

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **February 14, 2023**

AXCELLA HEALTH INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-38901
(Commission
File Number)

26-3321056
(IRS Employer
Identification No.)

840 Memorial Drive
Cambridge, Massachusetts
(Address of principal executive offices)

02139
(Zip Code)

Registrant's telephone number, including area code: **(857) 320-2200**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 Par Value	AXLA	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On February 14, 2023, Axcella Health Inc. (the “Company”) entered into retention agreements (the “Retention Agreements”) with each of (i) William Hinshaw, President and Chief Executive Officer, (ii) Margaret Koziel, Senior Vice President, Chief Medical Officer and (iii) Paul Fehlner, Senior Vice President, Chief Legal Officer and Corporate Secretary to provide an incentive for their continued service with the Company subsequent to the restructuring event on December 14, 2022.

The Retention Agreements provide for retention bonuses of cash and equity in the event of certain Company actions as further described below. In connection with the retention bonuses provided under the Retention Agreements, each of Mr. Hinshaw, Dr. Koziel and Dr. Fehlner agreed to waive their rights to severance payments provided under their respective employment agreements in the event of a Terminations Without Cause or for Good Reason (as such terms are currently defined in their respective employment agreements).

The Company will pay \$517,500 to Mr. Hinshaw in the event of (i) an affirmative decision by the Company’s Board of Directors (the “Board”) that the Company will cease to do business, (ii) Mr. Hinshaw’s Termination Without Cause or resignation for Good Reason (as such terms are currently defined in Mr. Hinshaw’s Employment Agreement, dated December 20, 2018) or (iii) the Board approving a sale of the Company or a corporate transaction that allows the Company to continue its operations, with fifty percent of the total retention payment payable on June 30, 2023 and the remainder payable on September 30, 2023.

The Company will pay \$280,125 to Dr. Koziel in the event of (i) an affirmative decision by the Board that the Company will cease to do business, (ii) Dr. Koziel’s Termination Without Cause or resignation for Good Reason (as such terms are currently defined in Dr. Koziel’s Employment Agreement, dated December 1, 2021) and (iii) the Board approving a sale of the Company or a corporate transaction that allows the Company to continue its operations, with fifty percent of the total retention payment payable on June 30, 2023 and the remainder payable on September 30, 2023.

The Company will pay \$270,123 to Dr. Fehlner in the event of (i) an affirmative decision by the Board that the Company will cease to do business, (ii) Dr. Fehlner’s Termination Without Cause or resignation for Good Reason (as such terms are currently defined in Dr. Fehlner’s Employment Agreement, dated December 19, 2018, as amended September 16, 2020) and (iii) the Board approving a sale of the Company or a corporate transaction that allows the Company to continue its operations, with fifty percent of the total retention payment payable on June 30, 2023 and the remainder payable on September 30, 2023.

In addition, the Company may, subject to Board review, offer a further equity incentive grant to each of Mr. Hinshaw, Dr. Koziel and Dr. Fehlner equal to 50% of such individual’s 2023 target annual bonus to continue employment with the Company in the event of a transaction referenced in (iii) above of an appropriate scale and that allows the Company to continue its operations indefinitely. Such equity incentive would vest fifty percent (50%) on the date six (6) months after grant, with the remaining fifty percent (50%) vesting on the date twelve (12) months after grant, provided that such individual remains employed by the Company on each vesting day.

The foregoing description of the Retention Agreements do not purport to be complete and is qualified in its entirety by reference to the text of the Retention Agreements, copies of which is attached to this Current Report on Form 8-K as Exhibits 10.1, 10.2 and 10.3 and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
10.1	Retention Agreement, dated February 14, 2023, by and between Axcella Health Inc. and William Hinshaw.
10.2	Retention Agreement, dated February 14, 2023, by and between Axcella Health Inc. and Margaret Koziel.
10.3	Retention Agreement, dated February 14, 2023, by and between Axcella Health Inc. and Paul Fehlner.
104	Cover page interactive data file (embedded within the Inline XBRL document)

SIGNATURES

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

AXCELLA HEALTH INC.

