Title page

Characteristics of ectopic alveolar basal cells relative to airway basal cells in

fibrosis

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Take home message: Alveolar and airway basal cells differ in their transcriptomes
and in their capacities to form and to differentiate in organoids, although with no
indication of an AT2 cell origin.
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ABSTRACT

Rationale: Basal cells (BC) appear ectopically within the lung parenchyma of
interstitial lung disease (ILD) patients, potentially through migration of airway BC or
though trans-differentiation of alveolar epithelial type 2 (AT2) cells. The exact origin
and function of these ectopic alveolar BC remains elusive. By comparing ectopic
alveolar to "classical" airway BC, we aimed to get a better understanding of the origin
and characteristics of alveolar BC in ILD. **Methods:** Alveolar and airway BC were
isolated from transbronchial and airway mucosal biopsies, respectively, from the
same ILD patients and expanded in culture. Samples were analyzed by single cell
RNA sequencing (scRNA-seq), TaqMan RT-PCR, and immunochemistry. **Results:**
scRNA-seq analysis revealed several differences in gene expression that suggested
a shift to a more mesenchymal-like phenotype and a decrease in keratinization
genes in alveolar compared to airway BC. Specific AT2 cell marker genes were not
expressed in either BC type. While the morphology, wound repair and proliferation
capacities of BC from both origins were not significantly different, alveolar BC formed
significantly fewer organoids, expressing more MUC5B. After instillation into
bleomycin-injured mice, alveolar and airway BC showed similar engraftment,
differentiation capacity and effects on fibrosis. **Conclusion:** Despite similar overall
functionality in vitro and after instillation into bleomycin-injured mice, alveolar and
airway BC differed in their transcriptomes and in their capacities to form and to
differentiate in organoids. Our data provide no evidence to support their potential
derivation from AT2 cells.

Keywords: Airway basal cells, alveolar basal cells, interstitial lung diseases, scRNA-
seq, organoids, air liquid interface, mouse model

Introduction

In interstitial lung diseases (ILD) basal cells (BC) accumulate within the alveolar
space, where they replace resident alveolar epithelial cells and contribute to
pathological honeycomb cysts (HC) formation [1-3]. In the healthy lung, alveoli are
lined with alveolar epithelial type (AT)1 and 2 cells, whereas BC are restricted to the
airways. AT2 cells are critical for alveolar homeostasis through pulmonary surfactant

production and their ability to self-renew and differentiate into AT1 cells [4]. BC
maintain airway homeostasis by self-renewal and the differentiation to other airway
epithelial cells such as ciliated, or secretory epithelial cells [5].
65
66 The origin of ectopic BC in the alveolar space in ILD remains elusive. BC are present
67 throughout the airways all the way to the terminal bronchioles in human [6]. It is
68 therefore possible that alveolar BC derive from migrated airway BC. Alternatively,
69 studies showed the possibility for AT2 cells to trans-differentiate into BC *in vitro* [7,
70 8], constituting an alternative explanation for the origin of the alveolar BC pool in ILD.
71
Some studies suggested a beneficial role of the ectopic BC in ILD in regenerating
the injured alveolar epithelium through trans-differentiation to AT2 cells in mice [9,
10]. However, other studies did not find evidence for a contribution of ectopic BC to
the AT2 cell pool [11, 12], and suggested that ectopic BC could even play a
detrimental role because their abundance correlated with increased mortality and HC
formation in ILD [3, 13].
78
79 By comparing alveolar BC to their airway counterpart after isolating these two
80 respective BC types from ILD patients and expanding them in culture, we aimed to
81 get a better understanding of the origin and disease-specific characteristics of
82 ectopic BC, which may help to further unravel the pathomechanism of fibrotic ILD.
83
84 **Materials and Methods**
85
Basal cell culture
Alveolar BC were cultured from transbronchial biopsies (TBB) and airway BC from
airway mucosal biopsies (MB) [14-16]. Briefly, TBB or airway MB derived from the
same ILD patient were placed into plastic dishes containing an epithelial cell-specific
growth medium (Cnt-PR-A). After 5-7 days, tissue was removed and the outgrown
cells expanded. Experiments were performed with BC from tissue of several different
ILD patients as indicated by the n-number. The local ethical committee of the
University Hospital, Basel, Switzerland (EKBB05/06) approved the use of human
tissue sections and the culture of human primary lung cells. ILD patient

characteristics and material used in this study are outlined in supplement table 1 and
2.
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TaqMan RT-PCR, Immunochemistry

