UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from ________________ to ________________

Commission File Number: 001-40672

RANI THERAPEUTICS HOLDINGS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**86-3114789**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2051 Ringwood Avenue San Jose, California	**95131**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (408) 457-3700

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.0001 per share	RANI	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
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. ☐

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

As of November 3, 2023, the registrant had 25,880,064 shares of Class A common stock, $0.0001 par value per share, outstanding, 24,116,444 shares of Class B common stock, $0.0001 par value per share, outstanding and no shares of Class C common stock, $0.0001 par value per share, outstanding. Certain holders of units of the registrant's consolidated subsidiary, Rani Therapeutics, LLC, who do not hold shares of the registrant's Class B common stock can exchange their units of Rani Therapeutics, LLC for 1,345,067 shares of the registrant's Class A common stock.

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Unless otherwise stated or the context otherwise requires, the terms "we," "us," and "our," and similar references refer to Rani Therapeutics Holdings, Inc. ("Rani Holdings") and its consolidated subsidiary, Rani Therapeutics, LLC ("Rani LLC") and, prior to December 15, 2022, Rani Management Systems, Inc. ("RMS"). RMS was dissolved as of December 15, 2022.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations and consolidated financial position, business strategy, product candidates, planned preclinical studies and clinical trials, results of clinical trials, research and development costs, manufacturing costs, regulatory approvals, development and advancement of our oral delivery technology, timing and likelihood of success, potential partnering activities as well as plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other important factors that are in some cases beyond our control and may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "plan," "anticipate," "could," "intend," "target," "project," "believe," "estimate," "predict," "potential," "seek," "aim," or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the progress and focus of our current and future clinical trials in the United States and abroad, and the reporting of data from those trials;
- our ability to advance product candidates into and successfully complete clinical trials;
- the beneficial characteristics, safety, efficacy, and therapeutic effects of our product candidates;
- our potential and ability to successfully manufacture and supply our product candidates for clinical trials and for commercial use, if approved;
- our ability to complete development of the RaniPill HC or any redesign and conduct additional preclinical and clinical studies of the RaniPill HC or any future design of the RaniPill capsule to accommodate target payloads that are larger than the payload capacity of the RaniPill GO capsule currently used for our product candidates;
- our ability to further develop and expand our platform technology;
- our ability to utilize our technology platform to generate and advance additional product candidates;
- the accuracy of our estimates regarding expenses, future revenue, capital requirements, and needs for additional financing;
- our financial performance;
- our plans relating to commercializing our product candidates, if approved;
- our ability to selectively enter into strategic partnership and the expected potential benefits thereof;
- the implementation of our strategic plans for our business and product candidates;
- our ability to continue to scale and optimize our manufacturing processes by expanding our use of automation;
- our estimates of the number of patients in the United States who suffer from the indications we target and the number of patients that will enroll in our clinical trials;
- the size of the market opportunity for our product candidates in each of the indications we target;
- our ability to continue to innovate and expand our intellectual property by developing novel formulations and new applications of the RaniPill capsule;
- our plans and ability to obtain or protect intellectual property rights, including extensions of existing patent terms where available;
- the scope of protection we are able to establish and maintain for intellectual property rights, including our technology platform and product candidates;

- the sufficiency of our existing cash and cash equivalents to fund our future operating expenses and capital expenditure requirements;
- our ability to realize savings from any restructuring plans or cost-containment measures we propose to implement;
- developments relating to our competitors and our industry, including competing product candidates and therapies;
- our realization of any benefit from our organizational structure, taking into account our obligations under the Tax Receivable Agreement (defined herein) and the impact of any payments required to be made thereunder on our liquidity and financial condition; and
- our expectations regarding the period during which we will qualify as an emerging growth company under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”).

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions described in the section titled “Risk Factors” and elsewhere in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 22, 2023. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, or otherwise.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

RANI THERAPEUTICS HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)

	September 30, 2023 (Unaudited)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 4,972	$ 27,007
Marketable securities	55,554	71,475
Prepaid expenses and other current assets	2,696	2,442
Total current assets	63,222	100,924
Property and equipment, net	6,255	6,038
Operating lease right-of-use asset	959	1,065
Total assets	$ 70,436	$ 108,027
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,405	$ 1,460
Accrued expenses and other current liabilities	3,930	2,349
Current portion of long-term debt	1,222	—
Current portion of operating lease liability	788	1,006
Total current liabilities	7,345	4,815
Long-term debt, less current portion	28,101	29,149
Operating lease liability, less current portion	171	59
Total liabilities	35,617	34,023
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.0001 par value - 20,000 shares authorized; none issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Class A common stock, $0.0001 par value - 800,000 shares authorized; 25,876 and 25,295 issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	3	3
Class B common stock, $0.0001 par value - 40,000 shares authorized; 24,116 issued and outstanding as of September 30, 2023 and December 31, 2022	2	2
Class C common stock, $0.0001 par value - 20,000 shares authorized; none issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	83,380	75,842
Accumulated other comprehensive loss	(41)	(73)
Accumulated deficit	(65,791)	(38,919)
Total stockholders' equity attributable to Rani Therapeutics Holdings, Inc.	17,553	36,855
Non-controlling interest	17,266	37,149
Total stockholders' equity	34,819	74,004
Total liabilities and stockholders' equity	$ 70,436	$ 108,027

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

RANI THERAPEUTICS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating expenses				
Research and development	$ 11,220	$ 9,103	$ 32,018	$ 26,221
General and administrative	6,635	7,239	20,647	19,748
Total operating expenses	$ 17,855	$ 16,342	$ 52,665	$ 45,969
Loss from operations	(17,855)	(16,342)	(52,665)	(45,969)
Other income (expense), net				
Interest income and other, net	839	379	2,626	430
Interest expense and other, net	(1,316)	(352)	(3,789)	(352)
Loss before income taxes	(18,332)	(16,315)	(53,828)	(45,891)
Income tax expense	—	107	—	(111)
Net loss	$ (18,332)	$ (16,208)	$ (53,828)	$ (46,002)
Net loss attributable to non-controlling interest	(9,135)	(8,253)	(26,956)	(24,200)
Net loss attributable to Rani Therapeutics Holdings, Inc.	$ (9,197)	$ (7,955)	$ (26,872)	$ (21,802)
Net loss per Class A common share attributable to Rani Therapeutics Holdings, Inc., basic and diluted	$ (0.36)	$ (0.33)	$ (1.06)	$ (0.93)
Weighted-average Class A common shares outstanding—basic and diluted	25,552	24,468	25,380	23,449

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

RANI THERAPEUTICS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	$ (18,332)	$ (16,208)	$ (53,828)	$ (46,002)
Other comprehensive loss				
Net unrealized gain (loss) on marketable securities	45	(118)	64	(118)
Comprehensive loss	$ (18,287)	$ (16,326)	$ (53,764)	$ (46,120)
Comprehensive loss attributable to non-controlling interest	(9,113)	(8,314)	(26,924)	(24,261)
Comprehensive loss attributable to Rani Therapeutics Holdings, Inc.	$ (9,174)	$ (8,012)	$ (26,840)	$ (21,859)

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

RANI THERAPEUTICS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Class A Common Stock		Class B Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
Balance at December 31, 2022	25,295	$ 3	24,116	$ 2	$ 75,842	$ (73)	$ (38,919)	$ 37,149	$ 74,004
Issuance of common stock under employee equity plans, net of shares withheld for tax settlement	81	—	—	—	(124)	—	—	—	(124)
Non-controlling interest adjustment for changes in proportionate ownership in Rani LLC	—	—	—	—	98	—	—	(98)	—
Stock-based compensation	—	—	—	—	2,202	—	—	2,213	4,415
Net loss	—	—	—	—	—	—	(8,372)	(8,460)	(16,832)
Other comprehensive gain	—	—	—	—	—	63	—	63	126
Balance at March 31, 2023	25,376	$ 3	24,116	$ 2	$ 78,018	$ (10)	$ (47,291)	$ 30,867	$ 61,589
Issuance of common stock under employee stock purchase plan	63	—	—	—	219	—	—	—	219
Issuance of common stock under employee equity plans, net of shares withheld for tax settlement	78	—	—	—	(9)	—	—	—	(9)
Non-controlling interest adjustment for changes in proportionate ownership in Rani LLC	—	—	—	—	(54)	—	—	54	—
Equity-based compensation	—	—	—	—	2,572	—	—	2,569	5,141
Net loss	—	—	—	—	—	—	(9,303)	(9,361)	(18,664)
Other comprehensive loss	—	—	—	—	—	(53)	—	(54)	(107)
Balance at June 30, 2023	25,517	$ 3	24,116	$ 2	$ 80,746	$ (63)	$ (56,594)	$ 24,075	$ 48,169
Issuance of common stock under employee equity plans, net of shares withheld for tax settlement	319	—	—	—	(29)	—	—	—	(29)
Effect of exchanges of Paired Interests and non-corresponding Class A Units of Rani LLC	42	—	—	—	—	—	—	—	—
Non-controlling interest adjustment for changes in proportionate ownership in Rani LLC	—	—	—	—	159	—	—	(159)	—
Forfeiture of restricted stock awards	(2)	—	—	—	(6)	—	—	(6)	(12)
Equity-based compensation	—	—	—	—	2,510	—	—	2,468	4,978
Net loss	—	—	—	—	—	—	(9,197)	(9,135)	(18,332)
Other comprehensive gain	—	—	—	—	—	22	—	23	45
Balance at September 30, 2023	25,876	$ 3	24,116	$ 2	$ 83,380	$ (41)	$ (65,791)	$ 17,266	$ 34,819

