months ended September 30, 2009 and 2008 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, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 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, 2008, included in the Company's Annual Report on Form 10-K. The accompanying condensed consolidated balance sheet as of December 31, 2008 has been derived from audited financial statements at that date.

Principles of Consolidation

The 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.

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 were in a net loss position, diluted earnings 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 1,279,520 and 311,707 shares for 2009 and 2008, 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.

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 place our cash and cash equivalents in money market funds. Our current investments include U.S. Treasury securities, U.S. government-sponsored enterprise securities and commercial paper with original maturities ranging from five to eleven months.

We classify our marketable debt 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 on our condensed consolidated statements of operations. We recognize a charge when the declines in the fair values of our available-for-sale securities below the amortized cost basis 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.

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. Under this method, we increase (decrease) the carrying value of our investment by our proportionate share of the investees 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. 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 the period the equity method was suspended.

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 companys ability to obtain additional private financing to fulfill its stated business plan; the need for changes to the investee companys 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.

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 and no further adjustments are made.

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Geron Corporation
Notes to Condensed Consolidated Financial Statements
September 30, 2009
(Unaudited)

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.

Restricted Cash

The components of restricted cash are as follows:

	September 30, 2009	December 31, 2008
	(In thousands)	
Certificate of deposit for unused equipment line of credit	$ 530	$ 530
Certificate of deposit for credit card purchases	261	258
Funds held in trust for creditors of TA Therapeutics, Ltd.	—	28
	$ 791	$ 816

Research and Development Expenses

All research and development costs are expensed as incurred. The value of acquired in-process research and development is charged to research and development expense on the date of acquisition, if not acquired in connection with a business combination. Research and development expenses include, but are not limited to, acquired in-process technology deemed to have no alternative future use, payroll and personnel expense, lab supplies, preclinical studies, 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.

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 for stock-based awards granted after January 1, 2006, plus unvested awards granted prior to January 1, 2006 based on the grant-date fair value estimated using accounting guidance in effect at that time and following the straight-line attribution method.

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, 2009 and 2008 which was allocated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	(In thousands)			
Research and development	$ 1,588	$ 1,546	$ 3,925	$ 4,211
General and administrative	1,236	1,546	3,991	4,490
Stock-based compensation expense included in operating expenses	$ 2,824	$ 3,092	$ 7,916	$ 8,701

Stock Options

The fair value of options granted during the nine months ended September 30, 2009 and 2008 has been estimated at the date of grant using the Black Scholes option-pricing model with the following assumptions:

	Nine Months Ended September 30,	
	2009	**2008**
Dividend yield	None	None
Expected volatility range	0.630 to 0.631	0.527 to 0.596
Risk-free interest rate range	1.54% to 2.52%	2.36% to 3.57%
Expected term	5 yrs	5 yrs

Employee Stock Purchase Plan

The fair value of employees purchase rights during the nine months ended September 30, 2009 and 2008 has been estimated using the Black Scholes option-pricing model with the following assumptions:

	Nine Months Ended September 30,	
	2009	**2008**
Dividend yield	None	None
Expected volatility range	0.536 to 1.016	0.458 to 0.593
Risk-free interest rate range	0.28% to 2.38%	2.13% to 4.97%
Expected term range	6 - 12 mos	6 - 12 mos

The expected volatility range is based on historical volatilities of our stock, because traded options on Geron stock do not correspond to option terms or the underlying stock trading volume. 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. 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. Dividend yield is based on historical cash dividend payments, which have been none to date. We grant options under our equity plans to employees, non-employee directors and consultants, which generally vest over four years.

As stock-based compensation expense recognized in the condensed consolidated statements of operations for the three and nine months ended September 30, 2009 and 2008 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 using historical experience and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Restricted Stock Awards

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

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, 2009 and 2008 are as follows:

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(In thousands)			
Net loss	$ (15,224)	$ (17,151)	$ (51,793)	$ (44,389)
Change in unrealized (loss) gain on available-for-sale securities and marketable investments in licensees	(88)	44	(158)	(96)
Change in foreign currency translation adjustments	(1)	(3)	—	(5)
Comprehensive loss	$ (15,313)	$ (17,110)	$ (51,951)	$ (44,490)

The components of accumulated other comprehensive income (loss) are as follows:

	September 30, 2009	December 31, 2008
	(In thousands)	
Net unrealized gains on available-for-sale securities and marketable investments in licensees	$ 53	$ 211
Foreign currency translation adjustments	(171)	(171)
Accumulated other comprehensive (loss) income	$ (118)	$ 40

Recently Issued Accounting Guidance

In June 2009, the Financial Accounting Standards Board (FASB) issued a new accounting statement which changes the consolidation model for variable interest entities. This statement requires companies to qualitatively assess the determination of the primary beneficiary of a variable interest entity (VIE) based on whether the entity (i) has the power to direct matters that most significantly impact the activities of the VIE, and (ii) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The new accounting statement is effective for us on January 1, 2010. We are evaluating the potential impact, if any, of this new statement on our consolidated financial statements.

In August 2009, the FASB issued new guidance regarding fair value measurement when a quoted price in an active market for an identical liability is not available. Under those circumstances, the fair value of the liability would be determined using one or more of the techniques prescribed by the FASB. The new guidance became effective for us on October 1, 2009. We are evaluating the potential impact, if any, of this new guidance on our consolidated financial statements.

In September 2009, the FASB ratified a new accounting statement that addresses the use of estimated selling prices (ESP) in the absence of vendor-specific objective evidence (VSOE) or other third party evidence (TPE) of the selling price for deliverables in a multiple-element arrangement. This statement requires the use of a relative-selling price model for allocating an arrangement’s total consideration to its individual elements. Under this model, the ESP is used for both the delivered and undelivered elements that do not have VSOE or TPE of the selling price. The new statement is applicable prospectively for any arrangements we enter into after January 1,

2011. We are evaluating the potential impact, if any, of this new statement on our consolidated financial statements.

Geron Corporation
Notes to Condensed Consolidated Financial Statements
September 30, 2009
(Unaudited)

2. FAIR VALUE MEASUREMENTS

We categorize assets and liabilities recorded at fair value in our condensed consolidated balance sheet based upon the level of judgment associated with inputs used to measure their 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.

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 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 highly liquid U.S. Treasury securities, U.S. government-sponsored enterprise securities 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 corporate notes, asset-backed securities and commercial paper.

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, 2009 and December 31, 2008, the carrying values of our investments in non-marketable nonpublic companies were $2,010,000 and $656,000, respectively. We recognized no charges for the three months ended September 30, 2009 and 2008, related to other-than-temporary declines in fair values of investments in licensees. We recognized charges of none and $43,000 for the nine months ended September 30, 2009 and 2008, respectively, related to other-than-temporary declines in fair values of certain of our investments in licensees. We recognized net realized losses of $7,000 and $26,000 for the three and nine months ended September 30, 2009, respectively, related to sales of investments in licensees. In connection with the sales, $7,000 and $26,000 of previously unrecognized unrealized loss was eliminated from accumulated other comprehensive loss for the three and nine months ended September 30, 2009, respectively. We did not realize any losses from such sales for the three and nine months ended September 30, 2008. See Note 3 on Joint Venture and Related Party Transactions for further discussion of investments in licensees.

Geron Corporation
Notes to Condensed Consolidated Financial Statements
September 30, 2009
(Unaudited)

Marketable debt securities by security type at September 30, 2009 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In thousands)		
Included in cash and cash equivalents:				
Money market funds	$ 97,051	$ —	$ —	$ 97,051
Restricted cash:				
Certificates of deposit	$ 791	$ —	$ —	$ 791
Marketable securities:				
U.S. Treasury securities (due in less than 1 year)	$ 42,719	$ 21	$	$ 42,740
Government-sponsored enterprise securities (due in less than 1 year)	25,117	13	—	25,130
Commercial paper (due in less than 1 year)	12,859	19	—	12,878
	$ 80,695	$ 53	$ —	$ 80,748

Marketable debt and equity securities by security type at December 31, 2008 were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In thousands)		
Included in cash and cash equivalents:				
Money market funds	$ 106,046	$ —	$ —	$ 106,046
U.S. Treasury securities	1,254	—	—	1,254
	$ 107,300	$ —	$ —	$ 107,300
Restricted cash:				
Certificates of deposit	$ 788	$ —	$ —	$ 788
Money market funds	28	—	—	28
	$ 816	$ —	$ —	$ 816
Marketable securities:				
U.S. Treasury securities (due in less than 1 year)	$ 10,314	$ 55	$ —	$ 10,369
Government-sponsored enterprise securities (due in less than 1 year)	25,764	87	—	25,851
Commercial paper (due in less than 1 year)	17,176	95	—	17,271
Investments in licensees	27	—	(26)	1
	$ 53,281	$ 237	$ (26)	$ 53,492

There were no unrealized losses for marketable debt and equity securities at September 30, 2009.

Marketable equity securities with unrealized losses at December 31, 2008 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 December 31, 2008:						
Investments in licensees	$ —	$ —	$ 1	$ (26)	$ 1	$ (26)

The gross unrealized losses related to investments in licensees were a result of declining valuations for those biopharmaceutical companies. We determined that the gross unrealized losses on our investments in licensees as of December 31, 2008 were temporary in nature. We review our investments in licensees 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 fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

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, 2009	December 31, 2008
Dividend yield	None	None
Expected volatility range	0.628 to 0.631	0.749 to 0.758
Risk-free interest rate range	0.18% to 2.31%	0.57% to 1.71%
Expected term range	1 yr to 6 yrs	1 yr to 6 yrs

The expected volatility range 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 expected term of derivatives is equal to the remaining contractual term of the instrument. 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 reporting date. Dividend yield is based on historical cash dividend payments, which have been none to date.