Date: February 17, 2023

By: /s/ William R. Hinshaw, Jr.
William R. Hinshaw, Jr.
Chief Executive Officer, President and Director



Axcella Health Inc.
 P.O. Box 1270
 Littleton, MA 01460

Letter Agreement for Retention and to Amend Employment Agreement

February 14, 2023

Confidential

William Hinshaw
 451 Marlborough Street
 Unit 5
 Boston, MA 02115

Dear Bill:

The purpose of this letter agreement (“Letter Agreement”) is to provide an incentive for you to continue employment with Axcella Health Inc. (“Axcella” or “the Company”)¹ during the Transition Period (as defined below), and to amend the terms of your Employment Agreement with the Company dated December 20, 2018 that provide for severance in the event of a Termination Without Cause or resignation for Good Reason. All capitalized terms not defined in this Letter Agreement have the definitions set out in the Employment Agreement.

1. **Retention Payment.** In consideration for your agreement to this Letter Agreement, the Company will pay you a retention payment in the gross amount of five hundred seventeen thousand, five hundred dollars (\$517,500) (“Retention Payment”) to be paid in the event of:
 - (i) an affirmative decision by the Board that the Company will cease to do business;
 - (ii) your Termination Without Cause or resignation for Good Reason (as such terms are currently defined in your Employment Agreement); or
 - (iii) the Company’s Board approving a Sale Event (i.e., a Change in Control as defined under your Employment Agreement) or a corporate transaction that allows the Company to continue its operations, with fifty percent of the total retention payment payable on June 30, 2023 and the remainder payable on September 30, 2023;

(the period from December 15, 2022 until whichever of (i), (ii), or (iii) occurs first constituting the “Transition Period”), in each case provided you remain employed by the Company during the Transition Period and subject to the conditions described in Section 4(b) of your Employment Agreement. The Company may make this Retention Payment in a lump sum (or in two payments in the case of event (iii)) as soon as reasonably practicable following the earliest of the above events. For the absence of doubt, this Retention Payment is guaranteed in exchange for your services during the Transition Period and so shall be considered wages and will be subject to withholdings.

2. **Deal Incentive.** In addition, the Company may, subject to Board review, offer a further equity incentive grant equal to 50% of your 2023 target annual bonus to continue employment with the Company in the event of a transaction referenced in (iii) above of an appropriate scale and that allows the Company to continue its operations indefinitely. Such equity incentive shall vest fifty percent (50%) on the date six (6) months after grant, with the remaining fifty percent (50%) vesting on the date twelve (12) months after grant, provided that you remain employed by the Company on each vesting day.

¹ Whenever the term Axcella or the Company is used in this Agreement (including, without limitation, Section 6), it shall be deemed to include Axcella Health Inc. doing business as Axcella Therapeutics, and any and all of its divisions, affiliates, parents, subsidiaries, and any and all other related entities, and its directors, officers, employees, partners, members, representatives, trustees, agents, successors, predecessors, and assigns.

3. No Severance Pay or Benefits for Termination Without Cause or for Good Reason. You hereby waive any obligation of the Company to pay the Severance Amount or provide any contribution to health insurance costs under COBRA in the event of Termination Without Cause or for Good Reason as set out, respectively, in Sections 4(b)(i) and (ii) of the Employment Agreement.
4. During the Transition Period, the Company will continue to pay you your base salary, and you will continue to be eligible for a discretionary bonus.
5. No Modification of Any Other Terms. All other terms of the Employment Agreement are in full force and effect and are not otherwise modified by this Letter Agreement. For the absence of doubt, you will continue to be eligible for Change in Control benefits as provided in Section 5(a) of your Employment Agreement, in addition to the Retention Payment.

If you agree to the terms of this Agreement, please sign and return the enclosed copy of this Letter Agreement by no later than February 17, 2023.