	Class A Common Stock		Class B Common Stock						
	Shares	Amount	Shares	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity
Balance at December 31, 2021	19,712	$ 2	29,290	$ 3	$ 55,737	$ —	$ (8,331)	$ 74,156	$ 121,567
Effect of exchanges of Paired Interests and non-corresponding Class A Units of Rani LLC	4,675	—	(4,517)	—	—	—	—	—	—
Non-controlling interest adjustment for changes in proportionate ownership in Rani LLC	—	—	—	—	10,928	—	—	(10,928)	—
Equity-based compensation	—	—	—	—	1,268	—	—	1,637	2,905
Net loss	—	—	—	—	—	—	(6,223)	(7,605)	(13,828)
Balance at March 31, 2022	24,387	$ 2	24,773	$ 3	$ 67,933	$ —	$ (14,554)	$ 57,260	$ 110,644
Forfeiture of restricted stock awards	(3)	—	—	—	(3)	—	—	(3)	(6)
Effect of exchanges of Paired Interests and non-corresponding Class A Units of Rani LLC	110	—	(110)	—	—	—	—	—	—
Non-controlling interest adjustment for changes in proportionate ownership in Rani LLC	—	—	—	—	126	—	—	(126)	—
Equity-based compensation	—	—	—	—	1,930	—	—	2,052	3,982
Net loss	—	—	—	—	—	—	(7,624)	(8,342)	(15,966)
Balance at June 30, 2022	24,494	$ 2	24,663	$ 3	$ 69,986	$ —	$ (22,178)	$ 50,841	$ 98,654
Forfeiture of restricted stock awards	(2)	—	—	—	(3)	—	—	(4)	(7)
Effect of exchanges of Paired Interests and non-corresponding Class A Units of Rani LLC	24	—	(24)	—	—	—	—	—	—
Issuance of warrants	—	—	—		503	—	—	—	503
Issuance of common stock under employee equity plans, net of shares withheld for tax settlement	204	—	—	—	(626)	—	—	—	(626)
Non-controlling interest adjustment for changes in proportionate ownership in Rani LLC	—	—	—	—	372	—	—	(372)	—
Equity-based compensation	—	—	—	—	2,147	—	—	2,262	4,409
Net loss	—	—	—	—	—	—	(7,955)	(8,253)	(16,208)
Other comprehensive loss	—	—	—	—	—	(57)	—	(61)	(118)
Balance at September 30, 2022	24,720	$ 2	24,639	$ 3	$ 72,379	$ (57)	$ (30,133)	$ 44,413	$ 86,607

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

RANI THERAPEUTICS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities		
Net loss	$ (53,828)	$ (46,002)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	14,522	11,283
Depreciation and amortization	595	374
Non-cash operating lease expense	780	528
Amortization of debt discount and issuance costs	174	19
Net accretion and amortization of investments in marketable securities	(1,851)	(210)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(66)	(117)
Accounts payable	68	377
Accrued expenses and other current liabilities	1,628	2,390
Operating lease liabilities	(780)	(528)
Net cash used in operating activities	(38,758)	(31,886)
Cash flows from investing activities		
Proceeds from maturities of marketable securities	81,500	—
Purchases of marketable securities	(63,852)	(70,890)
Purchases of property and equipment	(1,062)	(1,089)
Net cash provided by (used in) investing activities	16,586	(71,979)
Cash flows from financing activities		
Issuance of common stock under employee stock purchase plan	219	—
Proceeds from employee stock purchase plan	80	194
Tax withholdings paid on behalf of employees for net share settlement	(162)	(626)
Proceeds from the issuance of long-term debt and warrants, net of issuance costs	—	14,671
Payment of deferred financing costs	—	(108)
Net cash provided by financing activities	137	14,131
Net decrease in cash, cash equivalents and restricted cash equivalents	(22,035)	(89,734)
Cash, cash equivalents and restricted cash equivalents, beginning of period	27,507	117,453
Cash, cash equivalents and restricted cash equivalents, end of period	$ 5,472	$ 27,719
Supplemental disclosures of non-cash investing and financing activities		
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 578	$ 514
Interest income receivable included in prepaid expenses	$ 188	$ 30
Exchanges of Paired Interests and non-corresponding Class A Units of Rani LLC	$ 169	$ 74,790
Property and equipment purchases included in accounts payable and accrued expenses and other current liabilities	$ 250	$ 352
Issuance of costs deducted from long-term debt proceeds	$ —	$ 928
Deferred financing costs included in prepaid expenses	$ —	$ 260
Deferred financing costs included in accrued expenses	$ —	$ 152
Issuance costs included in accrued expenses	$ —	$ 97

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

1. Organization and Nature of Business

Description of Business

Rani Therapeutics Holdings, Inc. (“Rani Holdings”) was formed as a Delaware corporation in April 2021 for the purpose of facilitating an initial public offering (“IPO”) of its Class A common stock, and to facilitate certain organizational transactions and to operate the business of Rani Therapeutics, LLC (“Rani LLC”) and its consolidated subsidiary, Rani Management Services, Inc. (“RMS”). Rani Holdings and its consolidated subsidiaries, Rani LLC and RMS (prior to December 15, 2022), are collectively referred to herein as “Rani” or the “Company.” RMS was dissolved on December 15, 2022.

The Company is a clinical stage biotherapeutics company focusing on advancing technologies to enable the administration of biologics and drugs orally, to provide patients, physicians, and healthcare systems with a convenient alternative to painful injections. The Company is advancing a portfolio of oral therapeutics using its proprietary delivery technology, the RaniPill capsule. The Company is headquartered in San Jose, California and operates in one segment.

Organizational Transactions

In connection with the IPO, the Company was party to the following organizational transactions (the “Organizational Transactions”):

- Amended and restated Rani LLC’s operating agreement (the “Rani LLC Agreement”) to appoint the Company as the sole managing member of Rani LLC and effectuated an exchange of all outstanding (i) convertible preferred units, automatic or net exercised warrants to purchase preferred units and common units, and common units of Rani LLC, into economic nonvoting Class A units (“Class A Units”) and an equal number of voting noneconomic Class B units (“Class B Units”) and (ii) all non-vested incentive units (“Profits Interests”) into Class A Units. In connection with the closing of the IPO, each LLC interest was exchanged 1 for 0.5282 as determined and predicated on the initial public offering price of the Company’s Class A common stock;
- Amended and restated the Company’s certificate of incorporation in July 2021, to provide for the issuance of (i) Class A common stock, each share of which entitles its holders to one vote per share, (ii) Class B common stock, each share of which entitles its holders to 10 votes per share on all matters presented to the Company's stockholders, (iii) Class C common stock, which has no voting rights, except as otherwise required by law and (iv) preferred stock;
- Exchanged 12,047,925 shares of Class A common stock for existing Class A Units of Rani LLC held by certain individuals and entities (the “Former LLC Owners”) on a one-for-one basis;
- Issued 29,290,391 shares of Class B common stock to certain individuals and entities that continued to hold Class A Units in Rani LLC after the IPO (the “Continuing LLC Owners”) in return for an equal amount of Rani LLC Class B Units;
- Entered into a Registration Rights Agreement with certain of the Continuing LLC Owners.

The Continuing LLC Owners are entitled to exchange, subject to the terms of the Rani LLC Agreement, the Class A Units they hold in Rani LLC, together with the shares they hold of the Company Class B common stock (together referred to as a "Paired Interest"), in return for shares of the Company’s Class A common stock on a one-for-one basis provided that, at the Company’s election, the Company has the ability to effect a direct exchange of such Class A common stock or make a cash payment equal to a volume weighted average market price of one share of Class A common stock for each Paired Interest redeemed. Any shares of Class B common stock will be cancelled on a one-for-one basis if, at the election of the Continuing LLC Owners, the Company redeems or exchanges such Paired Interest pursuant to the terms of the Rani LLC Agreement. As of September 30, 2023, certain individuals who continue to own interests in Rani LLC but do not hold shares of the Company’s Class B common stock (“non-corresponding Class A Units”) have the ability to exchange their non-corresponding Class A Units of Rani LLC for 1,345,067 shares of the Company’s Class A common stock.

Liquidity

The Company has incurred recurring losses since its inception, including net losses of $53.8 million for the nine months ended September 30, 2023. As of September 30, 2023, the Company had an accumulated deficit of $65.8 million and for the nine months ended September 30, 2023 had negative cash flows from operations of $38.8 million. The Company expects to continue to generate operating losses and negative operating cash flows for the foreseeable future as it continues to develop the RaniPill capsule.

The Company expects that its cash, cash equivalents and marketable securities of $60.5 million as of September 30, 2023 will be sufficient to fund its operations through at least twelve months from the date the condensed consolidated financial statements are issued. The Company expects to finance its future operations with its existing cash and through strategic financing opportunities that could include, but are not limited to, future offerings of its equity, such as “at the market offerings” as defined in Rule 415(a)(4) under the Securities Act, collaboration or licensing agreements, or the incurrence of debt. However, there is no guarantee that any of these strategic or financing opportunities will be executed or realized on favorable terms, if at all, and some could be dilutive to existing stockholders and holders of interests in the Company. The Company will not generate any revenue from product sales unless, and until, it successfully completes clinical development and obtains regulatory approval of its product candidates. If the Company obtains regulatory approval for the RaniPill capsule, it expects to incur significant expenses related to developing its internal commercialization capability to support manufacturing, product sales, marketing, and distribution.

The Company’s ability to raise additional capital through either the issuance of equity or debt, is dependent on a number of factors including, but not limited to, the market interest of the Company, which itself is subject to a number of development and business risks and uncertainties, as well as the uncertainty that the Company would be able to raise such additional capital at a price or on terms that are favorable to the Company. Current global economic conditions or other factors could also adversely impact the Company’s ability to access capital when and as needed. If the Company is unable to raise capital as and when needed, the Company may have to significantly delay, scale back or discontinue the development or commercialization of one or more product candidates.

2. Summary of Significant Accounting Policies

Basis of Presentation

These condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Certain prior period amounts have been reclassified to be consistent with current period presentation.