As of September 30, 2009 and December 31, 2008, the following warrants and non-employee options to purchase common stock were considered derivatives and classified as current liabilities:

				At September 30, 2009		At December 31, 2	
Issuance Date	Exercise Price	Exercisable Date	Expiration Date	Number of Shares	Fair Value (In thousands)	Number of Shares	F Va (thou
April 2005	$ 7.95	April 2005	April 2010	351,852	$ 270	351,852	$
March 2005	$ 6.39	January 2007	March 2015	284,600	1,071	310,000	
					$ 1,341		$

For the three and nine months ended September 30, 2009, $100,000 and $130,000, respectively, were reclassified from current liabilities to stockholders’ equity related to exercises of non-employee options classified as derivatives. No such reclassifications were made for the three and nine months ended September 30, 2008.

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, 2009, and indicates the fair value category assigned.

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
(In thousands)	Level 1	Level 2	Level 3	Total
Assets				
Money market funds (1)	$ 97,051	$ —	$ —	$ 97,051
U.S. Treasury securities (2)	42,740	—	—	42,740
Government-sponsored enterprise securities (2)	25,130	—	—	25,130
Commercial paper (2)	—	12,878	—	12,878
Total	$ 164,921	$ 12,878	$ —	$ 177,799

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
(In thousands)	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives (3)	$ —	$ —	$ 1,341	$ 1,341

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

(2) Included in marketable securities on our condensed consolidated balance sheet.

(3) Included in fair value of derivatives on our condensed consolidated balance sheet.

Changes in Level 3 Recurring Fair Value Measurements

The table below includes a rollforward of the balance sheet amounts for the three and nine months ended September 30, 2009 (including the change in fair value), for financial instruments in the Level 3 category. When a determination is made to categorize 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, 2009					
(In thousands)	**Fair Value at June 30, 2009**	**Total Unrealized Gain Included in Earnings, net (1)**	**Purchases, Sales, Issuances, Settlements, net**	**Transfers In and/or Out of Level 3**	**Fair Value at September 30, 2009**	**Change in Net Unrealized Gain Related to Financial Instruments Held at September 30, 2009 (1)**
Derivative liabilities	$ 2,407	$ (966)	$ —	$ (100)	$ 1,341	$ (971)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Nine Months Ended September 30, 2009					
(In thousands)	**Fair Value at December 31, 2008**	**Total Unrealized Loss Included in Earnings, net (1)**	**Purchases, Sales, Issuances, Settlements, net**	**Transfers In and/or Out of Level 3**	**Fair Value at September 30, 2009**	**Change in Net Unrealized Loss Related to Financial Instruments Held at September 30, 2009 (1)**
Derivative liabilities	$ 1,184	$ 287	$ —	$ (130)	$ 1,341	$ 268

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

Geron Corporation
Notes to Condensed Consolidated Financial Statements
September 30, 2009
(Unaudited)

3. JOINT VENTURE AND RELATED PARTY TRANSACTIONS

Start Licensing and ViaGen, Inc.

In April 2005, Geron 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 we had no commitments to provide financial support or obligations to perform services or other activities for Start.

In August 2008, Geron 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 has been carried over to the investment in ViaGen.

In September 2008, Geron provided a $1,500,000 loan to ViaGen in connection with ViaGen’s acquisition of an interest in an unrelated company. The loan bore an interest rate of 6% per annum and was convertible into ViaGen equity at Geron’s option at the then current market value. Since the proceeds of the loan did not fund prior ViaGen losses and represented additional financial support to ViaGen, we applied the equity method of accounting to the basis of the loan and recognized losses of $656,000 and $229,000 for our proportionate share of ViaGen’s operating losses for the nine months ended September 30, 2009 and 2008, respectively, which has been recorded in the condensed consolidated statements of operations under losses recognized under equity method investment. Since the loan basis was reduced to zero at March 31, 2009, we suspended the equity method of accounting.

In September 2009, Geron 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 and at September 30, 2009 was as follows: Exeter — 70%; Geron — 28%; and Smithfield Foods — 2%. Subsequent to our equity purchase, Geron received $1,593,000 from ViaGen in repayment of the 2008 loan, including accrued interest. As the source of funds to repay the loan and accrued interest was derived from our equity purchase, the equity investment in ViaGen was recorded net of the loan and interest payment. Geron’s net investment in ViaGen at September 30, 2009 was $2,010,000. We have no commitments to provide financial support or obligations to perform services or other activities for ViaGen.

With the new investment in 2009, we will resume applying the equity method of accounting and will increase (decrease) the carrying value of our investment by our proportionate share of ViaGen’s earnings (losses). If equity method losses exceed the carrying value of the investment, losses will be applied against any advances to ViaGen, including any commitments to provide financial support until those amounts are reduced to zero. The equity method of accounting shall then be suspended until income is subsequently reported. If income is reported, Geron’s proportionate share of income shall first be applied to recognize the equity method losses accumulated during the time the equity method was suspended.

TA Therapeutics, Ltd.

In March 2005, we and the Biotechnology Research Corporation (BRC), a subsidiary of Hong Kong University of Science and Technology, established a joint venture company in Hong Kong called TA Therapeutics, Ltd. (TAT). TAT conducts research and was established to commercially develop products that utilize telomerase activator drugs to restore the regenerative and functional capacity of cells in various organ systems that have been impacted by senescence, injury or chronic disease. On June 15, 2007, we and BRC entered into an agreement to restructure the TAT joint venture. Under the amended agreements, we direct the preclinical and drug development activities, own a 75% voting interest and exercise control over the company. Upon any winding up of TAT, all intellectual property of TAT is assigned to us and BRC is entitled to royalties on sales of future products developed from TAT’s efforts up to a fixed amount based on BRC’s cash contributions. Upon a winding up of TAT, if the assets available for distribution, other than the intellectual property, are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that the losses shall be borne by the shareholders in proportion to the cash contributed by both parties.

(Unaudited)

As a result of our obtaining control over TAT, we have included the results of TAT in our condensed consolidated financial statements beginning June 16, 2007. Based on consideration of the relevant rights described above, we have determined that BRCs 25% equity interest in TAT is not substantive. The amended arrangement represents, in substance, a research and development arrangement between us and BRC. Therefore, this arrangement is being accounted for as a research and development arrangement. Contributions from BRC represent its share of funding for future research and development activities that will be performed principally by BRC and partly by us. Accordingly, BRCs net contributions have been recorded as an advance payment for research and development on our condensed consolidated balance sheet. The advance payment from BRC has been recognized as either a reduction of research and development expenses or revenues from collaborative agreements depending upon who performs the related research and development activity. The advance payment from BRC has been recorded as a reduction of research and development expenses in our condensed consolidated statements of operations in the period when BRC performs the underlying research activity on behalf of TAT. The advance payment from BRC has been recognized as revenues from collaborative agreements in our condensed consolidated statements of operations in the period when we perform research activity on behalf of TAT and the source of funds has not been derived from our cash contributions to TAT. As of September 30, 2009, all of the contributions from BRC had been expended.

For the three and nine months ended September 30, 2009, we incurred related party research and development costs of $397,000 and $1,328,000, respectively, compared to $184,000 and $502,000, for the comparable 2008 periods. For the three and nine months ended September 30, 2009, we earned no related party revenue, compared to $20,000 and $79,000, for the comparable 2008 periods. As of September 30, 2009 and December 31, 2008, the net balance of the advance payment from BRC was zero and $440,000, respectively.

4. STOCKHOLDERS EQUITY

Vendor Stock Issuance

In July 2009, we issued 137,363 shares of our common stock to Lonza Walkersville, Inc. (Lonza) in a private placement as advance consideration related to a services agreement pursuant to which Lonza is manufacturing certain products for us intended for therapeutic use in humans. The total fair value of the common stock was $1,087,000 which has been recorded as a prepaid asset and will be amortized to research and development expense on a pro-rata basis as services are performed. As of September 30, 2009, $414,000 remained as a prepaid asset which is expected to be expensed over the next three months.

Offering of Common Stock and Warrants

In September 2009, we sold 550,000 shares of Geron common stock (Shares) and warrants to purchase an additional 150,000 shares of common stock with an exercise price of $9.00 per share (Warrants) to certain institutional investors at a price of $6.55 per share for total gross proceeds of $3,603,000. The Shares, Warrants and shares of common stock underlying the warrants (Warrant Shares) were issued through a prospectus supplement to an effective shelf registration statement. The Warrants are immediately exercisable for a period of five years from the date of issuance. The Shares, Warrants and Warrant Shares are subject to a one year lock-up which prohibits the sale or other disposition of these securities over the one year lock-up period unless certain price thresholds for Geron common stock are met.

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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 have established a multi-year alliance program with GEHC under which scientists from both companies will work to develop hESC-based products for drug discovery.

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 is responsible for all costs incurred by GEHC and all costs incurred by Geron for activities undertaken at Geron, including the funding of Geron scientists working on the alliance program. An Alliance Steering Committee, with representatives from each company, coordinates and manages the alliance program.

License payments under the GEHC agreement were recorded as deferred revenue upon receipt and are being recognized ratably as revenue over the alliance program period as a result of our continuing involvement with the collaboration. Funding received for Geron□s efforts under the alliance program is being recognized as revenue as costs are incurred, which is expected to approximate 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, 2009, we recognized $225,000 as revenue from collaborative agreements and $175,000 in license fee revenue in connection with this agreement.