TaqMan   RT-PCR,   immunocytochemistry   (ICC)/immunofluorescence   (IF),
immunohistochemistry (IHC)/IF or hematoxylin and eosin (H&E) stainings were
performed as previously described [15-17]. Primers and antibodies are listed in
supplement table 2.

Single-cell RNA-sequencing
scRNA-seq was performed on cultured airway and alveolar BC from three different
ILD patients (Patient-ID 01, 02, and 03) using the 10X Genomics technology [17].
Detailed scRNA-seq analysis methods can be viewed in supplement document 1.
107
108 *Air liquid interface (ALI), organoids, proliferation and epithelial wound repair*
109 BC ALI- and organoid culture as well as proliferation and epithelial wound repair
110 assays were performed as previously [16].
111
Intratracheal administration of human BC into bleomycin-challenged mice
The Hannover Medical School, Germany performed all mouse procedures in
accordance with the German law for animal protection and the European Directive
2010/63/EU and an approval by the Lower Saxony State Office for Consumer
Protection and Food Safety in Oldenburg/Germany (LAVES); AZ: 33.12-42502-04-
15/1896 and AZ: 33.19-42502-04-15/2017), AZ:33.12-42502-04-17/2612). Human
alveolar and airway BC were transduced with a lentiviral vector for firefly-luciferase
and enhanced green fluorescence protein (eGFP) [13, 16]. NRG mice (n=9) received
bleomycin (1.2 mg/kg) intratracheally. After three days, three mice were
intratracheally injected with human alveolar BC, and three mice with human airway
BC (both at 0.3×10^5 cells per mouse). Firefly-luciferase activity was measured as
previously described [13, 16]. At day 21, mice were sacrificed and mouse lungs were
formalin-fixed and paraffin embedded (FFPE). Fibrosis scoring was performed on
lung tissue of mice treated with bleomycin only (n=3), bleomycin + human alveolar
(n=3), or + human airway (n=3) BC [18]: 20 non-overlapping 10x fields per sample

were scored as followed: 0 = no fibrosis, 1 = mild thickening of alveolar septa,

2 = <10%-, 3 = 10–20%, 4 = 20–40%-, 5 = 40–60%-, 6 = 60–80%,

7 = >80% fibrotic area or 8 = complete fibrosis. The scores of all fields were then

averaged for each sample.

Statistics

Paired or unpaired t-tests were performed using GraphPad Prism software version

9.1.1. p values < 0.05 were considered as statistically significant. Data were

presented as mean ± SEM.

Results

BC characteristics

In airway MB, KRT5+/p63+ BC were lining the basement membrane of the airway

epithelium, whereas in TBB, they were found scattered within the lung parenchyma

(Figure 1 a). Alveolar and airway BC, isolated and cultured as illustrated (Figure 1 b),

were indistinguishable by their morphology (Figure 1 c) and expressed similar levels

of BC markers (KRT5, KRT14, KRT17, TP63) both at the RNA and protein level

(Figure 1 d). Mesenchymal (CDH2)- or secretory epithelial (SCGB1A1) cell markers

were absent or expressed at very low levels (Figure 1 d).

BC transcriptome

scRNA-seq was performed on cultured alveolar and airway BC from 3 ILD patients.