The Company operates and controls all of the business and affairs of Rani LLC and, through Rani LLC conducts its business. Because the Company manages and operates the business and controls the strategic decisions and day-to-day operations of Rani LLC and also has a substantial financial interest in Rani LLC, the Company consolidates the financial results of Rani LLC, and a portion of its net loss is allocated to the non-controlling interests in Rani LLC held by the Continuing LLC Owners. All intercompany accounts and transactions have been eliminated in consolidation.

Unaudited Interim Condensed Consolidated Financial Statements

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and pursuant to Form 10-Q of Regulation S-X of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements include all adjustments necessary to fairly state the financial position and the results of the Company's operations and cash flows for interim periods in accordance with U.S. GAAP. All such adjustments are of a normal, recurring nature. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 or for any future period.

The consolidated balance sheet as of December 31, 2022 included herein was derived from the audited consolidated financial statements as of that date. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Therefore, these interim condensed consolidated financial statements should be read in conjunction with the 2022 consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K filed with the SEC on March 22, 2023.

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the Company’s condensed consolidated financial statements and accompanying notes. The Company evaluates its estimates on an ongoing basis. The Company bases its estimates on its historical experience and also on assumptions that we believe are reasonable; however, actual results may differ materially and adversely from these estimates.

Significant Accounting Policies

A description of the Company's significant accounting policies is included in the audited consolidated financial statements within its Annual Report on Form 10-K for the year ended December 31, 2022. Except as noted below, there have been no material changes in the Company's significant accounting policies during the nine months ended September 30, 2023.

Concentrations of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains accounts in federally insured financial institutions in excess of federally insured limits. The Company also holds money market funds that are not federally insured. However, management believes the Company is not exposed to significant credit risk due to the financial strength of the depository institutions in which these deposits are held and of the money market funds and other entities in which these investments are made.

Cash, Cash Equivalents and Restricted Cash Equivalents

The following table provides a reconciliation of cash and cash equivalents and restricted cash equivalents reported as a component of prepaid expenses and other current assets on the condensed consolidated balance sheet which, in aggregate, represents the amount reported in the condensed consolidated statements of cash flows for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,	
	2023	**2022**
End of Period:		
Cash and cash equivalents	$ 4,972	$ 27,219
Restricted cash equivalents	500	500
Total cash, cash equivalents and restricted cash equivalents	$ 5,472	$ 27,719

Marketable Securities

The Company regularly reviews its investments for declines in fair value below their amortized cost basis to determine whether the impairment is due to credit-related factors or noncredit-related factors. The Company's review includes the creditworthiness of the security issuers, the severity of the unrealized losses, whether the Company has the intent to sell the securities and whether it is more likely than not that the Company will be required to sell the securities before the recovery of its amortized cost bases. When the Company determines that a portion of the unrealized loss is due to an expected credit loss, the Company recognizes the loss amount in Other income (expense), net, with a corresponding allowance against the carrying value of the security the Company holds. The portion of the unrealized loss related to factors other than credit losses is recognized in Accumulated other comprehensive loss. The Company has made an accounting policy election to not measure an allowance for credit loss for accrued interest receivables and will recognize a credit loss for accrued interest receivables when the loss becomes probable and estimable. As of September 30, 2023, interest income receivable recorded as a component of prepaid expenses and other current assets on the condensed consolidated balance sheet totaled $0.2 million.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

As of September 30, 2023 and 2022, the carrying values of current assets and liabilities approximates fair value due to their short-term nature, respectively. The fair value of the Company’s long-term debt approximated its carrying value based on borrowing rates currently available to the Company for debt with similar terms and maturities (Level 2 inputs).

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgement exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value of the instrument.

Tax Receivable Agreement

In August 2021, in connection with the IPO and Organizational Transactions, the Company entered into a tax receivable agreement ("TRA") with certain of the Continuing LLC Owners. The TRA provides that the Company pay to such Continuing LLC Owners 85% of the amount of tax benefits, if any, it is deemed to realize (calculated using certain assumptions) as a result of (i) increases in the tax basis of assets of Rani LLC resulting from (a) any future redemptions or exchanges of Paired Interests or non-corresponding Class A Units of Rani LLC and (b) payments under the TRA and (ii) certain other benefits arising from payments under the TRA (collectively the “Tax Attributes”).

A liability for the payable to parties subject to the TRA, and a reduction to stockholders’ equity, is accrued when (i) an exchange of a Paired Interest or non-corresponding Class A Units of Rani LLC has occurred and (ii) when it is deemed probable that the Tax Attributes associated with the exchange will be used to reduce the Company’s taxable income based on the contractual percentage of the benefit of Tax Attributes that the Company expects to receive over a period of time (Note 12).

Comprehensive Loss

Comprehensive loss is defined as a change in equity of a business enterprise during a period, resulting from transactions and other events and/or circumstances from non-owner sources. Other comprehensive loss represents changes in fair value of the Company's available-for-sale marketable securities.

Net Loss Per Class A Common Share Attributable to Rani Holdings

Basic net loss per Class A common share attributable to Rani Holdings is computed by dividing net loss attributable to the Company by the weighted average number of Class A common shares outstanding during the period, without consideration of potential dilutive securities. Diluted net loss per Class A common share is computed giving effect to all potentially dilutive shares. Diluted net loss per Class A common share for all periods presented is the same as basic loss per share as the inclusion of potentially issuable shares would be antidilutive.

Non-Controlling Interest

Non-controlling interest ("NCI") represents the portion of income or loss, net assets and comprehensive loss of the Company's consolidated subsidiary that is not allocable to Rani Holdings based on the Company's percentage of ownership of Rani LLC.

In August 2021, based on the Organizational Transactions, Rani Holdings became the sole managing member of Rani LLC. As of September 30, 2023, Rani Holdings held approximately 50% of the Class A Units of Rani LLC, and approximately 50% of the outstanding Class A Units of Rani LLC are held by the Continuing LLC Owners. Therefore, the Company reports NCI based on the Class A Units of Rani LLC held by the Continuing LLC Owners on its condensed consolidated balance sheet as of September 30, 2023. Income or loss attributed to the NCI in Rani LLC is based on the Class A Units outstanding during the period for which the income or loss is generated and is presented on the condensed consolidated statements of operations and comprehensive loss.

Future exchanges of Paired Interests and non-corresponding Class A Units of Rani LLC will result in a change in ownership and reduce or increase the amount recorded as NCI and increase or decrease additional paid-in-capital when Rani LLC has positive or negative net assets, respectively. From the date of the Organizational Transactions to September 30, 2023, there were 5,173,947 exchanges of Paired Interests and 200,455 exchanges of non-corresponding Class A Units of Rani LLC for an equal number of shares of the Company's Class A common stock.

3. Cash Equivalents, Restricted Cash Equivalents and Marketable Securities

The following tables summarizes the amortized cost and fair value of the Company's cash equivalents, restricted cash equivalents and marketable securities by major investment category (in thousands):

	As of September 30, 2023			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash equivalents:				
Money market funds	$ 3,977	$ —	$ —	$ 3,977
Total cash equivalents	3,977	—	—	3,977
Restricted cash equivalents:				
Money market funds	500	—	—	500
Total cash equivalents and restricted cash equivalents	4,477	—	—	4,477
Marketable securities:				
U.S. Treasuries and agencies	48,228	—	(65)	48,163
Corporate debt securities	3,953	—	(18)	3,935
Commercial paper	3,458	—	(2)	3,456
Total marketable securities	55,639	—	(85)	55,554
Total cash equivalents, restricted cash equivalents and marketable securities	$ 60,116	$ —	$ (85)	$ 60,031

	As of December 31, 2022			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Current assets:				
Cash equivalents:				
Money market funds	$ 25,313	$ —	$ —	$ 25,313
Total cash equivalents	25,313	—	—	25,313
Restricted cash equivalents:				
Money market funds	500	—	—	500
Total cash equivalents and restricted cash equivalents	25,813	—	—	25,813
Marketable securities:				
U.S. Treasuries and agencies	36,563	—	(107)	36,456
Commercial paper	26,631	—	—	26,631
Corporate debt securities	6,939	—	(39)	6,900
International government	1,491	—	(3)	1,488
Total marketable securities	71,624	—	(149)	71,475
Total cash equivalents, restricted cash equivalents and marketable securities	$ 97,437	$ —	$ (149)	$ 97,288

As of September 30, 2023, all marketable securities are classified as short-term. The Company regularly reviews its available-for-sale marketable securities in an unrealized loss position and evaluates the current expected credit loss by considering factors such as historical experience, market data, issuer-specific factors, and current economic conditions. As of September 30, 2023, the aggregate difference between the amortized cost and fair value of each security in an unrealized loss position was de minimis. Since any provision for expected credit losses for a security held is limited to the amount the fair value is less than its amortized cost, no allowance for expected credit loss was deemed necessary at September 30, 2023.

4. Fair Value Measurements

The following tables presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicates the level of inputs used in such measurements (in thousands):

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 3,977	$ —	$ —	$ 3,977
Restricted cash equivalents:				
Money market funds	500	—	—	500
Marketable securities				
U.S. Treasuries and agencies	48,163	—	—	48,163
Corporate debt securities	—	3,935	—	3,935
Commercial paper	—	3,456	—	3,456
Total assets	$ 52,640	$ 7,391	$ —	$ 60,031

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	$ 25,313	$ —	$ —	$ 25,313
Restricted cash equivalents:				
Money market funds	500	—	—	500
Marketable securities				
U.S. Treasuries and agencies	36,456	—	—	36,456
Commercial paper	—	26,631	—	26,631
Corporate debt securities	—	6,900	—	6,900
International government	—	1,488	—	1,488
Total assets	$ 62,269	$ 35,019	$ —	$ 97,288

Level 1 and Level 2 financial instruments are comprised of investments in money market funds and fixed-income securities. The Company estimates the fair value of its Level 2 financial instruments by taking into consideration valuations obtained from third-party pricing services. The third-party pricing services utilize industry standard valuation models, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker/dealer quotes on the same or similar securities; issuer credit spreads; benchmark securities; and other observable inputs.