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, 2009**	**2008**
	(Unaudited)	
Supplemental Operating Activities:		
Cash in transit from option exercises	$ 33	$ □
Net unrealized gain (loss) on investments in licensees	26	(6)
Reclassification between derivative liabilities and equity	130	□
Shares issued for 401(k) matching contribution	665	640
Shares or warrants issued in exchange for services	3,657	7,554
Reclassification between deposits and other current assets	350	□
Supplemental Investing Activities:		
Net unrealized loss on marketable securities	(184)	(90)

8. SUBSEQUENT EVENT

We have evaluated events occurring from October 1, 2009 to October 30, 2009, the filing date of this Form 10-Q, and have determined no events to be disclosed.

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 statem 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 Quarterly Report on 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 fiscal year ended December 31, 2008.

Geron is developing first-in-class biopharmaceuticals for the treatment of cancer and chronic degenerative diseases, including spinal cord injury, heart failure and diabetes. We are advancing an anti-cancer drug and a cancer vaccine that target the enzyme telomerase through multiple clinical trials in different cancers.

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 risks inherent in our research and development efforts, reliance upon our collaborative partners, enforcement of our patent and proprietary rights, need for future capital, potential competition and uncertainty of clinical trial results or regulatory approvals or clearances. In order for a product to be commercialized based on our research, we and our collaborators must conduct preclinical tests and clinical trials, demonstrate the efficacy and safety 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

We believe that there have been no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2009 as compared to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on February 27, 2009.

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 amounts of 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 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.

RESULTS OF OPERATIONS

Revenues

We recognized revenues of $225,000 from collaborative agreements for the three and nine months ended September 30, 2009, compared to $74,000 and $240,000 for the comparable 2008 periods. Revenues for 2009 reflect revenue recognized under our collaboration with GE Healthcare, Ltd. Revenues in 2008 primarily reflected related party reimbursements we received from our joint venture in Hong Kong, TA Therapeutics, Ltd. (TAT), for scientific research services and revenue recognized under our collaboration with Corning Life Sciences. Since June 16, 2007, we have been consolidating TAT's results of operations and have eliminated any related party revenue when the source of funds has been derived from our contributions to the related party.

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 $239,000 and $765,000 for the three and nine months ended September 30, 2009, respectively, compared to $267,000 and $1.9 million for the comparable 2008 periods related to our various agreements. In 2009, license fees primarily reflected revenue recognized from upfront license fee payments under our collaboration with GE Healthcare. In 2008, license fee revenues included recognition of a $1.5 million milestone payment in connection with our joint venture agreement with Exeter Life Sciences, Inc. as a result of the final Risk Assessment released by the U.S. Food and Drug Administration (FDA) addressing food products made from cloned animals or their progeny. We expect to recognize revenues of $175,000 for the remainder of 2009, $700,000 in 2010, $350,000 in 2011 and none thereafter related to our existing deferred revenue. Current revenues may not be predictive of future revenues.

We received royalties of $30,000 and $131,000 for the three and nine months ended September 30, 2009, respectively, compared to $26,000 and $78,000 for the comparable 2008 periods on product sales of telomerase detection and telomere measurement kits to the research-use-only market, cell-based research products and agricultural 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 $13.4 million and $42.3 million for the three and nine months ended September 30, 2009, respectively, compared to $14.2 million and $39.4 million for the comparable 2008 periods. The decrease in research and development expenses for the 2009 third quarter compared to the 2008 third quarter was primarily the net result of higher process development costs of $642,000 for our hESCs, increased clinical trial costs of $230,000 as a result of increased patient enrollment for imetelstat and GRNVAC1 trials, and increased personnel costs for additional headcount of $545,000, offset by reduced manufacturing costs of $1.5 million due to the timing of imetelstat drug purchases for clinical trials and reduced preclinical study costs of $843,000. The increase in research and development expenses for the first nine months of 2009 compared to first nine months of 2008 was primarily due to increased clinical trial costs of $1.3 million and higher personnel related costs of $1.1 million. Overall, we expect research and development expenses to increase as we incur expenses related to clinical trials for imetelstat and GRNVAC1 along with continued development of our human embryonic stem cell (hESC) programs.

Our research and development activities have arisen from our two major technology platforms, telomerase and hESCs. The oncology programs focus on treating or diagnosing cancer by targeting or detecting the presence of telomerase, either inhibiting activity of the telomerase enzyme, diagnosing cancer by detecting the presence of telomerase, or using telomerase as a target for therapeutic vaccines. Our core knowledge base in telomerase and telomere biology supports all these approaches, and our scientists may contribute to any or all of these programs in a given period. We are conducting the following clinical trials of imetelstat:

- Phase I single agent trial in patients with chronic lymphoproliferative diseases;
- Phase I single agent trial in patients with solid tumor malignancies;
- Phase I trial in patients with advanced non-small cell lung cancer when administered intravenously in combination with a standard paclitaxel/carboplatin regimen;
- Phase I single agent trial in patients with multiple myeloma;
- Phase I/II trial in patients with breast cancer when administered intravenously in combination with a paclitaxel/bevacizumab regimen; and
- Phase I trial in patients with multiple myeloma when administered intravenously in combination with bortezomib with and without dexamethasone.

Preliminary data from these studies showed safety and tolerability of the drug in low-dose cohorts as well as the expected pharmacokinetic properties after multiple intravenous infusions of the drug. Interim data from two patients with relapsed and refractory multiple myeloma in the ongoing clinical trial of imetelstat showed the first evidence in humans of telomerase inhibition by a telomerase targeting drug. These preliminary results will help optimize dosing schedules to enable sustained telomerase inhibition that hopefully will translate into clinical activity.

Taking the results from the Duke University clinical studies in prostate cancer, hematologic malignancies and renal cell carcinoma, we optimized the vaccine manufacturing process and transferred it to a contract manufacturer. We are conducting a Phase II clinical trial of our telomerase vaccine using the prime/boost scheme in patients with acute myelogenous leukemia.

Our hESC therapy programs focus on treating injuries and degenerative diseases with cell therapies based on cells derived from hESCs. A core of knowledge of hESC biology, as well as a significant continuing effort in deriving, growing, maintaining, and differentiating hESCs, underlies all aspects of this group of programs. Many of our researchers are allocated to more than one hESC program, and the percentage allocations of time change as the resource needs of individual programs vary. In our hESC therapy programs, we have concentrated our resources on several specific cell types, including:

- GRNOPC1, hESC-derived oligodendrocyte progenitor cells, for the treatment of acute spinal cord injury;
- GRNCM1, hESC-derived cardiomyocytes, for toxicology drug testing and the treatment of myocardial disease;
- GRNIC1, hESC-derived pancreatic islet ß cells for the treatment of diabetes;
- hESC-derived osteoblasts for the treatment of osteoporosis;
- hESC-derived chondrocytes for the treatment of osteoarthritis;
- hESC-derived hepatocytes for liver failure and ADME drug testing; and
- hESC-derived dendritic cells for cancer immunotherapy and to prevent immune rejection of the other cell types used in therapeutic applications.

We have developed proprietary methods to grow, maintain, and scale the culture of undifferentiated hESCs that use feeder cell-free and serum-free media with chemically defined components. Currently, the human clinical trial of GRNOPC1, our hESC-derived therapy targeted for the treatment of acute spinal cord injury, has been placed on clinical hold by the FDA. We are in discussions with the agency to answer its questions and proceed with the clinical trial.

Research and development expenses allocated by program are as follows (in thousands):

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	(Unaudited)			
Oncology	$ 6,722	$ 8,781	$ 21,747	$ 22,277
hESC Therapies	6,673	5,427	20,531	17,158

Total	$ 13,395	$ 14,208	$ 42,278	$ 39,435

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 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 study: Phase I, II and III. The most significant costs associated with clinical development are incurred in Phase III 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, very large amounts of preclinical and clinical data and results and manufacturing-related information necessary to support requested approval of the product. The NDA/BLA must be reviewed and approved by the FDA.

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 potential products is highly uncertain. Actual timelines and costs to develop and commercialize a product are subject to enormous variability and are very difficult to predict. In addition, 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/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 potential products, see the sub-section titled "Delays in the commencement of clinical testing of our current and potential product candidates could result in increased costs to us and delay our ability to generate revenues" and "Obtaining regulatory approvals to market our product candidates in the United States and other countries is a costly and lengthy process and we cannot predict whether or when we will be permitted to commercialize our product candidates" in Part II, Item 1A entitled "Risk Factors" included elsewhere in this quarterly report.

General and Administrative Expenses

General and administrative expenses were $3.5 million and $10.7 million for the three and nine months ended September 30, 2009, respectively, compared to $4.1 million and $12.2 million for the comparable 2008 periods. The decrease in general and administrative expenses for the 2009 third quarter compared to the 2008 third quarter was primarily due to reduced legal costs associated with our patents of $104,000 and lower consulting costs of $134,000. The decrease in general and administrative expenses for the first nine months of 2009 compared to the first nine months of 2008 was primarily due to reduced legal costs associated with our patents of $384,000, decreased equity-based non-cash compensation expense of $499,000 and lower consulting costs of $279,000. We currently anticipate general and administrative expenses to remain consistent with current levels.