After quality control and filtering of cells, 34,435 cells were retained (4,500 to 6,975

cells per sample). The major source of variation across single cells was the

individual origin of the sample (Donors 1-3), followed by the origin of the BC samples

(TBB or airway MB) (Figure 2 a; Supplement figure 1). After removal of these

systematic sources of variation, the cells were grouped into 7 different clusters

encompassing between 7.6% and 20% of the cells (Figure 2 b). Each cluster was

annotated by comparing our cells to published scRNA-seq atlases of the lung (Figure

2 c [19]; Supplement Figure 2 [1, 2, 7, 20-25]): the majority of cells in clusters 2-6 (84

to 97%) showed closest transcriptomic similarities to the BC subset 1 (canonical BC)

described in [19]. Most cells (86%) from cluster 7 closely matched to BC subset 2

(cycling BC) [19]. Last, a large fraction (39%) of cells from cluster 1 matched to BC subset 3 (secretory-primed) [19]. This annotation was supported by inspection of the expression of the best markers across clusters (Figure 2 d) and known marker genes (Supplement Figure 3). More specifically, cluster 7 displayed high expression of proliferation genes such as *PTTG1*, *BIRC5*, *HMGB2*, *MIK67*, *CENPF* and *TOP2A* (Figure 2 d). Secretory-primed BC from cluster 1 were enriched with transcripts of members of the serpin family, *KRT16*, or *CSTA* (Figure 2 d). The markers of the other clusters seemed to illustrate a differentiation gradient from cluster 6 to the secretory-primed cluster 1, analogous to previously reported [15]. In particular cells from cluster 6 were enriched with transcripts highly expressed in undifferentiated BC [26] such as *AREG*, *CAV1*, *THBS1*, or *ITGB4*, whereas transcripts indicating BC to secretory epithelial cell differentiation (*CSTA*, *KRT16*, *SERPINB2*) [27] were expressed at low levels. Their expression increased in cluster 3 and 4 and was highest in cluster 1 (Figure 2 d). Despite expressing lower levels of *AREG*, *CAV1*, *THBS1* and *ITGB4* than cluster 6, cluster 2 showed also lower levels of *CSTA*, *KRT16*, *SERPINB2* than cluster 3 and 4. Instead, high levels of expression of several metallothioneins (e.g., *MT1X*, *MT2A*, *MT1E*), *FOS*, *KRT15*, or *AGR2* were observed, which were in part shared with cluster 3 (Figure 2 d). Cluster 5 showed high expression of the mesenchymal markers *FN1* and *VIM* (Figure 2 d), but it was predominantly composed of cells from donor 1 (74% of cells, Supplement figure 1 a). Of note, there was overall no or very low expression of specific AT2 cell markers (e.g., *SFTPA-D*, *ABCA3*) across cells in our dataset (not shown).

Comparing the relative abundance of alveolar compared to airway BC across clusters (excluding cluster 5 including mostly cells from donor 1), we observed a significantly higher abundance of alveolar BC in cluster 2 (FDR=8.6%), along with a reduced abundance of alveolar BC in cluster 4 (FDR=8.6%) and cluster 1 (FDR=21%) (Figure 2 e). These results suggest an enrichment for an altered differentiation trajectory among alveolar BC (cluster 6 to clusters 2 and 3) relative to the "classical" differentiation trajectory (cluster 6 to cluster 4 and then to cluster 1) enriched among airway BC.

Next, we tested for differences in expression state of alveolar compared to airway BC. Testing within each cluster separately allowed us to account for the above-