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy for any of the periods presented.

5. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Payroll and related	$ 1,984	$ 394
Accrued preclinical and clinical trial costs	857	1,130
Accrued interest	392	69
Accrued professional fees	370	165
Related party payable	—	53
Other	327	538
Total accrued expenses and other current liabilities	$ 3,930	$ 2,349

6. Related Party Transactions

InCube Labs, LLC ("ICL") is wholly-owned by the Company's founder and Chairman and his family. The founder and Chairman is the father of the Company's Chief Executive Officer. The Company's Chief Scientific Officer is also the brother of the founder and Chairman and thus uncle of the Company's Chief Executive Officer.

Service Agreements

In June 2021, Rani LLC entered into a service agreement with ICL effective retrospectively to January 1, 2021, and subsequently amended such agreement in March 2022 (as amended, the "Rani LLC-ICL Service Agreement"), pursuant to which Rani LLC and ICL agreed to provide personnel services to the other upon requests. Under the amendment in March 2022, Rani LLC has a right to occupy certain facilities leased by ICL in Milpitas, California and San Antonio, Texas ("Occupancy Services") for general office, research and development, and light manufacturing. The Rani LLC-ICL Service Agreement has a twelve-month term and will automatically renew for successive twelve-month periods unless terminated; except that the Occupancy Services in Milpitas, California have a term until February 2024, following an extension granted in July 2022, and the Occupancy Services in San Antonio, Texas continue until either party gives six months' notice of termination. Except for the Occupancy Services, Rani LLC or ICL may terminate services under the Rani LLC-ICL Service Agreement upon 60 days' notice to the other party. The Rani LLC-ICL Service Agreement specifies the scope of services to be provided as well as the methods for determining the costs of services. Costs are billed or charged on a monthly basis by ICL or Rani LLC, respectively.

In June 2021, RMS entered into a service agreement with ICL (the "RMS-ICL Service Agreement") effective retrospectively to January 1, 2021, pursuant to which ICL agreed to rent a specified portion of its facility in San Jose, California to RMS. Additionally, RMS and ICL agreed to provide personnel services to the other upon requests based on rates specified in the RMS-ICL Service Agreement. In April 2022, RMS assigned the RMS-ICL Service Agreement to Rani LLC. The RMS-ICL Service Agreement has a twelve-month term and will automatically renew for successive twelve-month periods unless terminated. Rani LLC or ICL may terminate services under the RMS-ICL Service Agreement upon 60 days' notice to the other party, except for occupancy which requires six months' notice. The RMS-ICL Service Agreement specifies the scope of services to be provided as well as the methods for determining the costs of services. Costs are billed or charged on a monthly basis by ICL or Rani LLC, respectively, as well as allocations of expenses based upon Rani LLC's utilization of ICL's facilities and equipment.

The table below details the amounts charged by ICL for services and rent, net of the amount that the Company charged ICL, which is included in the condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development	$ 280	$ 318	$ 889	$ 844
General and administrative	87	54	220	170
Total	$ 367	$ 372	$ 1,109	$ 1,014

Prior to April 2022, the Company's eligible employees were permitted to participate in ICL's 401(k) Plan ("401(k) Plan"). Participation in the 401(k) Plan was offered for the benefit of the employees, including the Company's named executive officers, who satisfied certain eligibility requirements. In April 2022, the Company established its own 401(k) Plan, with participation offered for the benefit of the employees, including the Company's named executive officers, who satisfy certain eligibility requirements.

As of September 30, 2023, all of the Company's facilities are owned or leased by an entity affiliated with the Company's Chairman (Note 7). The Company pays for the use of these facilities through its services agreements with ICL.

Exclusive License, Intellectual Property and Common Unit Purchase Agreement

In June 2021, ICL and the Company, through Rani LLC, entered into an Amended and Restated Exclusive License Agreement which replaced the 2012 Exclusive License Agreement between ICL and Rani LLC, as amended in 2013, and terminated the 2012 Intellectual Property Agreement between ICL and Rani LLC, as amended in June 2013. Under the Amended and Restated Exclusive License Agreement, the Company has a fully paid, exclusive license under certain scheduled patents related to optional features of the device and certain other scheduled patents to exploit products covered by those patents in the field of oral delivery of sensors, small molecule drugs or biologic drugs including, any peptide, antibody, protein, cell therapy, gene therapy or vaccine. The Company covers patent-related expenses and, after a certain period, the Company will have the right to acquire four specified United States patent families from ICL by making a one-time payment of $0.3 million to ICL for each United States patent family that the Company desires to acquire, up to $1.0 million in the aggregate. This payment will not become an obligation until the fifth

anniversary of the Amended and Restated Exclusive License Agreement. The Amended and Restated Exclusive License Agreement will terminate when there are no remaining valid claims of the patents licensed under the Amended and Restated Exclusive License Agreement. Additionally, the Company may terminate the Amended and Restated Exclusive License Agreement in its entirety or as to any particular licensed patent upon notification to ICL of such intent to terminate.

Non-Exclusive License Agreement between Rani and ICL ("Non-Exclusive License Agreement")

In June 2021, the Company, through Rani LLC, entered into the Non-Exclusive License Agreement with ICL a related party, pursuant to which the Company granted ICL a non-exclusive, fully-paid license under specified patents that were assigned from ICL to the Company. Additionally, the Company agreed not to license these patents to a third party in a specific field outside the field of oral delivery of sensors, small molecule drugs or biologic drugs including, any peptide, antibody, protein, cell therapy, gene therapy or vaccine, if ICL can prove that it or its sublicensee has been in active development of a product covered by such patents in that specific field. ICL may grant sublicenses under this license to third parties only with the Company's prior approval. The Non-Exclusive License Agreement will continue in perpetuity unless earlier terminated.

Intellectual Property Agreement with Mir Imran (the "Mir Agreement")

In June 2021, the Company, through Rani LLC, entered into the Mir Agreement, pursuant to which the Company and Mir Imran agreed that the Company would own all intellectual property conceived (i) using any of the Company's people, equipment, or facilities or (ii) that is within the field of oral delivery of sensors, small molecule drugs or biologic drugs including, any peptide, antibody, protein, cell therapy, gene therapy or vaccine. Neither the Company nor Mir Imran may assign the Mir Agreement to any third party without the prior written consent of the other party. The initial term of the Mir Agreement is three years, which can be extended upon mutual consent of the parties. The Mir Agreement may be terminated by either party for any reason within the initial three-year term upon providing three months' notice to the other party.

Tax Receivable Agreement

Certain parties to the TRA, entered into in August 2021 pursuant to the IPO and Organizational Transactions are related parties of the Company. The TRA provides that the Company pay to such entities and individuals 85% of the amount of tax benefits, if any, it is deemed to realize from exchanges of Paired Interests (Note 2). During the nine months ended September 30, 2023 and 2022, these parties to the TRA exchanged zero and 2,317,184 Paired Interests, respectively, that resulted in tax benefits subject to the TRA (Note 12).

Registration Rights Agreement

In connection with the IPO, the Company entered into a Registration Rights Agreement. ICL and its affiliates are parties to this agreement. The Registration Rights Agreement provides certain registration rights whereby, at any time following the IPO and the expiration of any related lock-up period, ICL and its affiliates can require the Company to register under the Securities Act of 1933, as amended (the "Securities Act") shares of Class A common stock issuable to ICL and its affiliates upon, at the Company's election, redemption or exchange of their Paired Interests. The Registration Rights Agreement also provides for piggyback registration rights. In March 2022, certain holders of the Company's Class A common stock considered to be related parties were made parties to the Registration Rights Agreement. As a result of certain stockholders exercising their registration rights under the Registration Rights Agreement, in December 2022, the Company filed a registration statement on Form S-3 to register 6,009,542 shares of Class A common stock of the Company held by certain of its stockholders.

Rani LLC Agreement

The Company operates its business through Rani LLC. In connection with the IPO, the Company and the Continuing LLC Owners, including ICL and its affiliates, entered into the Rani LLC Agreement. The governance of Rani LLC, and the rights and obligations of the holders of LLC Interests, are set forth in the Rani LLC Agreement. As Continuing LLC Owners, ICL and its affiliates are entitled to exchange, subject to the terms of the Rani LLC Agreement, Paired Interests for Class A common stock of the Company; provided that, at the Company's election, the Company may effect a direct exchange of such Class A common stock or make a cash payment equal to a volume weighted average market price of one share of Class A common stock for each Paired Interest redeemed.

During the nine months ended September 30, 2023 and 2022, certain related parties that are party to the Rani LLC Agreement exchanged zero and 2,317,184 Paired Interests, respectively, for an equal number of shares of the Company's Class A common stock.

7. Leases

The Company pays for the use of its office, laboratory and manufacturing facility in San Jose, California as part of the RMS-ICL Service Agreement. In April 2022, RMS assigned the RMS-ICL Service Agreement to Rani LLC. The RMS-ICL Service Agreement has a twelve-month term and will automatically renew for successive twelve-month periods unless Rani LLC or ICL terminate occupancy under the RMS-ICL Service Agreement upon six months’ notice. In January 2023, the Company determined it to be reasonably certain that it would exercise its renewal option for a successive twelve-month period through 2024. The Company accounted for the renewal option as a lease modification that did not result in a separate contract and recognized the additional right-of-use asset and corresponding lease liabilities associated with the Rani LLC-ICL Service Agreement in its condensed consolidated balance sheet as of September 30, 2023.