Unrealized Gain (Loss) on Derivatives

Unrealized gain (loss) on derivatives reflects a non-cash adjustment for changes in fair value of warrants and options held by non-employees to purchase common stock 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 an unrealized gain of $966,000 and an unrealized loss of $287,000 on derivatives for the three and nine months ended September 30, 2009, respectively, compared to an unrealized loss of $162,000 and an unrealized gain of $739,000 for the comparable 2008 periods. The unrealized gains and losses on derivatives for 2009 and 2008 primarily reflect the change in fair values of derivative liabilities as a result of fluctuating common stock values as of the end of each reporting period in comparison to prior reporting periods.

Interest and Other Income

Interest income was $240,000 and $1.1 million for the three and nine months ended September 30, 2009, respectively, compared to $1.2 million and $4.5 million for the comparable 2008 periods. The decrease in interest income for the 2009 periods compared to the 2008 periods was primarily due to lower interest rates. Interest earned in future periods will depend on the size of our securities portfolio and prevailing interest rates.

Losses Recognized Under Equity Method Investment

In August 2008, we exchanged our equity interest in the Start Licensing, Inc. (Start) joint venture for equity interest in ViaGen, Inc. (ViaGen). We had suspended the equity method of accounting for Start and ViaGen since our proportionate share of net losses exceeded the value of our investment and we had no commitments to provide financial support to either company. In September 2008, we provided a loan of $1.5 million to ViaGen in connection with ViaGens acquisition of an interest in an unrelated company. The proceeds of the loan did not fund prior ViaGen losses and represented additional financial support to ViaGen.

In September 2009, we provided $3.6 million as a new equity investment in ViaGen and also received $1.6 million from ViaGen in repayment of our loan, resulting in a net investment of $2.0 million. The new investment in 2009 did not fund prior ViaGen losses and represented additional financial support to ViaGen. In accordance with the equity method of accounting, we recognized losses of none and $656,000 for our proportionate share of ViaGens losses for the three and nine months ended September 30, 2009, respectively, and losses of $229,000 for the comparable 2008 periods.

Interest and Other Expense

Interest and other expense was $30,000 and $116,000 for the three and nine months ended September 30, 2009, respectively, compared to $23,000 and $71,000 for the comparable 2008 periods. The increase in interest and other expense for the 2009 periods compared to the 2008 periods was primarily due to higher investment management charges.

Deemed Dividend on Derivatives

In April 2009, we modified the terms of certain outstanding warrants held by an investor by extending the exercise term and for certain of these warrants, reducing the exercise price. In connection with the modifications, we recognized a deemed dividend of approximately $190,000 for the incremental fair value of the modified warrants, as calculated using the Black Scholes option-pricing model as of the modification date.

Net Loss Applicable to Common Stockholders

Net loss applicable to common stockholders was $15.2 million and $52.0 million for the three and nine months ended September 30, 2009, respectively, compared to $17.2 million and $44.4 million for the comparable 2008 periods. The decrease in net loss for the 2009 third quarter compared to the 2008 third quarter was primarily the result of reduced research and development expenses associated with the timing of imetelstat drug purchases for clinical trials and unrealized gains on the fair value of derivative liabilities, offset by decreased interest income. The increase in net loss for the first nine months of 2009 compared to the first nine months of 2008 was primarily due to decreased interest income, reduced revenues from milestones, increased research and development expenses and unrealized losses on the fair value of derivative liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Cash, restricted cash, cash equivalents and marketable securities at September 30, 2009 were $179.4 million, compared to $163.7 million at December 31, 2008. We have an investment policy to invest these funds in liquid, investment grade securities, such as interest-bearing money market funds, U.S. government and agency securities, corporate notes, commercial paper, asset-backed securities and municipal 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 increase in cash, restricted cash, cash equivalents and marketable securities in 2009 was primarily due to the receipt of $45.9 million in net proceeds (after deducting underwriting discounts and commissions and offering expenses) in February 2009 from an underwritten public offering of 7.25 million shares of our common stock.

We estimate that our existing capital resources, interest income and equipment financing facility will be sufficient to fund our current level of operations through at least December 2010. 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:

- continued clinical development of our product candidates, imetelstat, GRNVAC1 and GRNOPC1;
- our ability to meaningfully reduce manufacturing costs of current product candidates;
- future clinical trial results;
- progress of product and clinical development of our other product candidates, such as GRNCM1, GRNIC1 and GRNVAC2;
- cost and timing of regulatory approvals; and
- filing, maintenance, prosecution, defense and enforcement of patent claims and other intellectual property rights.

If our capital resources are insufficient to meet future capital requirements, we will need to raise additional capital to fund our operations. We intend 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. 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, any of which could have a material adverse effect on our business.

Cash Flows from Operating Activities. Net cash used in operations for the nine months ended September 30, 2009 and 2008 was $31.8 million and $30.6 million, respectively. The increase in net cash used for operations in 2009 was primarily the result of decreased usage of common stock in exchange for services provided by vendors.

Cash Flows from Investing Activities. Net cash used in investing activities was $31.2 million for the nine months ended September 30, 2009, compared to net cash provided by investing activities of $6.8 million for the comparable 2008 period. The decrease in net cash provided by investing activities reflected increased marketable securities purchases.

As of September 30, 2009, we had approximately $500,000 available for borrowing under our equipment financing facility. We renewed the commitment for a new 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.

Cash Flows from Financing Activities. Net cash provided by financing activities was $51.5 million for the nine months ended September 30, 2009, compared to net cash used in financing activities of $342,000 for the comparable 2008 period. In February 2009, we completed a public offering of 7.25 million shares of our common stock at a public offering price of $6.60 per share, resulting in net proceeds of approximately $45.9 million after deducting underwriting discounts and commissions and offering expenses. In September 2009, we sold 550,000 shares of Geron common stock and warrants to purchase an additional 150,000 shares of common stock with an exercise price of $9.00 per share to certain institutional investors at a price of $6.55 per share for total gross proceeds of $3.6 million.

Contractual Obligations

As of September 30, 2009, our contractual obligations for the next five years and thereafter were as follows:

		Principal Payments Due by Period			
Contractual Obligations (1)	**Total**	**Remainder in 2009**	**2010-2011**	**2012-2013**	**After 2013**
		(Amounts in thousands)			
Equipment leases	$ 11	$ 5	$ 6	$ —	$ —
Operating leases (2)	1	1	—	—	—
Research funding (3)	2,186	278	632	524	752
Total contractual cash obligations	$ 2,198	$ 284	$ 638	$ 524	$ 752

(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 in the event of a change in control of the company or severance payments to key employees under involuntary termination.

(2) 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 May 2007, we issued 210,569 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, 2007 through April 30, 2010. The fair value of each common stock issuance has been recorded as a prepaid asset and is being amortized to rent expense on a straight-line basis over the lease periods.

(3) Research funding is comprised of sponsored research and license commitments at various laboratories around the world.

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. 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. 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. Financial instruments that potentially subject us to concentrations of credit risk consist primarily of marketable securities. Marketable securities currently consist of U.S. Treasury securities, U.S. government-sponsored enterprise securities and commercial paper. 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.

Interest Rate Sensitivity. The fair value of our cash equivalents and marketable securities at September 30, 2009 was $177.8 million. These investments include $97.1 million of cash equivalents which are due in less than 90 days and $80.7 million of short-term investments which are due in less than one year. Our investment policy 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. We diversify the marketable securities portfolio by investing in multiple types of investment grade securities. We primarily invest our marketable securities portfolio in short-term 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 U.S. Treasury securities, U.S. government-sponsored enterprise securities, commercial paper and money market funds, we have concluded that there is no material market risk exposure.

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, 2009, there was an immaterial currency exchange impact from our intercompany transactions. As of September 30, 2009, 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 companys 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 Commissions rules and forms. Our Chief Executive Officer and our Chief Financial Officer have concluded, based on the evaluation of the effectiveness of our disclosure controls and procedures by our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, as of the end of the period covered by this report, that our disclosure controls and procedures were effective 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, 2009 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.

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.

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. We have begun clinical testing of our lead anti-cancer drug, imetelstat, in patients with chronic lymphoproliferative diseases, solid tumor malignancies, non-small cell lung cancer, breast cancer and multiple myeloma. We have begun clinical testing of our telomerase cancer vaccine, GRNVAC1, in patients with acute myelogenous leukemia. We have no other product candidates in clinical testing. Currently, the human clinical trial of GRNOPC1, our hESC-derived therapy targeted for the treatment of acute spinal cord injury, has been placed on clinical hold by the U.S. Food and Drug Administration (FDA). We are in discussions with the agency to answer its questions and proceed with the clinical trial. 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 therapeutic compounds or cell therapies for development;
- obtain required regulatory approvals;
- manufacture product candidates; 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 potential products 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. Because of the significant scientific, regulatory and commercial milestones that must be reached for any of our development programs or product candidates to be successful, any program or product candidate may be abandoned, even after we have expended significant resources, such as our investments in telomerase technology, human embryonic stem cells, imetelstat, GRNVAC1 and GRNOPC1, which could adversely affect our business and cause a sharp drop in our stock price.

The science and technology of telomere biology and telomerase, human embryonic stem cells and nuclear transfer are relatively new. There is no precedent for the successful commercialization of therapeutic product candidates based on our technologies. These development programs are therefore particularly risky. In addition, we, our licensees or our collaborators must undertake significant research and development activities to develop product candidates based on our technologies, which will require additional funding and may take years to accomplish, if ever.