described differences in abundance, while the paired design allowed us to account
for donor-specific effects. At an FDR of 1%, there were in total 40 genes significantly
up or down-regulated in alveolar compared to airway BC in at least one of the
clusters (Figure 3 a). Cluster 2 and 6 yielded the highest amount of differentially
expressed genes (Figure 3 b; differential expression in other clusters is shown in
Supplement Figure 4). Genes involved in response to hypoxia (*PLIN2*, *S100A4*),
KRAS activation/mutation (*LMO3*, *IL33*), ECM organization (*SPOCK3*, *MXRA7*), as
well as genes involved in glycolysis (*EGLN3*) were up-regulated in alveolar BC,
whereas genes involved in interferon response (*IFI27*, *HLA-DRB1*, *BST2*) were
down-regulated. Interestingly, although not significant, the BC marker genes *KRT5*,
KRT14, KRT17 and *TP63* were all down-regulated (Supplement Figure 3), whereas
KRT15 and *KRT19* were up-regulated, along with mesenchymal markers such as
FN1, *COL1A1* or *VIM*.
207
Functional enrichment analysis using the MSigDB Hallmark pathways (Figure 3 c for
clusters 2 and 6; Supplement Figure 5 for clusters 1, 3, 4 and 7) showed that
pathways related to hypoxia, glycolysis, angiogenesis, KRAS signaling, and
epithelial to mesenchymal transition (EMT) were up-regulated in alveolar BC.
Furthermore, Reactome pathway analysis revealed an up-regulation of pathways
such as "ECM organization", "collagen formation", "collagen biosynthesis and
modifying enzymes", or "activation of matrix metalloproteinases" in alveolar BC
(Supplement Figure 6). In line with the above-described trend of keratin genes, the
pathway "Keratinization" was significantly down-regulated in alveolar BC in cluster 1,
6, and 7 (Supplement Figure 6).
218
219   The differential expression of selected genes was validated in BC from donor 1-3
220   and three additional donors by TaqMan RT-PCR, confirming the up-regulation of
221   *LMO3*, *S100A4*, *SPOCK3*, *HNMT* and down-regulation of *IFI27*, *BST2* in alveolar
222   relative to airway BC (Figure 3 d).
223
224   *BC proliferation and wound healing capacities*
225   Alveolar and airway BC numbers significantly increased between 0-48 h (Figure 4 a)
226   and closed a scratch after 6 hours (Figure 4 b) with no difference in cell growth rate
227   (Figure 4 a) or wound healing capacity (Figure 4 b) between alveolar and airway BC.

BC differentiation capacities

Alveolar and airway BC cultured on an ALI (Figure 5 a) differentiated to secretory
and ciliated epithelial cells, reflected by a significant increase of secretory
(*SCGB1A1*, *MUC5AC*, *MUC5B)* and ciliated (*FOXJ1)* epithelial cell marker
expression levels between day 0 and 23 (Figure 5 b). Marker expression levels did
not significantly differ between alveolar and airway BC at day 0 or 23 (Figure 5 b). At
the protein level, BC did not express AcTub (ciliated epithelial cell marker),
MUC5AC, nor SCGB1A1 at day 0 (Figure 4 c), while after 23 days these markers
were detected in alveolar and airway BC on PFA-fixed (Figure 5 c) and/or cryo-
sectioned (Figure 5 d) ALI membranes.

BC cultured in Matrigel (Figure 6 a) formed organoids (>50µm diameter) after 7
days, which grew in size and number over a period of 21 days (Figure 6 b). After 20
days, alveolar BC formed between 45 and 138 organoids/mm^3, significantly fewer
than the 63 to 162 organoids/mm^3 formed by airway BC (Figure 6 c). The size of
alveolar (66-122 µm) and airway (73-105 µm) BC-derived organoids was not
significantly different (Figure 6 c). After 21 days, cells in alveolar and airway BC-
derived organoids expressed similar RNA levels of *TP63*, *KRT5*, *KRT17*, *SCGB1A1*,
and *MUC5AC. MUC5B* levels were significantly higher in alveolar BC-derived
organoids and FOXJ1 levels showed a non-significant upward trend (Figure 6 d).
Marker protein levels were expressed in both alveolar and airway BC, with several
cells still expressing basal cell markers (KRT5, p63, KRT17). Differentiated cells
primarily expressed MUC5AC, and/or MUC5B, while SCGB1A1 or AcTub proteins
were detected in only a view cells (Figure 6 d).