Under the Rani LLC-ICL Service Agreement amended in March 2022, Rani LLC has a right to occupy certain facilities leased by ICL in Milpitas, California and San Antonio, Texas for general office, research and development, and light manufacturing. The Rani LLC-ICL Service Agreement has a twelve-month term and will automatically renew for successive twelve-month periods unless terminated; except that the Occupancy Services in Milpitas, California have a term until February 2024, following an extension granted in July 2022, and the Occupancy Services in San Antonio, Texas continue until either party gives six months’ notice of termination. In July 2022, the Company accounted for the lease extension as a lease modification that did not result in a separate contract and recognized the right-of-use asset and lease liabilities associated with the Rani LLC-ICL Service Agreement in its condensed consolidated balance sheet. As of September 30, 2023, the second renewal option for the facility in Milpitas, California was not deemed reasonably certain to be exercised.

The Company's leases are accounted for as operating leases and require certain fixed payments of real estate taxes and insurance in addition to future minimum lease payments, and certain variable payments of common area maintenance costs and building utilities. Variable lease payments are expensed in the period in which the obligation for those payments is incurred. These variable lease costs are payments that vary in amount beyond the commencement date, for reasons other than passage of time. Short-term lease expense for Occupancy Services in San Antonio, Texas under the Rani LLC-ICL Service Agreement, and variable lease payments are excluded in the total operating lease expense and immaterial for the periods presented.

The weighted average remaining lease term and weighted average discount rate related to the Company's right-of-use assets and operating lease liabilities for its operating leases were as follows:

	September 30,	
	2023	2022
Weighted-average remaining lease term (in years)	1.1	1.4
Weighted-average discount rate	10.4 %	6.9 %

As of September 30, 2023, the Company expects that its future minimum operating lease payments will become due and payable as follows (in thousands):

Year ending December 31,		
2023 (remaining three months)	$	263
2024		749
Total undiscounted future minimum lease payments	$	1,012
Less: Imputed interest		(53)
Total operating lease liability	$	959
Less: Current portion of operating lease liability		788
Operating lease liability, less current portion	$	171

8. Warrants

In August 2022, in conjunction with a loan and security agreement (Note 11), the Company issued warrants to purchase 76,336 shares of the Company's Class A common stock. The warrants are exercisable for a period of five years from the grant date, as may be adjusted for certain anti-dilution adjustments, dividends, stock splits, and reverse stock splits, at an exercise price per share equal to $11.79, which may be net share settled at the option of the holder. As of September 30, 2023, there were 76,336 warrants outstanding.

The warrants were determined to be equity classified Level 3 securities with a fair value totaling $0.5 million, estimated on the date of issuance using the Black-Scholes valuation model which requires inputs based on certain subjective assumptions, including the expected stock price volatility, the expected term of the option, the risk-free interest rate for a period that approximates the expected term of the option, and the Company's expected dividend yield. Such assumptions represent management's best estimates and involve inherent uncertainties and the application of management's judgment.

9. Stockholders' Equity

For the nine months ended September 30, 2023 and 2022, certain of the Continuing LLC Owners executed an exchange of zero and 4,650,195 Paired Interests, respectively, and 42,404 and 158,051 non-corresponding Class A Units of Rani LLC, respectively, in return for an equal number of shares of the Company's Class A common stock. The corresponding shares of the Company's Class B common stock included in the exchange of Paired Interests were subsequently cancelled and retired pursuant to the terms of the Rani LLC Agreement.

In August 2022, the Company entered into a Controlled Equity Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co. and H.C. Wainwright & Co., LLC (collectively the "Agents"), pursuant to which the Company may offer and sell from time to time through the Agents up to $150 million of shares of its Class A common stock, in such share amounts as the Company may specify by notice to the Agents, in accordance with the terms and conditions set forth in the Sales Agreement. The potential proceeds from the Sales Agreement are expected to be used for general corporate purposes. As of September 30, 2023, the Company has no sales under the Sales Agreement. In connection with the Sales Agreement, the Company recognized deferred offering costs totaling $0.3 million as a component of prepaid expenses and other current assets in the condensed consolidated balance sheet as of September 30, 2023 which will be offset against proceeds upon a sale under the Sales Agreement within the condensed consolidated statement of changes in stockholders' equity.

10. Commitments and Contingencies

Legal Proceedings

In the ordinary course of business, the Company may be subject to legal proceedings, claims and litigation as the Company operates in an industry susceptible to patent legal claims. The Company accounts for estimated losses with respect to legal proceedings and claims when such losses are probable and estimable. Legal costs associated with these matters are expensed when incurred. The Company is currently involved in several opposition proceedings at the European Patent Office, all of which were asserted against us by Novo Nordisk AS. The ultimate outcome of this matter as a loss is not probable nor is there any amount that is reasonably estimable. However, the outcome of the opposition proceedings could impact the Company's ability to prevent third parties from commercializing in Europe products with characteristics similar to those of the Company's RaniPill technology.

Tax Receivable Agreement

The Company is party to a TRA with certain of the Continuing LLC Owners (Note 2). As of September 30, 2023, the Company has not recorded a liability under the TRA related to the income tax benefits originating from the exchanges of Paired Interest or non-corresponding Class A Units of Rani LLC as it is not probable that the Company will realize such tax benefits. To the extent the Company is able to realize the income tax benefits associated with the exchanges of Paired Interest or non-corresponding Class A Units of Rani LLC subject to the TRA, the TRA payable would range from zero to $23.0 million at September 30, 2023.

The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of the Company in the future. Should the Company determine that the payment of the TRA liability becomes probable at a future date based on new information, any changes will be recorded on the Company's condensed consolidated statement of operations and comprehensive loss at that time.

11. Long-Term Debt

In August 2022, the Company entered into a loan and security agreement and related supplement (the "Loan Agreement") with Avenue Venture Opportunities Fund, L.P (the "Lender"). The Loan Agreement provides for term loans (the "Loans") in an aggregate principal amount up to $45.0 million. A Loan of $30.0 million was committed at closing, with $15.0 million funded immediately and $15.0 million available to be drawn between October 1, 2022 and December 31, 2022, which was drawn in December 2022. The remaining $15.0 million of Loans ("Tranche 2") is uncommitted and is subject to certain conditions and approval by the Lender. The purpose of the Loans is for general corporate purposes. In exchange for access to this facility, the Company agreed to issue warrants (Note 8).

Pursuant to the Loan Agreement, the maturity date for the Loans is August 1, 2026 (the "Maturity Date"). The Loan principal is repayable in equal monthly installments beginning September 2024 extendable to March 2025 under certain conditions. The Loans bear interest at a variable rate per annum equal to the greater of (A) the prime rate, as published by the Wall Street Journal from time to time plus 5.60% or (B) 10.35%. The Loan Agreement is collateralized by substantially all of the Company's assets, in which the Lender is granted continuing security interests. The Loans includes customary events of default, including instances of a material adverse change in the Company's operations, which may require prepayment of the outstanding Loans. At September 30, 2023, the effective interest rate on the Loans was 15.48% and there were no events of default during the nine months ended September 30, 2023. The Company is also subject to certain covenants. As of September 30, 2023, the Company was in compliance with all applicable covenants under the Loan Agreement.

As of September 30, 2023, future principal payments for the Company's debt are as follows (in thousands):

Year ending December 31,	
2023 (remaining three months)	$ —
2024	5,000
2025	15,000
2026	10,000
Total principal payments	$ 30,000
Less: amount representing debt discount	(677)
Total long-term debt	$ 29,323
Less: current portion of long-term debt	1,222
Total long-term debt, less current portion	$ 28,101

12. Income Taxes

The Company's effective income tax rate was zero and (0.24)% for the nine months ended September 30, 2023 and 2022, respectively. As a result of the exchanges from the date of the Organizational Transactions to September 30, 2023, the Company recorded a $18.8 million deferred tax asset related to income tax benefit associated with the basis of the net assets of Rani LLC. Because of the Company's history of operating losses, the Company believes that recognition of the deferred tax assets arising from such future income tax benefits is currently not more-likely-than-not to be realized and, accordingly, has recognized a full valuation allowance on its deferred tax assets.

There were no material changes to uncertain tax positions for the nine months ended September 30, 2023 and 2022, and the Company does not anticipate material changes within the next twelve months.

13. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per Class A common share attributable to Rani Holdings (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss per Class A common share attributable to Rani Therapeutics Holdings, Inc.	$ (9,197)	$ (7,955)	$ (26,872)	$ (21,802)
Denominator:				
Weighted average Class A common share outstanding —basic and diluted	25,552	24,468	25,380	23,449
Net loss per Class A common share attributable to Rani Therapeutics Holdings, Inc.—basic and diluted	$ (0.36)	$ (0.33)	$ (1.06)	$ (0.93)

The following table shows the total outstanding securities considered anti-dilutive and therefore excluded from the computation of diluted net loss per Class A common share attributable to Rani Holdings (in thousands):

	As of September 30,	
	2023	2022
Paired Interests	24,116	24,640
Stock options	6,778	3,770
Restricted stock units	1,413	686
Non-corresponding Class A Units	1,345	1,387
Shares issuable pursuant to the ESPP	82	31
Warrants	76	76
Restricted stock awards	41	75
	33,851	30,665

Shares of Class B Common Stock do not share in the Company’s earnings and are not participating securities. Accordingly, separate presentation of loss per share of Class B Common Stock under the two-class method has not been provided. The outstanding shares of Class B Common Stock were determined to be anti-dilutive for the nine months ended September 30, 2023. Therefore, they are not included in the computation of net loss per Class A common share attributable to Rani Holdings.

14. Subsequent Events

Reduction in Force

In November 2023, the Company committed to a plan for strategic prioritization of its programs, expansion of its manufacturing and streamlining of its business operations to support potential near-term value drivers and long-term growth (the “Restructuring”). The Restructuring includes a reduction of the Company’s workforce by approximately 25%.