Restrictions on the use of human embryonic stem cells, political commentary and the ethical and social implications of research involving human embryonic stem cells 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 important programs involve the use of stem cells that are derived from human embryos. The use of human embryonic stem cells gives rise to ethical and social issues regarding the appropriate use of these cells. Our research related to human embryonic stem cells may become the subject of adverse commentary or publicity, which could significantly harm the market price for 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 human embryonic stem cells, thereby impairing our ability to conduct research in this field.

Furthermore, on March 9, 2009, President Obama issued Executive Order 13505, entitled “Removing Barriers to Responsible Scientific Research Involving Human Stem Cells” (the Executive Order). As a result, in July 2009 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. Under the new guidelines, federal funding is allowed for research using human embryonic stem cells derived from embryos created by *in vitro* fertilization for reproductive purposes, but are no longer needed for that purpose. Strict ethics requirements must be followed to qualify new stem cell lines, including extensive documentation around consent forms and written policies and procedures. 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 human embryonic stem cells) is regulated by the government, whether or not the research involves government funding.

Government-imposed restrictions with respect to use of embryos or human embryonic stem cells in research and development could have a material adverse effect on us, including:

- harming our ability to establish critical partnerships and collaborations;
- delaying or preventing progress in our research, product development or clinical testing;
- preventing commercialization of therapies derived from human embryonic stem cells; and
- as a result of the potential adverse effects above, causing a decrease in the price of our stock.

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, 2009, our accumulated deficit was approximately $559 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 agreement that results 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. 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, 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 remaining 2009 fiscal year and beyond;
- the magnitude and scope of our research and development programs;
- 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;
- the number and type of product candidates that we pursue;
- 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.

We do not have any committed sources of capital. 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 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 or eliminate one or more of our programs, any of which could have a material adverse effect on our business.

RISKS RELATED TO CLINICAL AND COMMERCIALIZATION ACTIVITIES

Delays in the commencement of clinical testing of our current and potential product candidates could result in increased costs to us and 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;
- 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;

- reaching agreement on acceptable terms with prospective contract research organizations and trial sites;
- manufacturing sufficient quantities or producing drugs meeting our quality standards of a product candidate;
- obtaining approval of an Investigational New Drug (IND) application or proposed trial design from the FDA; and
- obtaining institutional review board approval to conduct a clinical trial at a prospective site.

In addition, 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 commencing clinical testing of our product candidates could have a material adverse effect on our business.

We do not have experience as a company conducting large-scale clinical trials, or in other areas required for the successful commercialization and marketing of our product candidates.

We have no experience as a company in conducting large-scale, late stage clinical trials, and our experience with early-stage clinical trials with small numbers of patients is limited. In part because of this limited experience, we cannot be certain that planned clinical trials will begin or be completed on time, if at all. Large-scale trials would require either additional financial and management resources, or reliance on third-party clinical investigators, CROs or consultants. Relying on third-party clinical investigators or CROs may force us to encounter delays that are outside of our control. Any such delays could have a material adverse effect on our business.

We also do not currently have marketing and distribution capabilities for our product candidates. Developing an internal sales and distribution capability would be an expensive and time-consuming process. We may enter into agreements with third parties that would be responsible for marketing and distribution. However, these third parties may not be capable of successfully selling any of our product candidates. The inability to commercialize and market our product candidates could materially affect our business.

Obtaining regulatory approvals to market our product candidates in the United States and other countries is a costly and lengthy process and we cannot predict whether or when we will be permitted to commercialize our product candidates.

Federal, state and local governments in the United States and governments in other countries have significant regulations in place that govern many of our activities and may prevent us from creating commercially viable products from our discoveries. The regulatory process, particularly for biopharmaceutical product candidates like ours, is uncertain, can take many years and requires the expenditure of substantial resources.

Our potential product candidates will require extensive preclinical and clinical testing prior to submission of any regulatory application to commence commercial sales. In particular, human pharmaceutical therapeutic product candidates are subject to rigorous requirements of the FDA in the United States and similar health authorities in other countries in order to demonstrate safety and efficacy. Data obtained from preclinical and clinical activities is susceptible to varying interpretations that could delay, limit or prevent regulatory agency approvals. In addition, delays or rejections may be encountered as a result of changes in regulatory agency policy during the period of product development and/or the period of review of any application for regulatory agency approval for a product candidate.

Any product candidate that we or our collaborators develop must receive all relevant regulatory agency approvals before it may be marketed in the United States or other countries. Obtaining regulatory approval is a lengthy, expensive and uncertain process. Because certain of our product candidates involve the application of new technologies or are based upon a new therapeutic approach, they may be subject to substantial additional review by various government regulatory authorities, and, as a result, the process of obtaining regulatory approvals for them may proceed more slowly than for product candidates based upon more conventional technologies.

Delays in obtaining regulatory agency approvals could:

- significantly harm the marketing of any products that we or our collaborators develop;
- impose costly procedures upon our activities or the activities of our collaborators;
- diminish any competitive advantages that we or our collaborators may attain; or
- adversely affect our ability to receive royalties and generate revenues and profits.

Even if we commit the necessary time and resources, the required regulatory agency approvals may not be obtained for any product candidates developed by us or in collaboration with us. If we obtain regulatory agency approval for a new product, this approval may entail limitations on the indicated uses for which it can be marketed that could limit the potential commercial use of the product.

Failure to achieve continued compliance with government regulation over approved products could delay or halt commercialization of our products.

Approved products and their manufacturers are subject to continual review, and discovery of previously unknown problems with a product or its manufacturer may result in restrictions on the product or manufacturer, including withdrawal of the product from the market. The sale by us or our collaborators of any commercially viable product will be subject to government regulation from several standpoints, including the processes of:

- manufacturing;
- advertising and promoting;
- selling and marketing;
- labeling; and
- distribution.

If, and to the extent that, we are unable to comply with these regulations, our ability to earn revenues will be materially and negatively impacted.

Failure to comply with regulatory requirements can result in severe civil and criminal penalties, including but not limited to:

- recall or seizure of products;
- injunction against the manufacture, distribution and sales and marketing of products; and
- criminal prosecution.

The imposition of any of these penalties or other commercial limitations could significantly impair our business, financial condition and results of operations.

RISKS RELATED TO PROTECTING OUR INTELLECTUAL PROPERTY

Impairment of our intellectual property rights may adversely affect the value of our technologies and product candidates and limit our ability to pursue their development.

Protection of our proprietary technology is critically important to our business. Our success will depend in part on our ability to obtain and enforce our patents and maintain trade secrets, both in the United States and in other countries. Further, our patents may be challenged, invalidated or circumvented, and our patent rights may not provide proprietary protection or competitive advantages to us. In the event that we are unsuccessful in obtaining and enforcing patents, our business would be negatively impacted.

The patent positions of pharmaceutical and biopharmaceutical companies, including ours, are highly uncertain and involve complex legal and technical questions. In particular, legal principles for biotechnology patents in the United States and in other countries are evolving, and the extent to which we will be able to obtain patent coverage to protect our technology, or enforce issued patents, is uncertain. In the United States, recent court decisions in patent cases as well as proposed legislative changes to the patent system only exacerbate this uncertainty. Furthermore, significant amendments to the regulations governing the process of obtaining patents were proposed by the United States Patent and Trademark Office (the Patent Office) in 2007. These amendments were widely regarded as detrimental to the interests of biotechnology and pharmaceutical companies. The implementation of the amendments was blocked by a court injunction requested by a pharmaceutical company. The Patent Office challenged the court decision through an appeal to the U.S. Court of Appeals for the Federal Circuit (CAFC). The CAFC issued an initial opinion on the appeal in March 2009, but in July 2009 it agreed to re-hear the appeal en banc (meaning before the whole appeals court rather than a panel of just three judges). Most recently the Patent Office has rescinded some of the contested new rules and it is possible that the appeal will be dismissed. At this point we do not know how the appeal will be resolved or whether the Patent Office will introduce new modified rules to replace those recently rescinded.

In Europe, the European Patent Convention prohibits the granting of European patents for inventions that concern “uses of human embryos for industrial or commercial purposes.” The European Patent Office (EPO) is presently interpreting this prohibition broadly, and is applying it to reject patent claims that pertain to hESCs. In a recent decision of the EPO Enlarged Board of Appeals, a patent application owned by the Wisconsin Alumni Research Foundation (WARF) and containing broad claims to human embryonic stem cells as compositions of matter was held to be unpatentable. Geron holds a worldwide license under this patent family; the decision does mean that this WARF patent family will not afford protection to Geron’s products in Europe. However, the reason given by the EPO for the decision was narrowly focused: the EPO found the claims objectionable on the basis that at the time that WARF filed the patent application it was necessary to use a human embryo to obtain hESCs since no cell lines were available. In contrast, the hESCs that we use, and which we employed in the technologies claimed in our own European patent applications, were sourced from established hESC lines. Consequently, the decision in the WARF case does not directly address the patentability of the subject matter in our filings. However, at this time we cannot predict what view the EPO will take on our applications and therefore we do not yet know whether or to what extent we will be able to obtain patent protection for our hESC technologies in Europe. If we are unable to protect our inventions related to hESCs in Europe, our business would be negatively impacted.

Publication of discoveries in scientific or patent literature tends to lag behind actual discoveries by at least several months and sometimes several years. Therefore, the persons or entities that we or our licensors name as inventors in our patents and patent applications may not have been the first to invent the inventions disclosed in the patent applications or patents, or the first to file patent applications for these inventions. As a result, we may not be able to obtain patents for discoveries that we otherwise would consider patentable and that we consider to be extremely significant to our future success.

Challenges to our patent rights can result in costly and time-consuming legal proceedings that may prevent or limit development of our product candidates.