Human BC in bleomycin-challenged mice

Mice were treated as outlined in figure 7 a. BC engrafted and proliferated, which was
determined by increasing luciferase expression (Figure 7 b). Bleomycin induced mild
fibrotic changes in the mouse lungs, which were slightly increased when alveolar or
airway BC were injected (Figure 7 c), but according to fibrosis scores the increase
was not significant (Figure 7 c). Co-stainings with human-specific HNA and basal-
(KRT5, KRT17), secretory- (MUC5AC, MUC5B, SCGB1A1), or ciliated (AcTub)
epithelial cell markers, revealed that human BC maintained their BC identity or

differentiated to MUC5AC+, MUC5B+, or SCGB1A1+ cells in mouse lungs (Figure 7

d). We did not observe differences in fibrosis scores or differentiation capacity within

mouse lung tissue, which were injected with either human alveolar or airway BC

(Figure 7 c, d).

Discussion

To investigate the origin and characteristics of ectopic alveolar BC in ILD, we made

use of a previously established *in vitro* BC culture method [16] allowing us to isolate

and expand alveolar and airway BC from the same ILD patients in sufficient

numbers. Our data show that BC from the different origins display similar

morphology, proliferation and wound healing capacities *in vitro,* as well as

comparable engraftment and differentiation abilities when instilled into bleomycin-

challenged mice. Despite many similarities, cultured alveolar and airway BC

significantly differed in their transcriptomes, and in their potential to form and to

differentiate in organoids, although with no indication of an AT2 cell origin.

Transcriptomic differences between alveolar and airway BC included an up-

regulation of genes associated with fibrosis-related pathways such as hypoxia,

glycolysis, or KRAS signalling in alveolar BC. Hypoxia is increased in fibrotic areas

of the ILD lung [28-30], and cellular glycolysis [31] and KRAS signalling [32] are

activated under hypoxic conditions. Ectopic BC specifically accumulate in hypoxic

regions of the ILD lung parenchyma [28] and were thus likely imprinted by their

hypoxic *in vivo* microenvironment. Whether these transcriptomic differences result in

altered cellular functions remains to be determined in future studies.

BC in the healthy airways are a heterogeneous cell population, including canonical,

proliferating and secretory-primed BC subsets [27]. Both our cultured alveolar and

airway BC included cells with close transcriptomic similarity to these BC subsets,

secretory-primed BC likely arising through spontaneous BC differentiation in culture,

following a clear and previously described differentiation gradient [17]. Interestingly,

we observed differences in relative abundance between alveolar and airway BC

along this differentiation path, leading to a lower amount of secretory-primed alveolar

compared to airway BC. Along the differentiation path, a subpopulation showing

enrichment for several metallothioneins (MTs), FOS, AGR2 or KRT15 was enriched
in alveolar BC. This may indicate a slightly altered differentiation path in alveolar BC,
resulting in less secretory-primed BC and could be in line with previous studies,
showing disturbed cell differentiation with an accumulation of disease-specific
intermediate cell types such as the aberrant basaloid cells in ILD lungs [1, 2].
Interestingly, alveolar BC showed a trend towards reduced expression of BC
markers and keratinization genes and increased expression of EMT genes and
mesenchymal markers, although to a lesser extent than the aberrant basaloid cells
[1, 2]. Furthermore, the genes up-regulated in the altered differentiation path were
shown to be associated with cancer (MTs [33], FOS [34], AGR2 [35] or KRT15 [36]),
which potentially indicates a contribution of ectopic BC to developing lung carcinoma
[37], a risk that is increased in IPF [38]. However, these conclusions are speculative
and would need rigorous assessment in dedicated studies. Differences in BC
subtype composition between alveolar and airway BC populations may also account
for the reduced organoid formation capacity of the alveolar BC population, which
possibly contains fewer cells with organoid-forming potential.

Ectopic BC lining HC in the IPF parenchyma appear to preferentially differentiate to
MUC5B rather than MUC5AC-expressing cells [39]. Here, we demonstrated that
both alveolar and airway BC differentiate to MUC5B and MUC5AC-expressing cells
when cultured under identical conditions. However interestingly, cultured alveolar BC
maintained a significantly higher tendency to differentiate to MUC5B-expressing cells
in organoids. This suggests that both the cellular microenvironment and intrinsic cell-
specific properties determine BC fate decision.