Very truly yours,

Accepted and Agreed To:

/s/ Robert Rosiello

/s/ William Hinshaw

By: Robert Rosiello
Chairman of the Board

William Hinshaw

Dated: February 14, 2023

Dated: February 14, 2023



Letter Agreement for Retention and to Amend Employment Agreement

February 14, 2023

Confidential

Margaret Koziel
 198 Washington Avenue
 Needham, MA 02492

Dear Margaret:

The purpose of this letter agreement (“Letter Agreement”) is to provide an incentive for you to continue employment with Axcella Health Inc. (“Axcella” or “the Company”)¹ during the Transition Period (as defined below), and to amend the terms of your Employment Agreement with the Company dated December 1, 2021 that provide for severance in the event of a Termination Without Cause or for Good Reason. All capitalized terms not defined in this Letter Agreement have the definitions set out in the Employment Agreement.

1. **Retention Payment.** In consideration for your agreement to this Letter Agreement, the Company will pay you a retention payment in the gross amount of two hundred eighty thousand, one hundred twenty-five dollars (\$280,125) (“Retention Payment”) to be paid in the event of:
 - (i) an affirmative decision by the Board that the Company will cease to do business;
 - (ii) your Termination Without Cause or resignation for Good Reason (as such terms are currently defined in your Employment Agreement); or
 - (iii) the Company’s Board approving a Sale Event (i.e., a Change in Control as defined under your Employment Agreement) or a corporate transaction that allows the Company to continue its operations, with fifty percent of the total retention payment payable on June 30, 2023 and the remainder payable on September 30, 2023;

(the period from December 15, 2022 until whichever of (i), (ii), or (iii) occurs first constituting the “Transition Period”), in each case provided you remain employed by the Company during the Transition Period and subject to the conditions described in Section 8 of the Restrictive Covenants Agreement attached as an Exhibit to and mentioned in Section 8 of your Employment Agreement. The Company may make this Retention Payment in a lump sum (or in two payments in the case of event (iii)) as soon as reasonably practicable following the earliest of the above events. For the absence of doubt, this Retention Payment is considered wages and will be subject to withholdings.

2. **Deal Incentive.** In addition, the Company may, subject to Board review, offer a further equity incentive grant equal to 50% of your 2023 target annual bonus to continue employment with the Company in the event of a transaction referenced in (iii) above of an appropriate scale and that allows the Company to continue its operations indefinitely. Such equity incentive shall vest fifty percent (50%) on the date six (6) months after grant, with the remaining fifty percent (50%) vesting on the date twelve (12) months after grant, provided that you remain employed by the Company on each vesting day.

¹ Whenever the term Axcella or the Company is used in this Agreement (including, without limitation, Section 6), it shall be deemed to include Axcella Health Inc. doing business as Axcella Therapeutics, and any and all of its divisions, affiliates, parents, subsidiaries, and any and all other related entities, and its directors, officers, employees, partners, members, representatives, trustees, agents, successors, predecessors, and assigns.

3. No Severance Pay or Benefits for Termination Without Cause or for Good Reason. You hereby waive any obligation of the Company to pay the Severance Amount or provide any contribution to health insurance costs under COBRA in the event of Termination Without Cause or for Good Reason as set out, respectively, in Sections 5(a) and (b) of the Employment Agreement.
4. During the Transition Period, the Company will continue to pay you your base salary, and you will continue to be eligible for a discretionary bonus.
5. No Modification of Any Other Terms. All other terms of the Employment Agreement are in full force and effect and are not otherwise modified by this Letter Agreement. For the absence of doubt, you will continue to be eligible for Change in Control benefits as provided in Section 6(a) of your Employment Agreement, in addition to the Retention Payment.

If you agree to the terms of this Agreement, please sign and return the enclosed copy of this Letter Agreement by no later than February 17, 2023.