Where several parties seek U.S. patent protection for the same technology, the Patent Office may declare an interference proceeding in order to ascertain the party to which the patent should be issued. Patent interferences are typically complex, highly contested legal proceedings, subject to appeal. They are usually expensive and prolonged, and can cause significant delay in the issuance of patents. Moreover, parties that receive an adverse decision in interference can lose important patent rights. Our pending patent applications, or our issued patents, may be drawn into interference proceedings which may delay or prevent the issuance of patents, or result in the loss of issued patent rights. As more groups become engaged in scientific research and product development in the areas of telomerase biology and embryonic stem cells, the risk of our patents being challenged through patent interferences, oppositions, reexaminations or other means will likely increase.

The interference process can also be used to challenge a patent that has been issued to another party. For example, in 2004 we were party to two interferences declared by the Patent Office at our request. These interferences involved two of our pending applications relating to nuclear transfer technology and two issued patents, held by the University of Massachusetts (U. Mass) and licensed to Advanced Cell Technology, Inc. (ACT) of Worcester, Massachusetts. We requested these interferences in order to clarify our patent rights to this technology and to facilitate licensing to companies wishing to utilize this technology in animal cloning. The Board of Patent Appeals and Interferences issued final judgments in each of these cases, finding in both instances that all of the claims in the U. Mass patents in question were unpatentable, and upholding the patentability of Geron's pending claims. These judgments were appealed by U. Mass and ACT, but the appeals have now been dismissed as part of a settlement agreement, resulting in invalidation of the U. Mass patents involved.

Outside of the United States, certain jurisdictions, such as Europe, New Zealand and Australia, permit oppositions to be filed against the granting of patents. Because our intent is to commercialize products internationally, securing both proprietary protection and freedom to operate outside of the United States is important to our business. We are involved in both opposing the grant of patents to others through such opposition proceedings and in defending our patent applications against oppositions filed by others. For example, we have been involved in two patent oppositions before the EPO with a Danish company, Pharmexa. Pharmexa (which acquired the Norwegian company GemVax in 2005) was developing a cancer vaccine that employs a short telomerase peptide to induce an immune response against telomerase and was conducting a Phase III clinical trial. Pharmexa obtained a European patent with broad claims to the use of telomerase vaccines for the treatment of cancer, and Geron opposed that patent in 2004. In 2005, the Opposition Division (OD) of the EPO revoked the claims originally granted to Pharmexa, but permitted Pharmexa to add new, narrower claims limited to five specific small peptide fragments of telomerase. The decision was appealed to the Technical Board of Appeals (TBA). In August 2007, the TBA ruled, consistent with the decision of the OD, that Pharmexa was not entitled to the originally granted broad claims but was only entitled to the narrow claims limited to the five small peptides.

In parallel, Pharmexa opposed a European patent held by Geron, the claims of which cover many facets of human telomerase, including the use of telomerase peptides in cancer vaccines. In June 2006, the OD of the EPO revoked three of the granted claims in Geron's patent, specifically the three claims covering telomerase peptide cancer vaccines. We have appealed that decision to the TBA, and that appeal is still pending. Because this appeal is ongoing, the outcome cannot be determined at this time. We are also seeking to obtain patent coverage in Europe for telomerase peptides through a European divisional patent application. If those patent claims are issued, they too may be subject to an opposition proceeding. In late 2008, Pharmexa reported that it sold its telomerase vaccine program to a Korean company, KAEL Co. Ltd.

European opposition and appeal proceedings can take several years to reach final decision. The oppositions discussed above reflect the complexity of the patent landscape in which we operate, and illustrate the risks and uncertainties. We are also currently involved in other patent opposition proceedings in Europe and Australia.

Patent opposition proceedings are not currently available in the U.S. patent system, but legislation has been proposed to introduce them. However, issued U.S. patents can be reexamined by the Patent Office at the request of a third party. Patents owned or licensed by Geron may therefore be subject to reexamination. As in any legal proceeding, the outcome of patent reexaminations is uncertain, and a decision adverse to our interests could result in the loss of valuable patent rights.

In July 2006, requests were filed on behalf of the Foundation for Taxpayer and Consumer Rights (now renamed as "Consumer Watchdog") for reexamination of three issued U.S. patents owned by WARF and relating to human embryonic stem cells. These three patents (U.S. Patent Nos. 5,843,780, 6,200,806 and 7,029,913), which are the U.S. equivalents of the European WARF case discussed above, are licensed to Geron pursuant to a January 2002 license agreement with WARF. The license agreement conveys exclusive rights to Geron under the WARF patents for the development and commercialization of therapeutics based on neural cells, cardiomyocytes and pancreatic islet cells, derived from human embryonic stem cells, as well as nonexclusive rights for other product opportunities. In October 2006, the Patent Office initiated the reexamination proceedings. After initially rejecting the patent claims, the Patent Office recently issued decisions in all three cases upholding the patentability of the claims. The decisions to uphold the 5,843,780 and 6,200,806 patents are final and not subject to further appeal. Consumer Watchdog appealed the decision on the 7,029,913 patent. We cooperated with WARF in these reexamination actions and expect that WARF will continue to vigorously defend its patent position in this appeal. While the decisions in these reexamination proceedings to date have all been favorable to our patent position, the outcome of the appeal or of any future reexamination proceedings cannot be determined at this time. Reduction or loss of claim scope in these WARF embryonic stem cell patents would negatively impact Geron's proprietary position in this technology.

Successful challenges to our patents through interferences, oppositions or reexamination proceedings could result in a loss of patent rights in the relevant jurisdiction(s). If we are unsuccessful in actions we bring against the patents of other parties, we may be subject to litigation, or otherwise prevented from commercializing potential products in the relevant jurisdiction, or may be required to obtain licenses to those patents or develop or obtain alternative technologies, any of which could harm our business. Furthermore, if such challenges to our patent rights are not resolved promptly in our favor, our existing business relationships may be jeopardized and we could be delayed or prevented from entering into new collaborations or from commercializing certain products, which could materially harm our business.

If we fail to meet our obligations under license agreements, we may lose our rights to key technologies on which our business depends.

Our business depends on several critical technologies that are based in part on patents licensed from third parties. Those third-party license agreements impose obligations on us, such as payment obligations and obligations to diligently pursue development of commercial products under the licensed patents. If a licensor believes that we have failed to meet our obligations under a license agreement, the licensor could seek to limit or terminate our license rights, which could lead to costly and time-consuming litigation and, potentially, a loss of the licensed rights. During the period of any such litigation our ability to carry out the development and commercialization of potential products could be significantly and negatively affected. If our license rights were restricted or ultimately lost, our ability to continue our business based on the affected technology platform would be severely adversely affected.

We may be subject to litigation that will be costly to defend or pursue and uncertain in its outcome.

Our business may bring us into conflict with our licensees, licensors, or others with whom we have contractual or other business relationships, or with our competitors or others whose interests differ from ours. If we are unable to resolve those conflicts on terms that are satisfactory to all parties, we may become involved in litigation brought by or against us. That litigation is likely to be expensive and may require a significant amount of management's time and attention, at the expense of other aspects of our business. The outcome of litigation is always uncertain, and in some cases could include judgments against us that require us to pay damages, enjoin us from certain activities, or otherwise affect our legal or contractual rights, which could have a significant adverse effect on our business.

Patent litigation may also be necessary to enforce patents issued or licensed to us or to determine the scope and validity of our proprietary rights or the proprietary rights of others. We may not be successful in any patent litigation. Patent litigation can be extremely expensive and time-consuming, even if the outcome is favorable to us. An adverse outcome in a patent litigation, patent opposition, patent interference, or any other proceeding in a court or patent office could subject our business to significant liabilities to other parties, require disputed rights to be licensed from other parties or require us to cease using the disputed technology, any of which could severely harm our business.

We may be subject to infringement claims that are costly to defend, and which may limit our ability to use disputed technologies and prevent us from pursuing research and development or commercialization of potential products.

Our commercial success depends significantly on our ability to operate without infringing patents and the proprietary rights of others. Our technologies may infringe the patents or proprietary rights of others. In addition, we may become aware of discoveries and technology controlled by third parties that are advantageous to our programs. In the event our technologies infringe the rights of others or we require the use of discoveries and technology controlled by third parties, we may be prevented from pursuing research, development or commercialization of potential products or may be required to obtain licenses to those patents or other proprietary rights or develop or obtain alternative technologies. We have obtained licenses from several universities and companies for technologies that we anticipate incorporating into our potential products, and we initiate negotiation for licenses to other technologies as the need or opportunity arises. We may not be able to obtain a license to patented technology on commercially favorable terms, or at all. If we do not obtain a necessary license, we may need to redesign our technologies or obtain rights to alternate technologies, the research and adoption of which could cause delays in product development. In cases where we are unable to license necessary technologies, we could be prevented from developing certain potential products. Our failure to obtain alternative technologies or a license to any technology that we may require to research, develop or commercialize our product candidates would significantly and negatively affect our business.

Much of the information and know-how that is critical to our business is not patentable and we may not be able to prevent others from obtaining this information and establishing competitive enterprises.

We sometimes rely on trade secrets to protect our proprietary technology, especially in circumstances in which we believe patent protection is not appropriate or available. We attempt to protect our proprietary technology in part by confidentiality agreements with our employees, consultants, collaborators and contractors. We cannot assure you that these agreements will not be breached, that we would have adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently discovered by competitors, any of which would harm our business significantly.