As a result of the Restructuring, the Company estimates that it will incur approximately $0.3 million in costs of which nearly all are cash expenditures related to severance. The Company expects the Restructuring to be substantially complete by the end of the first quarter of 2024 and to incur a material portion of the expense in the fourth quarter of 2023. The estimates of costs that the Company expects to incur in connection with the Restructuring and the timing thereof are subject to a number of assumptions and actual results may differ materially from estimates. The Company may also incur other charges or cash expenditures not currently contemplated in connection with the Restructuring due to unanticipated events that may occur, including in connection with the implementation of the Restructuring.

Lease

In November 2023, Rani LLC and BKM South Bay 240, LLC (“Landlord”) entered into the Standard Industrial/Commercial Multi-Tenant Lease - Net (the “Lease”). Pursuant to the terms of the Lease, Rani LLC is leasing 33,340 square feet of space in the building located at 47709 Fremont Blvd, Fremont, California, which is part of a two-building project (the “Project”).

The initial term of the Lease will commence on February 1, 2024, and the duration of the initial term will be 63 months. If the premises are not delivered on or before March 1, 2024, Rani LLC may terminate the Lease, subject to certain conditions that could delay such date to March 31, 2024. Subject to certain conditions, Rani LLC will have an option to renew the Lease for one additional 5-year term at the then-prevailing market rate. The monthly base rent for the initial term of the Lease will be $95,019.00 per month, subject to a 4% increase each year. Rani LLC will also be responsible for the payment of additional rent to cover its share of common area operating expenses, including taxes, insurance, utilities, and repair and maintenance of the premises and common areas of the Project.

CEO Compensation Reduction

In November 2023, the Board of Directors of the Company (the “Board”) approved a reduction in the annual salary of Talat Imran, the Company's Chief Executive Officer, from $520,000 to $100,000, effective November 1, 2023 through December 31, 2024 or until such earlier time as the Company receives gross proceeds of $50,000,000 or more, in the aggregate, from equity financing and/or one or more non-dilutive strategic, licensing or partnering transactions. The decreased base salary amends the Amended and Restated Employment Agreement, dated August 31, 2022, by and between Rani LLC and Mr. Imran.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following management's discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes and other information included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the Securities and Exchange Commission ("SEC"). Some of the information contained in this discussion and analysis or set forth elsewhere in this document, includes forward looking statements that involve risks, uncertainties, and assumptions. Our actual results could differ materially from those discussed in or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled “Risk Factors” in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2022. Please also see the section titled “Forward Looking Statements.”

The following discussion contains references to calendar year 2022 and the nine months ended September 30, 2023 and 2022, respectively, which represents the condensed consolidated financial results of Rani Therapeutics Holdings, Inc. (the "Company") and its subsidiary, Rani Therapeutics, LLC (“Rani LLC”) and, prior to December 15, 2022, Rani Management Systems, Inc., for the year ended December 31, 2022 and the nine months ended September 30, 2023 and 2022, respectively. Unless we state otherwise or the context otherwise requires, the terms “we,” “us,” “our,” and “Rani” and similar references refers to the Company and its consolidated subsidiaries.

Overview

We are a clinical-stage biotherapeutics company focusing on advancing technologies to enable the administration of biologics and drugs orally, to provide patients, physicians, and healthcare systems with a convenient alternative to painful injections. We are advancing a portfolio of oral therapeutics using our proprietary delivery technology.

We are developing and clinically testing a drug-agnostic oral delivery platform, the RaniPill capsule, which is designed to deliver a wide variety of drug substances, including large molecules such as peptides, proteins, and antibodies. The current RaniPill capsule, the RaniPill GO, is designed to deliver up to a 3 mg dose of drug with high bioavailability. We are also developing a high-capacity version known as the RaniPill HC, which is in preclinical stage and which is intended to enable delivery of drug payloads up to 20 mg with high bioavailability. The RaniPill GO is optimized to orally deliver a variety of therapeutics, and we are advancing development of the RaniPill HC to address biologics and drugs with higher dosing requirements.

Since our inception in 2012, we have devoted the majority of our resources to research and development, manufacturing automation and scaleup, and establishing our intellectual property portfolio. To date, we have financed our operations primarily through an initial public offering ("IPO"), private placements of Rani LLC preferred units, the issuance of convertible promissory notes, long-term debt, and contract revenue generated from our evaluation agreements.

We do not have any products approved for sale, and we have not yet generated any revenue from sales of a commercial product. Our ability to generate product revenue sufficient to achieve profitability, if ever, will depend on the successful development of the RaniPill capsule, which we expect will take a number of years. Given our stage of development, we have not yet established a commercial organization or distribution capabilities, and we have no experience as a company in marketing drugs or a drug-delivery platform. When, and if, any of our product candidates are approved for commercialization, we plan to develop a commercialization infrastructure or engage commercial sales organizations or distributors for those products in the United States, Europe, Asia, and potentially in certain other key markets. We may also rely on partnerships to provide commercialization infrastructure, including sales, marketing, and commercial distribution.

As is common with biotechnology companies, we rely on third-party suppliers for the supply of raw materials and active pharmaceutical ingredients ("APIs") and drug substances required for the production of our product candidates. In addition, we work with third parties to manufacture and develop biologics and drugs for inclusion in the current RaniPill capsule and RaniPill HC. Design work, prototyping and pilot manufacturing are performed in house, and we have utilized third-party engineering firms to assist with the design of manufacturing lines that support our supply of the current RaniPill capsule and RaniPill HC. Certain of our suppliers of components and materials are single source suppliers. We believe our vertically integrated manufacturing strategy will offer significant advantages, including rapid product iteration, control over our product quality and the ability to rapidly scale our manufacturing capacity. This capability also allows us to develop future generations of products while maintaining the confidentiality of our intellectual property. Our vertically integrated manufacturing strategy will result in material future capital outlays and fixed costs related to constructing and operating a manufacturing facility. We have invested and plan to continue to invest in automated

manufacturing production lines for the current RaniPill capsule and RaniPill HC. Those assets deemed to have an alternative future use have been capitalized as property and equipment while those projects related to our assets determined to not have an alternative future use have been expensed as research and development costs.

Development Update

RaniPill HC

In September 2023, we announced three positive preclinical studies which support the development of the RaniPill HC device.

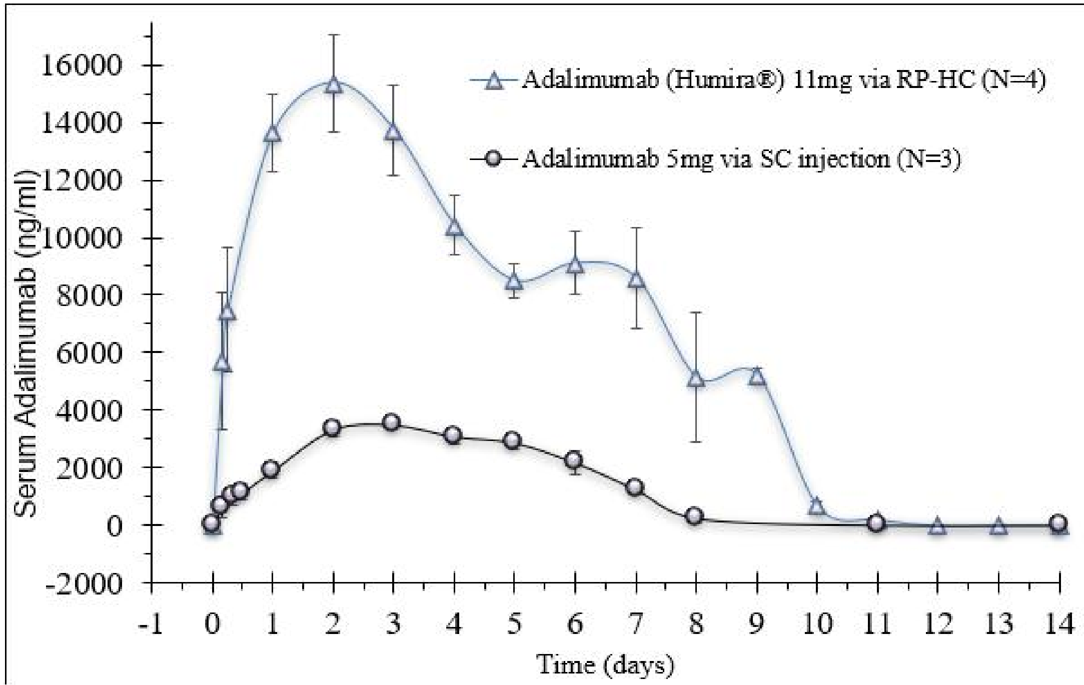
Rani conducted two preclinical studies of the RaniPill HC containing 40ug of teriparatide. In the first study, two RaniPill HC capsules were orally administered to 5 awake canine subjects sequentially, with a second RaniPill HC capsule administered after the deployment of the previous device was confirmed. In the second study, a single RaniPill HC capsule was administered to 10 awake canines.

- RaniPill HC achieved 18/20 successful drug delivery of teriparatide in the two studies, resulting in a cumulative 90% success rate.
- Successful drug delivery was confirmed by positive drug signal for teriparatide in serum.
- Devices used in these studies were separate iterations, and may not comprise all the same components expected in a final version.
- Rani also conducted an additional preclinical study of RaniPill HC containing Fe57 (iron) in 2 canine subjects.
- The RaniPill HC containing Fe57 showed a positive drug signal comparable to subcutaneous injection.

In October and November 2023, we announced the completion of two preclinical studies of the RaniPill HC with antibodies, adalimumab and an undisclosed interleukin antibody (“Interleukin”). In the two studies, the RaniPill HC achieved an oral delivery success rate of 100% (10/10). In one study, we tracked the serum concentrations of adalimumab, following the oral administration of the enteric-coated RaniPill HC capsule containing 11mg of Humira (adalimumab) to four canine models. In the second study, we tracked the serum concentrations of the Interleukin, following the oral administration of the enteric-coated RaniPill HC capsule containing 16.5mg of Interleukin to six canine models. In both studies, the RaniPill HC was well-tolerated, all animals remained healthy throughout the study period with no clinical findings or adverse events, and all device remnants were excreted normally without sequelae.