Very truly yours,

Accepted and Agreed To:

/s/ William Hinshaw

/s/ Margaret Koziel

By: William Hinshaw

Margaret Koziel

President and Chief Executive Officer

Dated: February 14, 2023

Dated: February 16, 2023



Letter Agreement for Retention and to Amend Employment Agreement

February 14, 2023

Confidential

Paul Fehlner
 125 Brookside Avenue
 Ridgewood NJ 07450

Dear Paul:

The purpose of this letter agreement (“Letter Agreement”) is to provide an incentive for you to continue employment with Axcella Health Inc. (“Axcella” or “the Company”)¹ during the Transition Period (as defined below), and to amend the terms of your Employment Agreement with the Company dated December 19, 2018 as amended September 16, 2020 that provide for severance in the event of a Termination Without Cause or for Good Reason. All capitalized terms not defined in this Letter Agreement have the definitions set out in the Employment Agreement.

1. **Retention Payment.** In consideration for your agreement to this Letter Agreement, the Company will pay you a retention payment in the gross amount of two hundred seventy thousand one hundred twenty-three dollars (\$270,123) (“Retention Payment”) to be paid in the event of:
 - (i) an affirmative decision by the Board that the Company will cease to do business;
 - (ii) your Termination Without Cause or resignation for Good Reason (as such terms are currently defined in your Employment Agreement); or
 - (iii) the Company’s Board approving a Sale Event (i.e., a Change in Control as defined under your Employment Agreement) or a corporate transaction that allows the Company to continue its operations, with fifty percent of the total retention payment payable on June 30, 2023 and the remainder payable on September 30, 2023;

(the period from December 15, 2022 until whichever of (i), (ii), or (iii) occurs first constituting the “Transition Period”), in each case provided you remain employed by the Company during the Transition Period and subject to the conditions described in Section 4(b) of the Employment Agreement. The Company may make this Retention Payment in a lump sum (or in two payments in the case of event (iii)) as soon as reasonably practicable following the earliest of the above events. For the absence of doubt, this Retention Payment is considered wages and will be subject to withholdings.

2. **Deal Incentive.** In addition, the Company may, subject to Board review, offer a further equity incentive grant equal to 50% of your 2023 target annual bonus to continue employment with the Company in the event of a transaction referenced in (iii) above of an appropriate scale and that allows the Company to continue its operations indefinitely. Such equity incentive shall vest fifty percent (50%) on the date six (6) months after grant, with the remaining fifty percent (50%) vesting on the date twelve (12) months after grant, provided that you remain employed by the Company on each vesting day.

¹ Whenever the term Axcella or the Company is used in this Agreement (including, without limitation, Section 6), it shall be deemed to include Axcella Health Inc. doing business as Axcella Therapeutics, and any and all of its divisions, affiliates, parents, subsidiaries, and any and all other related entities, and its directors, officers, employees, partners, members, representatives, trustees, agents, successors, predecessors, and assigns.

3. No Severance Pay or Benefits for Termination Without Cause or for Good Reason. You hereby waive any obligation of the Company to pay the Severance Amount or provide any contribution to health insurance costs under COBRA in the event of Termination Without Cause or for Good Reason as set out, respectively, in Sections 4(b)(i) and (ii) of the Employment Agreement.
4. During the Transition Period, the Company will continue to pay you your base salary, and you will continue to be eligible for a discretionary bonus.
5. No Modification of Any Other Terms. All other terms of the Employment Agreement are in full force and effect and are not otherwise modified by this Letter Agreement. For the absence of doubt, you will continue to be eligible for Change in Control benefits as provided in Section 5(a) of your Employment Agreement, in addition to the Retention Payment.

If you agree to the terms of this Agreement, please sign and return the enclosed copy of this Letter Agreement by no later than February 17, 2023.

Very truly yours,

Accepted and Agreed To:

/s/ William Hinshaw

/s/ Paul Fehlner

By: William Hinshaw
President and Chief Executive Officer

Paul Fehlner

Dated: February 14, 2023

Dated: February 14, 2023