RISKS RELATED TO OUR RELATIONSHIPS WITH THIRD PARTIES

We depend on other parties to help us develop, manufacture and test our product candidates, and our ability to develop and commercialize potential products may be impaired or delayed if collaborations are unsuccessful.

Our strategy for the development, clinical testing and commercialization of our product candidates requires that we enter into collaborations with corporate partners, licensors, licensees and others. We are dependent upon the subsequent success of these other parties in performing their respective responsibilities and the continued cooperation of our partners. By way of examples: Merck is developing cancer vaccines targeted to telomerase other than the dendritic cell-based vaccines that we are developing; Sienna is developing cancer diagnostics using our telomerase technology; and GE Healthcare is developing cell-based assays using cells derived from our human embryonic stem cells. Our collaborators may not cooperate with us or perform their obligations under our agreements with them. We cannot control the amount and timing of our collaborators resources that will be devoted to activities related to our collaborative agreements with them. Our collaborators may choose to pursue existing or alternative technologies in preference to those being developed in collaboration with us.

Under agreements with other parties, we may rely significantly on them to, among other activities:

- conduct research and development activities in conjunction with us;
- design and conduct advanced clinical trials in the event that we reach clinical trials;
- fund research and development activities with us;
- manage and license certain patent rights;
- pay us fees upon the achievement of milestones; and
- market with us any commercial products that result from our collaborations.

The development and commercialization of potential products will be delayed if collaborators or other partners fail to conduct these activities in a timely manner or at all. In addition, our collaborators could terminate their agreements with us and we may not receive any development or milestone payments. If we do not achieve milestones set forth in the agreements, or if our collaborators breach or terminate their collaborative agreements with us, our business may be materially harmed.

We also rely on other companies for certain process development, manufacturing or other technical scientific work, especially with respect to our GRN163L, GRNVAC1, GRNOPC1 and GRNCM1 programs. We have contracts with these companies that specify the work to be done and results to be achieved, but we do not have direct control over their personnel or operations. If these companies do not perform the work which they were assigned, our ability to develop or manufacture our product candidates could be significantly harmed.

Our reliance on the activities of our non-employee consultants, research institutions, and scientific contractors, whose activities are not wholly within our control, may lead to delays in development of our product candidates.

We rely extensively upon and have relationships with scientific consultants at academic and other institutions, some of whom conduct research at our request, and other consultants who assist us in formulating our research and development and clinical strategy or other matters. These consultants are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. We have limited control over the activities of these consultants and, except as otherwise required by our collaboration and consulting agreements, can expect only limited amounts of their time to be dedicated to our activities.

In addition, we have formed research collaborations with many academic and other research institutions throughout the world. These research facilities may have commitments to other commercial and noncommercial entities. We have limited control over the operations of these laboratories and can expect only limited amounts of their time to be dedicated to our research goals.

If any of these third parties are unable or refuse to contribute to projects on which we need their help, our ability to generate advances in our technologies and develop our product candidates could be significantly harmed.

RISKS RELATED TO COMPETITIVE FACTORS

The loss of key personnel could slow our ability to conduct research and develop product candidates.

Our future success depends to a significant extent on the skills, experience and efforts of our executive officers and key members of our scientific staff. We face intense competition for qualified individuals from numerous pharmaceutical, biopharmaceutical and biotechnology companies, as well as academic and other research institutions. We may be unable to retain our current personnel or attract or assimilate other highly qualified management and scientific personnel in the future on acceptable terms. The loss of any or all of these individuals could harm our business and might significantly delay or prevent the achievement of research, development or business objectives.

Our products are likely to be expensive to manufacture, and they may not be profitable if we are unable to significantly reduce the costs to manufacture them.

Our telomerase inhibitor compound, GRN163L, our telomerase cancer vaccine, GRNVAC1, and our hESC-based products are likely to be more expensive to manufacture than most other drugs currently on the market today. Oligonucleotides are relatively large molecules with complex chemistry, and the cost of manufacturing an oligonucleotide like GRN163L is greater than the cost of making most small-molecule drugs. Our present manufacturing processes are conducted at a modest scale and we hope to substantially reduce manufacturing costs through process improvements, as well as through scale increases. If we are not able to do so, however, and, depending on the pricing of the potential product, the profit margin on the telomerase inhibitor may be significantly less than that of most drugs on the market today.

GRNVAC1 is an autologous therapy that is produced from a patient's blood using a unique process that generates highly activated dendritic cells that contain RNA coding for the protein component of telomerase. Since the treatment is patient-specific, the manufacturing costs are higher than under a scalable production environment. We are developing procedures to differentiate hESCs to dendritic cells as an alternative to isolating dendritic cells from each patient. The hESC-derived dendritic cells could be produced scalably and could serve as a widely useful vaccine delivery vehicle. If we are unable to scalably produce dendritic cells at a lower manufacturing cost, the cost for GRNVAC1 may reduce the affordability of the therapy for patients and reduce our potential profitability.

Our manufacturing processes for differentiated cells from hESCs are conducted at a small scale and at a high cost per unit measure. The cell-based therapies we are developing based on hESCs will probably require large quantities of cells. We continue to develop processes to scale up production of the cells in a cost-effective way. We may not be able to charge a high enough price for any cell therapy product we develop, even if it is safe and effective, to make a profit. If we are unable to realize significant profits from our potential product candidates, our business would be materially harmed.

Some of our competitors may develop technologies that are superior to or more cost-effective than ours, which may impact the commercial viability of our technologies and which may significantly damage our ability to sustain operations.

The pharmaceutical and biotechnology industries are intensely competitive. Other pharmaceutical and biotechnology companies and research organizations currently engage in or have in the past engaged in efforts related to the biological mechanisms that are the focus of our programs in oncology and human embryonic stem cell therapies, including the study of telomeres, telomerase, human embryonic stem cells, and nuclear transfer. In addition, other products and therapies that could compete directly with the product candidates that we are seeking to develop and market currently exist or are being developed by pharmaceutical and biopharmaceutical companies and by academic and other research organizations.

Many companies are developing alternative therapies to treat cancer and, in this regard, are competitors of ours. According to public data from the FDA and NIH, there are more than 200 approved anti-cancer products on the market in the United States, and several thousand in clinical development.

Many of the pharmaceutical companies developing and marketing these competing products (including GlaxoSmithKline, Bristol-Myers Squibb Company and Novartis AG, among others) have significantly greater financial resources and expertise than we do in:

- research and development;
- manufacturing;
- preclinical and clinical testing;
- obtaining regulatory approvals; and
- marketing and distribution.

Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Academic institutions, government agencies and other public and private research organizations may also conduct research, seek patent protection and establish collaborative arrangements for research, clinical development and marketing of products similar to ours. These companies and institutions compete with us in recruiting and retaining qualified scientific and management personnel as well as in acquiring technologies complementary to our programs.

In addition to the above factors, we expect to face competition in the following areas:

- product efficacy and safety;
- the timing and scope of regulatory consents;
- availability of resources;

- reimbursement coverage;
- price; and

- patent position, including potentially dominant patent positions of others.

As a result of the foregoing, our competitors may develop more effective or more affordable products, or achieve earlier patent protection or product commercialization than we do. Most significantly, competitive products may render any product candidates that we develop obsolete, which would negatively impact our business and ability to sustain operations.

To be successful, our product candidates must be accepted by the health care community, which can be very slow to adopt or unreceptive to new technologies and products.

Our product candidates and those developed by our collaborators, if approved for marketing, may not achieve market acceptance since hospitals, physicians, patients or the medical community in general may decide not to accept and utilize these products. The product candidates that we are attempting to develop represent substantial departures from established treatment methods and will compete with a number of conventional drugs and therapies manufactured and marketed by major pharmaceutical companies. The degree of market acceptance of any of our developed potential products will depend on a number of factors, including:

- our establishment and demonstration to the medical community of the clinical efficacy and safety of our product candidates;
- our ability to create products that are superior to alternatives currently on the market;
- our ability to establish in the medical community the potential advantage of our treatments over alternative treatment methods; and
- reimbursement policies of government and third-party payors.

If the health care community does not accept our potential products for any of the foregoing reasons, or for any other reason, our business would be materially harmed.

If we fail to obtain acceptable prices or adequate reimbursement for our product candidates, the use of our potential products could be severely limited.

Our ability to successfully commercialize our product candidates will depend significantly on our ability to obtain acceptable prices and the availability of reimbursement to the patient from third-party payors. Significant uncertainty exists as to the reimbursement status of newly-approved health care products, including pharmaceuticals. If our potential products are not considered cost-effective or if we fail to generate adequate third-party reimbursement for the users of our potential products and treatments, then we may be unable to maintain price levels sufficient to realize an appropriate return on our investment for potential products currently in development. In both U.S. and other markets, sales of our potential products, if any, will depend in part on the availability of reimbursement from third-party payors, examples of which include:

- government health administration authorities;
- private health insurers;
- health maintenance organizations; and
- pharmacy benefit management companies.

Both federal and state governments in the United States and governments in other countries continue to propose and pass legislation designed to contain or reduce the cost of health care. Legislation and regulations affecting the pricing of pharmaceuticals and other medical products may be adopted before any of our potential products are approved for marketing. Cost control initiatives could decrease the price that we receive for any product candidate we may develop in the future. In addition, third-party payors are increasingly challenging the price and cost-effectiveness of medical products and services and any of our potential products may ultimately not be considered cost-effective by these third parties. Any of these initiatives or developments could materially harm our business.

RISKS RELATED TO ENVIRONMENTAL AND PRODUCT LIABILITY

Our activities involve hazardous materials, and improper handling of these materials by our employees or agents could expose us to significant legal and financial penalties.