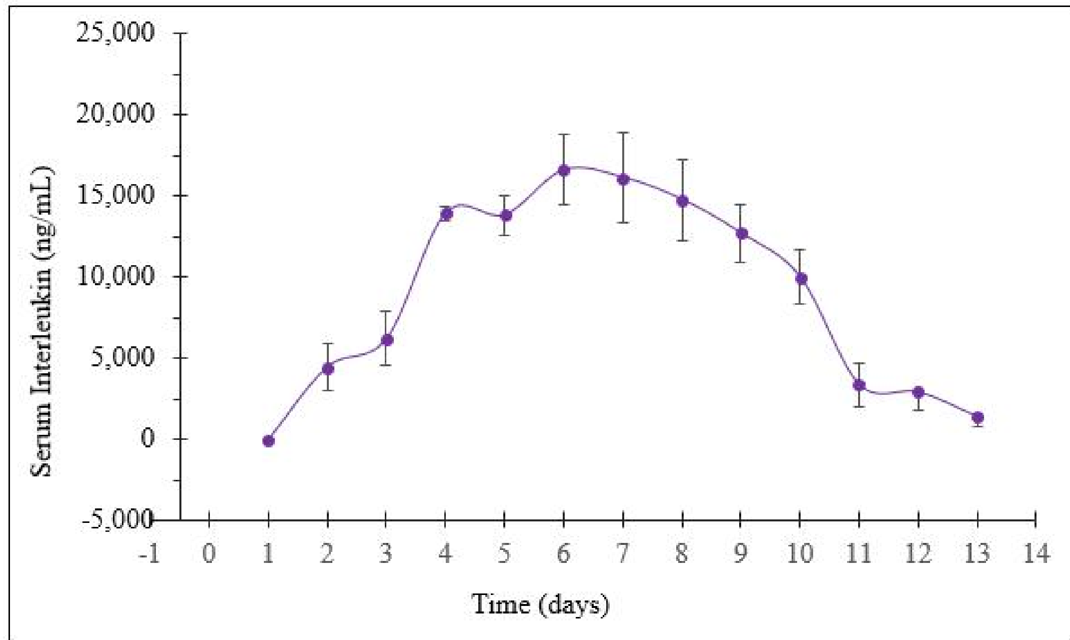
Comparing the pharmacokinetic results of 11mg of adalimumab delivered via the RaniPill HC (N=4) with historical pharmacokinetic data we generated with 5mg of an adalimumab biosimilar (GP2017) delivered via subcutaneous injection (N=3), there is a higher estimated bioavailability of adalimumab delivered via the RaniPill HC relative to the subcutaneous injection route.

Adalimumab 11mg via RaniPill HC vs Adalimumab Biosimilar 5mg via Subcutaneous Injection



All Data are Means ± SE

Pharmacokinetics of Interleukin (16.5mg) Delivered Orally via RaniPill HC Capsules to Awake Canines (N=6)



All Data are Means ± SE

Preliminary preclinical testing supports the potential for RaniPill HC to have high reliability, and initial analysis of drug delivery via the RaniPill HC shows a potential for mimicking parenteral (subcutaneous) administration. We intend to continue preclinical testing of the RaniPill HC to confirm the preliminary reliability rate and optimize device performance, with a goal for the RaniPill HC to be ready for potential Phase 1 clinical trials in the second half of 2024.

RT-111

In September 2023, we announced the initiation of a Phase 1 clinical trial to evaluate the safety and tolerability of RT-111. Topline results from the trial are expected early in the first quarter of 2024.

60-Day GLP Study

In October 2023, we announced preclinical data from a 60-day repeat oral administration study of the RaniPill capsule in healthy animals. The preclinical good laboratory practices (GLP) study evaluated the safety and tolerability of the RaniPill drug delivery platform, following 60-day repeat oral administration of the test article, RT-100, in healthy animals. RT-100 is an enteric-coated capsule identical to RT-102, but instead of teriparatide contains the pharmaceutical excipient mannitol. The control group received a RaniPill capsule (Mock-RP) of similar weight to RT-100 but filled with potato starch.

Male and female (1:1) animals were divided into two groups and were administered either Mock-RP (N=12) or RT-100 (N=24) once daily for 60 days, with half of the animals completing an additional 14-day clinical observation and safety evaluation period. RT-100 was well-tolerated with no treatment-related adverse events and all animals remained clinically healthy throughout the study.

RT-102

We expect to initiate a Phase 2 clinical trial of RT-102, a RaniPill GO containing teriparatide for osteoporosis, in the fourth quarter of 2023.

RT-105, RT-110 and RT-101

As part of a strategic focusing of the business announced in November 2023, we are pausing work on our RT-105 program, which is the RaniPill capsule containing adalimumab biosimilar, and our RT-110 program, which is the RaniPill capsule containing parathyroid hormone for hypoparathyroidism, and terminating our RT-101 program, which is the RaniPill capsule containing octreotide.

Financial Update

In August 2022, we entered into a loan and security agreement and related supplement (the “Loan Agreement”) with Avenue Venture Opportunities Fund, L.P (the “Lender”). The Loan Agreement provides for term loans (the “Loans”) in an aggregate principal amount up to $45.0 million. A Loan of $30.0 million was committed at closing, with $15.0 million funded immediately and $15.0 million available to be drawn between October 1, 2022 and December 31, 2022, which was drawn in December 2022. The remaining $15.0 million of Loans is uncommitted and is subject to certain conditions and approval by the Lender. The purpose of the Loans is for general corporate purposes. The Loan Agreement also contains various covenants and restrictive provisions. As of September 30, 2023, we were in compliance with all applicable debt covenants under the Loan Agreement and had cash, cash equivalents and marketable securities totaling $74.6 million.

In addition, in August 2022, we entered into a Controlled Equity^{SM} Sales Agreement (the “Sales Agreement”) with Cantor Fitzgerald & Co. and H.C. Wainwright & Co., LLC (collectively, the “Agents”), pursuant to which we may offer and sell from time to time through the Agents up to $150 million of shares of our Class A common stock, in such share amounts as we may specify by notice to the Agents, in accordance with the terms and conditions set forth in the Sales Agreement (“ATM Sales”). As of September 30, 2023, we had not delivered any placement notices to either of the Agents and there had been no ATM Sales.

Reduction in Force

In November 2023, we committed to a plan for strategic prioritization of our programs, expansion of our manufacturing and streamlining of our business operations to support potential near-term value drivers and long-term growth (the “Restructuring”). The Restructuring includes a reduction of our workforce by approximately 25%.

As a result of the Restructuring, we estimate that we will incur approximately $0.3 million in costs of which nearly all are cash expenditures related to severance. We expect the Restructuring to be substantially complete by the end of the first quarter of 2024 and to incur a material portion of the expense in the fourth quarter of 2023. The estimates of costs that we expect to incur in connection with the Restructuring and the timing thereof are subject to a number of assumptions and actual results may differ materially from estimates. We may also incur other charges or cash expenditures not currently contemplated in connection with the Restructuring due to unanticipated events that may occur, including in connection with the implementation of the Restructuring.

Lease

In November 2023, Rani LLC and BKM South Bay 240, LLC ("Landlord") entered into the Standard Industrial/Commercial Multi-Tenant Lease - Net (the "Lease"). Pursuant to the terms of the Lease, Rani LLC is leasing 33,340 square feet of space in the building located at 47709 Fremont Blvd, Fremont, California, which is part of a two-building project (the "Project").

The initial term of the Lease will commence on February 1, 2024, and the duration of the initial term will be 63 months. If the premises are not delivered on or before March 1, 2024, Rani LLC may terminate the Lease, subject to certain conditions that could delay such date to March 31, 2024. Subject to certain conditions, Rani LLC will have an option to renew the Lease for one additional 5-year term at the then-prevailing market rate. The monthly base rent for the initial term of the Lease will be $95,019.00 per month, subject to a 4% increase each year. Rani LLC will also be responsible for the payment of additional rent to cover its share of common area operating expenses, including taxes, insurance, utilities, and repair and maintenance of the premises and common areas of the Project.

CEO Compensation Reduction

In November 2023, our Board of Directors (the "Board") approved a reduction in the annual salary of Talat Imran, our Chief Executive Officer, from $520,000 to $100,000, effective November 1, 2023 through December 31, 2024 or until such time as we receive gross proceeds of $50,000,000 or more, in the aggregate, from equity financing and/or one or more non-dilutive strategic, licensing or partnering transactions. The decreased base salary amends the Amended and Restated Employment Agreement, dated August 31, 2022, by and between Rani LLC and Mr. Imran.

Organizational Transactions

The Company was incorporated in April 2021 and formed for the purpose of facilitating an IPO of its Class A common stock, and to facilitate certain organizational transactions ("Organizational Transactions") and to operate the business of Rani LLC and its consolidated subsidiary at such time, Rani Management Services, Inc. ("RMS"). In connection with the IPO, we established a holding company structure with the Company as the holding company and its principal asset being the Class A common units ("Class A Units") of Rani LLC that it owns. As the sole managing member of Rani LLC, the Company operates and controls all of Rani LLC's operations, and through Rani LLC, conducts all of Rani LLC's business and the financial results of Rani LLC and RMS (prior to December 15, 2022) are included in the consolidated financial statements of the Company. RMS was dissolved as of December 15, 2022.