Human fibrotic BC instilled into mice have previously been shown to aggravate
bleomycin-induced fibrosis [13] and to form HC-like structures within the mouse
parenchyma [13, 16]. In this study, we confirmed this trend towards increased
fibrosis after instillation of BC in the bleomycin-challenged mouse lung as well as
their differentiation to secretory epithelial cells. However, we did not observe
differences in the mediated effects of BC from the two origins. Of note, the small
sample size of this experiment may limit the robustness of the results and needs to
be increased in future studies.

Our dataset was not conclusive regarding alveolar BC origin. Human AT2 cells trans-
differentiate to BC through intermediate cells, co-expressing varying levels of AT2
cell- and BC marker genes *in vitro* [7]. To determine, if our cultured alveolar BC
could originate from AT2 cells, we compared BC and AT2 cell marker gene
expression in alveolar versus airway BC. scRNA-seq analysis revealed an overall
trend, although not significant, towards reduced BC marker gene expression in
alveolar BC, which was, however, not accompanied with expression of specific AT2
cell marker genes. This observation tends to favour the hypothesis that the source of
our cultured alveolar BC would be migrating airway BC. However, it is also possible
that alveolar BC could have fully lost AT2 cell traits after trans-differentiation in the
lung, or later after expanding them in culture. Furthermore, it is also possible that our
cell culture method introduce a selection bias by favouring the outgrowth of cells
closely related to classic BC, but not that of intermediate cell types.
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Author Contributions
351
SB: Cell culture of human primary lung cells, ALI and organoid processing, ICC/IF,
IHC/IF, image acquisition and image quantification in cultured cells, human IPF- and
mouse tissue slides, immunoblotting, PCR, proliferation assay, scratch assay, data
analysis and interpretation; **PK:** Conception and design of the study, cell culture of
human primary lung cells, PCR, data analysis and interpretation, writing the
manuscript; **JR:** Data analysis and interpretation of scRNA-seq data, revision and
editing of the manuscript for important intellectual content; **NA:** bleomycin-mouse
model, data analysis and interpretation, revision and editing of the manuscript for
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AP: bleomycin-mouse model, data analysis and interpretation, revision and editing of

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371

Conflict of interest

The authors have declared that no conflict of interest exists.

Data availability

The processed scRNA-seq dataset (the accession is GSE270495) can be viewed on
the gene expression omnibus database (GEO).

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Figure legends

Figure 1: Cultured alveolar and airway BC do not differ in their morphology or
BC marker expression. KRT5+ and TP63+ BC in formalin fixed paraffin embedded
transbronchial biopsies or airway mucosal biopsies of the same ILD patient (n=5) (a).
To culture alveolar or airway BC, tissue specimens were placed in cell culture dishes
containing Cnt-PR-A as illustrated in b. Representative phase contrast images
showing the morphology of confluent alveolar or airway BC (n=5) (c). RNA
expression of KRT5, KRT14, KRT17, TP63, CDH2 or SCGB1A1 (n=6; paired t-test,
ns indicates not significant) and representative IF stainings for KRT5/p63,
KRT17/KRT14, CDH2, SCGB1A1 KRT5/TP63 (n=3) (d) in cultured alveolar and
airway BC.

Figure 2: Alveolar and airway BC differ in their transcriptome. T-SNE plot
(uncorrected data) showing cultured alveolar and airway BC derived from donor 1-3
(a). T-SNE (after MNN correction) showing the separation of cells into 7 clusters (b).
T-SNE showing the best-matching reference label in the transcriptome comparison
to a publicly available scRNA-seq dataset [41] (c). Heatmap of the relative

expression across clusters, donors, and sample location of the strongest cluster-

specific genes. The log- normalized expression levels were averaged across cells

from the same cluster, donor, and sample location, corrected for donor-specific

effects to mirror the MNN correction performed before clustering and the inclusion of

donor as a covariate in the differential expression analysis, and averaged values

were then centered and scaled per gene. Marker genes are highlighted in bold (d).

Proportion of alveolar and airway BC across donors in clusters 1, 2, 3, 4, 6, and 7

(e).

Figure 3: Differential genes and pathways in alveolar versus airway BC.