Our research and development activities involve the controlled use of hazardous materials, chemicals and various radioactive compounds. As a consequence, we are subject to numerous environmental and safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens and the handling of biohazardous materials. We may be required to incur significant costs to comply with current or future environmental laws and regulations and may be adversely affected by the cost of compliance with these laws and regulations.

Although we believe that our safety procedures for using, handling, storing and disposing of hazardous materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. In the event of such an accident, state or federal authorities could curtail our use of these materials and we could be liable for any civil damages that result, the cost of which could be substantial. Further, any failure by us to control the use, disposal, removal or storage, or to adequately restrict the discharge, or assist in the clean up, of hazardous chemicals or hazardous, infectious or toxic substances could subject us to significant liabilities, including joint and several liability under certain statutes. Any such liability could exceed our resources and could have a material adverse effect on our business, financial condition and results of operations. Additionally, an accident could damage our research and manufacturing facilities and operations.

Additional federal, state and local laws and regulations affecting us may be adopted in the future. We may incur substantial costs to comply with these laws and regulations and substantial fines or penalties if we violate any of these laws or regulations, which would adversely affect our business.

We may not be able to obtain or maintain sufficient insurance on commercially reasonable terms or with adequate coverage against potential liabilities in order to protect ourselves against product liability claims.

Our business exposes us to potential product liability risks that are inherent in the testing, manufacturing and marketing of human therapeutic and diagnostic products. We may become subject to product liability claims if the use of our potential products is alleged to have injured subjects or patients. This risk exists for product candidates tested in human clinical trials as well as potential products that are sold commercially. We currently have limited clinical trial liability insurance and we may not be able to maintain this type of insurance for any of our clinical trials. In addition, product liability insurance is becoming increasingly expensive. Being unable to obtain or maintain product liability insurance in the future on acceptable terms or with adequate coverage against potential liabilities could have a material adverse effect on our business.

RISKS RELATED TO OUR COMMON STOCK AND FINANCIAL REPORTING

Our stock price has historically been very volatile.

Stock prices and trading volumes for many biopharmaceutical companies fluctuate widely for a number of reasons, including factors which may be unrelated to their businesses or results of operations such as media coverage, legislative and regulatory measures and the activities of various interest groups or organizations. This market volatility, as well as general domestic or international economic, market and political conditions, could materially and adversely affect the market price of our common stock and the return on your investment.

Historically, our stock price has been extremely volatile. Between January 1999 and September 2009, our stock has traded as high as $75.88 per share and as low as $1.41 per share. Between January 1, 2006 and September 30, 2009, the price has ranged between a high of $10.00 per share and a low of $1.95 per share. The significant market price fluctuations of our common stock are due to a variety of factors, including:

- the demand in the market for our common stock;
- the experimental nature of our product candidates;
- fluctuations in our operating results;

- market conditions relating to the biopharmaceutical and pharmaceutical industries;
- announcements of technological innovations, new commercial products, or clinical progress or lack thereof by us, our collaborative partners or our competitors;
- announcements concerning regulatory developments, developments with respect to proprietary rights and our collaborations;
- comments by securities analysts;
- general market conditions;
- political developments related to human embryonic stem cell research;
- public concern with respect to our product candidates; or
- the issuance of common stock to partners, vendors or to investors to raise additional capital.

In addition, the stock market is subject to other factors outside our control that can cause extreme price and volume fluctuations. In the third and fourth quarters of 2008, as well as during the first half of 2009, broad distress in the financial markets and the economy have resulted in greatly increased market uncertainty and instability in both U.S. and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment have recently contributed to substantial market volatility, and if such market conditions persist, the price of our common stock may fluctuate or decline. Securities class action litigation has often been brought against companies, including many biotechnology companies, which experience volatility in the market price of their securities. Litigation brought against us could result in substantial costs and a diversion of management's attention and resources, which could adversely affect our business.

The sale of a substantial number of shares may adversely affect the market price for our common stock.

The sale of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could significantly and negatively affect the market price for our common stock. As of September 30, 2009, we had 200,000,000 shares of common stock authorized for issuance and 91,612,116 shares of common stock outstanding. In addition, as of September 30, 2009, we have reserved for future issuance approximately 25,931,319 shares of common stock for our stock plans, potential milestone payments and outstanding warrants.

In addition, we have issued common stock to certain parties, such as vendors and service providers, as payment for products and services. Under these arrangements, we typically agree to register the shares for resale soon after their issuance. We may continue to pay for certain goods and services in this manner, which would dilute your interest in us. Also, sales of the shares issued in this manner could negatively affect the market price of our stock.

Our undesignated preferred stock may inhibit potential acquisition bids; this may adversely affect the market price for our common stock and the voting rights of holders of our common stock.

Our certificate of incorporation provides our Board of Directors with the authority to issue up to 3,000,000 shares of undesignated preferred stock and to determine or alter the rights, preferences, privileges and restrictions granted to or imported upon these shares without further vote or action by our stockholders. As of the date of this filing, 50,000 shares of preferred stock have been designated Series A Junior Participating Preferred Stock and the Board of Directors still has authority to designate and issue up to 2,950,000 shares of preferred stock in one or more classes or series. The issuance of shares of preferred stock may delay or prevent a change in control transaction without further action by our stockholders. As a result, the market price of our common stock may be adversely affected.

In addition, if we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Provisions in our share purchase rights plan, charter and bylaws, and provisions of Delaware law, may inhibit potential acquisition bids for us, which may prevent holders of our common stock from benefiting from what they believe may be the positive aspects of acquisitions and takeovers.

Our Board of Directors has adopted a share purchase rights plan, commonly referred to as a poison pill. This plan entitles existing stockholders to rights, including the right to purchase shares of common stock, in the event of an acquisition of 15% or more of our outstanding common stock.

Our share purchase rights plan could prevent stockholders from profiting from an increase in the market value of their shares as a result of a change of control of us by delaying or preventing a change of control. In addition, our Board of Directors has the authority, without further action by our stockholders, to issue additional shares of common stock, and to fix the rights and preferences of one or more series of preferred stock.

In addition to our share purchase rights plan and the undesignated preferred stock, provisions of our charter documents and bylaws may make it substantially more difficult for a third party to acquire control of us and may prevent changes in our management, including provisions that:

- prevent stockholders from taking actions by written consent;
- divide the Board of Directors into separate classes with terms of office that are structured to prevent all of the directors from being elected in any one year; and
- set forth procedures for nominating directors and submitting proposals for consideration at stockholders meetings.

Provisions of Delaware law may also inhibit potential acquisition bids for us or prevent us from engaging in business combinations. In addition, we have severance agreements with several employees and a change of control severance plan which could require an acquiror to pay a higher price. Either collectively or individually, these provisions may prevent holders of our common stock from benefiting from what they may believe are the positive aspects of acquisitions and takeovers, including the potential realization of a higher rate of return on their investment from these types of transactions.

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, results of operations, capital requirements and other factors and will be at the discretion of the Board of Directors. Furthermore, we may incur additional indebtedness that may severely restrict or prohibit the payment of dividends.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) requires that we establish and maintain an adequate internal control structure and procedures for financial reporting and include a report of management on our internal control over financial reporting. Our annual report on Form 10-K must contain an assessment by management of the effectiveness of our internal control over financial reporting and must include disclosure of any material weaknesses in internal control over financial reporting that we have identified. In addition, our independent registered public accounting firm must annually provide an opinion on the effectiveness of our internal control over financial reporting.

The requirements of Section 404 of the Sarbanes-Oxley Act are ongoing and also apply to future years. We expect that our internal control over financial reporting will continue to evolve as our business develops. Although we are committed to continue to improve our internal control processes and we will continue to diligently and vigorously review our internal control over financial reporting in order to ensure compliance with Section 404 requirements, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. Therefore, we cannot be certain that in the future material weaknesses or significant deficiencies will not exist or otherwise be discovered. If material weaknesses or other significant deficiencies occur, these weaknesses or deficiencies could result in misstatements of our results of operations, restatements of our consolidated financial statements, a decline in our stock price, or other material adverse effects on our business, reputation, results of operations, financial condition or liquidity.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 7, 2009, we issued 137,363 shares of our common stock to Lonza Walkersville, Inc. (Lonza) in a private placement as advance consideration related to a services agreement pursuant to which Lonza is manufacturing certain products for us intended for therapeutic use in humans. The total fair value of the common stock was $1,087,000 which has been recorded as a prepaid asset and will be amortized to research and development expense on a pro-rata basis as services are performed. As of September 30, 2009, $414,000 remained as a prepaid asset which is expected to be expensed over the next three months.

We issued the above-described shares of common stock in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. Lonza represented to us that it is an accredited investor as defined in Rule 501(a) of the Securities Act of 1933, as amended, and that the securities issued pursuant thereto were being acquired for investment purposes.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Series A Preferred Stock Purchase Agreement by and between the Registrant and ViaGen, Inc., dated September 16, 2009.
31.1	Certification of Chief Executive Officer pursuant to Form of Rule 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated October 30, 2009.
31.2	Certification of Chief Financial Officer pursuant to Form of Rule 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated October 30, 2009.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated October 30, 2009.

32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated October 30, 2009.

SIGNATURE

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

GERON CORPORATION

By: /s/ DAVID L. GREENWOOD
David L. Greenwood
Executive Vice President and
Chief Financial Officer
(Duly Authorized Signatory)

Date: October 30, 2009

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