Heatmap showing the differential expressed genes in alveolar versus airway BC

across all tested clusters. The plotted relative expression values were calculated

similarly to Figure 2D. Annotation colors for rows indicate in which specific cluster

each gene was found significantly differentially expressed at an FDR threshold of 1%

(a). Volcano plots showing the differential expression analysis results between

alveolar and airway BC in cluster 2 and cluster 6 (b). Genes colored

(beige=decreased, and blue=increased in alveolar BC relative to airway BC) are

significant at an FDR threshold of 1% (b). Functional enrichment analysis amongst

differentially expressed genes in cluster 2 and cluster 6 (c) using MSigDB Hallmark

gene sets. Six differentially expressed genes (*LMO3*, *S100A4*, *SPOCK3*, *HNMT*,

IFI27, *BST2*) were selected and analyzed by Taqman RT-qPCR (d). Data points in

red represent results from cells derived from donor 1-3. Data points in black were

derived from cells of three additional donors (paired t-test, ** indicates $p < 0.01$, *

indicates $p < 0.05$).

Figure 4: Alveolar and airway basal cells display similar proliferation and

wound healing capacities. Automated cell counts of cultured alveolar and airway

BC at 0 and 48 hours (paired t-test, *** indicates $p < 0.001$, * indicates $p < 0.05$) and

their growth rate (cell number at day 48 - cell number at day 0) comparing alveolar to

airway BC (n=4; paired t-test, ns indicates not significant) (a). Representative phase

contrast images and graph displaying alveolar and airway BC wound closure (%)

between 0-24 h (mean $\pm$ SEM, paired t-test ns indicates not significant) (b).

Figure 5: Alveolar and airway basal cells have similar differentiation capacities. Illustration of alveolar and airway BC ALI culture (a). RNA expression levels (-ΔCt) of KRT5, SCGB1A1, MUC5AC, MUC5B, or FOXJ1 in ALI-cultured alveolar and airway BC (n=4) at day 0 and 23 (paired t-test, **** indicates $p < 0.0001$, *** indicates $p < 0.001$, ** indicates $p < 0.01$, * indicates $p < 0.05$) and comparing their expression in alveolar versus airway BC (paired t-test, ns indicates not significant) (b). When the target genes were expressed at levels too low to be detected after 40 cycles, the missing -ΔCt values were arbitrarily set to -20 (b). Representative ICC/IF images of alveolar and airway BC (n=3) incubated with antibodies detecting acetylated-tubulin (AcTub), MUC5AC or SCGB1A1 at day 0 and 23 (c). Representative images of cryosections incubated with antibodies detecting KRT5, p63, SCGB1A1, KRT17, MUC5AC, MUC5B, or AcTub of ALI-cultured alveolar or airway BC (n=3) at day 23 (d).

Figure 6: Alveolar and airway basal cells form organoids containing basal, secretory- and ciliated epithelial cells. Alveolar and airway BC were resuspended in Matrigel and cultured for 21 days as illustrated (a). Representative phase contrast images of alveolar or airway BC (n=7) organoid formation at day 2, 7, 14, and 21 (b). Number of alveolar and airway BC-derived organoids/mm^3 and the distribution of their diameters (>50μm) after 20 days (n=7; paired t-test, * values ≤ 0.05, ns=not significant) (c). RNA expression levels (-ΔCt) of TP63, KRT5, KRT17, SCGB1A1, MUC5AC, MUC5B, or FOXJ1 in organoids after 21 days (n=4; paired t-test, * values ≤ 0.05, ns=not significant) and representative H&E and ICC/IF images of alveolar or airway BC-derived organoids (n=3) incubated with antibodies detecting KRT17, KRT5, p63, SCGB1A1, AcTub, MUC5AC, or MUC5B (d).

Figure 7: Human alveolar or airway basal cells in bleomycin-challenged mouse lungs. NRG mice were treated with bleomycin (n=3) +/- human alveolar (n=3) or airway (n=3) BC carrying a luciferase encoding vector as illustrated (a). Luciferase expression in mice treated with bleomycin +/- human alveolar or airway BC carrying a luciferase encoding vector and the corresponding bioluminescence measurements at day 4, 11, and 21 (b). Representative images of H&E stainings and fibrosis scores

for mice treated with bleomycin +/- human alveolar or airway BC (unpaired t-test, Bleo versus Bleo+ alveolar or airway BC; paired t-test for Bleo+ alveolar BC versus Bleo+ airway BC) (c). Representative IHC/IF images of mouse lung tissue (mice treated with bleomycin + human alveolar or airway BC) incubated with antibodies detecting human-specific HNA with or without KRT5, KRT17, SCGB1A1, MUC5AC, MUC5B, or AcTub. Nuclei were counter-stained with DAPI. White squares indicate regions imaged at higher magnification (d).

Supplement figure 1: tSNE showing the distribution of alveolar and airway BC from donor 1 (airway BC-green; alveolar BC- grey), donor 2 (airway BC- dark green; alveolar BC- light blue) and donor 3 (airway BC- lilac; alveolar BC-purple) (a). Percentage of scRNA-seq reads originating from mitochondrial genes (b). Number of detected genes across cells (number of genes with at least one UMI count, on a log-scale) (c).

Supplement figure 2: tSNE showing the best matching cell type for each cell from the *SingleR* analysis using as reference the scRNA-seq datasets from Adams et al. [1], Habermann et al. [2], Reyfmann et al. [20], Travaglini et al. [23], Kathiriya et al. [7], Sikkema et al. [25], Murthy et al. [21], Strunz et al. [24] or Deprez et al. [22]. Cell types represented by no more than 5 cells in our dataset were pooled into the category "Others".

Supplement figure 3: Heatmap of the relative expression across clusters, donors, and sample location of selected marker genes.

Supplement figure 4: Volcano plots showing the differential expression analysis results between alveolar and airway BC in cluster 1 (a), cluster 3 (b), cluster 4 (c), and cluster 7 (d). Genes colored (beige=decreased, and blue=increased in alveolar BC relative to airway BC) are significant at an FDR threshold of 1%.

Supplement figure 5: Functional enrichment analysis amongst differentially expressed genes in cluster 1 (A), cluster 3 (B), cluster 4 (C), and cluster 7 (D) using MSigDB Hallmark gene sets.

591   **Supplement figure 6:** Functional enrichment analysis amongst differentially

592   expressed genes in clusters 1-4, cluster 6 and cluster 7 using the MSigDB Reactome

593   gene sets from the C2 collection.

a)

Basal cell   Ciliated cell   Goblet cell   Club cell

b)

SCGB1A1

-ΔCt (SCGB1A1-GAPDH)

*** ***

alveolar BC   airway BC

MUC5AC

-ΔCt (MUC5AC-GAPDH)

*** ***

alveolar BC   airway BC

MUC5B

-ΔCt (MUC5B-GAPDH)

* **

alveolar BC   airway BC

FOXJ1

-ΔCt (FOXJ1-GAPDH)

**** ****

alveolar BC   airway BC

▲ Day 0
● Day 23

-ΔCt (SCGB1A1-GAPDH)

ns   ns

Day 0   Day 23

-ΔCt (MUC5AC-GAPDH)

ns   ns

Day 0   Day 23

-ΔCt (MUC5B-GAPDH)

ns   ns

Day 0   Day 23

-ΔCt (FOXJ1-GAPDH)

ns   ns

Day 0   Day 23

■ ALveolar BC
● Airway BC

c)

Alveolar BC

AcTub   MUC5AC   SCGB1A1

Day 0

AcTub   MUC5AC   SCGB1A1

Day 23

Airway BC

AcTub   MUC5AC   SCGB1A1

Day 0

AcTub   MUC5AC   SCGB1A1

Day 23

150μm   150μm   150μm   20μm   20μm   20μm

d)

Alveolar BC   Airway BC

KRT5
p63
50μm

SCGB1A1
KRT17
50μm

MUC5AC
50μm

MUC5B
50μm

AcTub
50μm