Rani LLC has been, and after the IPO continues to be, treated as a pass-through entity for U.S. federal and state income tax purposes and accordingly has not been subject to U.S. federal or state income tax. The wholly owned subsidiary of Rani LLC, RMS, which was incorporated in 2019 and dissolved in December 2022, was taxed as a corporation for U.S. federal and most applicable state, local income tax and foreign tax purposes. As a result of its ownership of interests in Rani LLC ("LLC Interests"), the Company is subject to U.S. federal, state and local income taxes with respect to its allocable share of any taxable income of Rani LLC and will be taxed at the prevailing corporate tax rates. In addition to tax expenses, we also incur expenses related to our operations and may be required to make payments under the Tax Receivable Agreement with certain of the individuals and entities that continue to hold interests in Rani LLC after the IPO (the "Continuing LLC Owners"). The Continuing LLC Owners are entitled to exchange, subject to the terms of the Rani LLC Agreement, the Class A Units they hold in Rani LLC, together with the shares they hold of our Class B common stock (together referred to as a "Paired Interest"), in return for shares of our Class A common stock on a one-for-one basis provided that, at our election, we may effect a direct exchange of such Class A common stock or make a cash payment equal to a volume weighted average market price of one share of Class A common stock for each Paired Interest redeemed. Any shares of Class B common stock will be cancelled on a one-for-one basis if, at the election of the Continuing LLC Owners, we redeem or exchange such Paired Interest pursuant to the terms of the Rani LLC Agreement. These exchanges and redemptions may result in increases in the tax basis of the assets of Rani LLC that otherwise would not have been available. Increases in tax basis resulting from such exchanges may reduce the amount of income tax that the Company would otherwise be required to pay in the future. This tax basis may also decrease the gains (or increase the losses) on future dispositions of certain assets to the extent tax basis is allocated to those assets. Due to the uncertainty of various factors, we cannot estimate the likely tax benefits we will realize as a result of exchanges, and

the resulting amounts we will likely pay out to the Continuing LLC Owners pursuant to the Tax Receivable Agreement; however, we estimate that such payments may be substantial in the event we are profitable. Certain individuals who continue to own interests in Rani LLC but do not hold shares of the Company's Class B common stock ("non-corresponding Class A Units") have the ability to exchange their non-corresponding Class A Units of Rani LLC for 1,345,067 shares of the Company's Class A common stock.

Components of Results of Operations

Operating Expenses

Our operating expenses consisted of research and development and general and administrative activities.

Research and Development Expense

Research and development expense consists primarily of direct and indirect costs incurred in connection with our research and development activities to develop the RaniPill GO and RaniPill HC. These expenses include:

External expenses, consisting of:

- expenses associated with contract research organizations ("CROs"), for managing and conducting clinical trials;
- expenses associated with laboratory supplies, drug material for clinical trials, developing and manufacturing of the RaniPill GO, RaniPill HC and other materials;
- expenses associated with preclinical studies performed by third parties; and
- expenses associated with consulting, advisors, and other external services.

Internal expenses, consisting of:

- expenses including salaries, bonuses, stock-based compensation and benefits for personnel engaged in the research and development functions;
- expenses associated with service and repair of equipment, equipment depreciation, and allocated facility costs for research and development; and
- other research and development costs related to compliance with quality and regulatory requirements.

We expense research and development costs as incurred. Costs for external development activities are recognized based on an evaluation of the progress to completion of specific tasks using information provided to us by our vendors. Payments for these activities are based on the terms of the individual agreements, which may differ from the pattern of costs incurred, and are reflected in our financial statements as prepaid or accrued research and development expenses. Nonrefundable advance payments that we make for goods or services to be received in the future for use in research and development activities are recorded as prepaid expenses. Such amounts are recognized as an expense as the goods are delivered or the related services are performed, or until it is no longer expected that the goods will be delivered, or the services rendered. Until future commercialization is considered probable and the future economic benefit is expected to be realized, we do not capitalize pre-launch inventory costs.

Costs of property and equipment related to scaling-up our manufacturing capacity for clinical trials and to support commercialization are capitalized as property and equipment unless the related asset does not have an alternative future use.

The historical focus of our research and development has been on the RaniPill delivery platform and not tracked costs on a project-by-project basis associated with different drug compounds.

At this time, we cannot reasonably estimate or know the nature, timing, and estimated costs of the efforts that will be necessary to complete development of the RaniPill GO and RaniPill HC and complete the development of, and obtain regulatory approval for, our product candidates. We expect our research and development expenses to increase significantly in the foreseeable future as we continue to invest in activities related to testing and developing the RaniPill GO and RaniPill HC and the development of our product candidates, as our product candidates advance into later stages of development, as we begin to conduct larger clinical trials, as we seek regulatory approvals for our product candidates upon successful completion of clinical trials, and incur expenses associated with hiring additional personnel to support the research and development efforts. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming, the successful development of the RaniPill GO and RaniPill HC and our product candidates is highly uncertain, and we may never succeed in successfully developing the RaniPill GO and/or RaniPill HC or achieve the development of, and regulatory approval for, our product candidates.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel-related costs (including salaries, bonuses, stock-based compensation, and benefits) for personnel in executive, finance, accounting, legal, corporate and business development, and other administrative functions. General and administrative expenses also include legal fees relating to corporate matters, professional fees paid for accounting, auditing, consulting, tax, and administrative consulting services, insurance costs, travel, and facilities, which include direct depreciation costs and allocated expenses for rent and maintenance of facilities and other operating costs.

We anticipate that our general and administrative expenses will increase significantly in the foreseeable future as additional administrative personnel and services are required to manage and support the development of the RaniPill GO and RaniPill HC and our product candidates. We also anticipate that we will incur increased expenses associated with operating as a public company, including costs of accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with exchange listing and SEC requirements, director and officer liability insurance, and investor and public relations.

Other Income (Expense), Net

Other income (expense), net primarily consists of interest income earned on our cash equivalents and marketable securities and interest expense from our long-term debt and amortization of debt discount and issuance costs.

Non-Controlling Interest

Non-controlling interest ("NCI") represents the portion of income or loss, net assets and comprehensive loss of our consolidated subsidiary that is not allocable to the Company based on its percentage of ownership of Rani LLC.

In August 2021, based on the Organizational Transactions, the Company became the sole managing member of Rani LLC. As of September 30, 2023, the Company held approximately 50% of the Class A Units of Rani LLC, and approximately 50% of the outstanding Class A Units of Rani LLC are held by the Continuing LLC Owners. Therefore, we report NCI based on the Class A Units of Rani LLC held by the Continuing LLC Owners on our condensed consolidated balance sheet as of September 30, 2023. Income or loss attributed to the NCI in Rani LLC is based on the Class A Units outstanding during the period for which the income or loss is generated and is presented on the condensed consolidated statements of operations and comprehensive income or loss.

Future exchanges of Paired Interests and non-corresponding Class A Units of Rani LLC will result in a change in ownership and reduce or increase the amount recorded as NCI and increase or decrease additional paid-in-capital when Rani LLC has positive or negative net assets, respectively. From the date of the Organizational Transactions to September 30, 2023, there were 5,173,947 exchanges of Paired Interests and 200,455 exchanges of non-corresponding Class A Units of Rani LLC for an equal number of shares of our Class A common stock.

Tax Receivable Agreement

In August 2021, in connection with the IPO and Organizational Transactions, we entered into a tax receivable agreement ("TRA") with certain of the Continuing LLC Owners. The TRA provides that we pay to such Continuing LLC Owners, 85% of the amount of tax benefits, if any, it is deemed to realize (calculated using certain assumptions) as a result of (i) increases in the tax basis of assets of Rani LLC resulting from (a) any future redemptions or exchanges of Paired Interests or non-corresponding Class A Units of Rani LLC and (b) payments under the TRA and (ii) certain other benefits arising from payments under the TRA (collectively the “Tax Attributes”).

A liability for the payable to parties subject to the TRA, and a reduction to stockholders’ equity, is accrued when (i) an exchange of a Paired Interest or non-corresponding Class A Units of Rani LLC has occurred and (ii) when it is deemed probable that the Tax Attributes associated with the exchange will be used to reduce our taxable income based on the contractual percentage of the benefit of Tax Attributes that we expect to receive over a period of time.

Relationship with InCube Labs, LLC

Service Agreements

In June 2021, Rani LLC entered into a service agreement with InCube Labs, LLC (“ICL”) effective retrospectively to January 1, 2021, and subsequently amended such agreement in March 2022 (as amended, the "Rani LLC-ICL Service Agreement"), pursuant to which Rani LLC and ICL agreed to provide personnel services to the other upon requests. Under the amendment in March

2022, Rani LLC has a right to occupy certain facilities leased by ICL in Milpitas, California and San Antonio, Texas ("Occupancy Services") for general office, research and development, and light manufacturing. The Rani LLC-ICL Service Agreement has a twelve-month term and will automatically renew for successive twelve-month periods unless terminated; except that the Occupancy Services in Milpitas, California have a term until February 2024, following an extension granted in July 2022, and the Occupancy Services in San Antonio, Texas continue until either party gives six months' notice of termination. Except for the Occupancy Services, Rani LLC or ICL may terminate services under the Rani LLC-ICL Service Agreement upon 60 days' notice to the other party. The Rani LLC-ICL Service Agreement specifies the scope of services to be provided as well as the methods for determining the costs of services. Costs are billed or charged on a monthly basis by ICL or Rani LLC, respectively.

In June 2021, RMS entered into a service agreement with ICL (the "RMS-ICL Service Agreement") effective retrospectively to January 1, 2021, pursuant to which ICL agreed to rent a specified portion of its facility in San Jose, California to RMS. Additionally, RMS and ICL agreed to provide personnel services to the other upon requests based on rates specified in the RMS-ICL Service Agreement. In April 2022, RMS assigned the RMS-ICL Service Agreement to Rani LLC. The RMS-ICL Service Agreement has a twelve-month term and will automatically renew for successive twelve-month periods unless terminated. Rani LLC or ICL may terminate services under the RMS-ICL Service Agreement upon 60 days' notice to the other party, except for occupancy which requires six months' notice. The RMS-ICL Service Agreement specifies the scope of services to be provided as well as the methods for determining the costs of services. Costs are billed or charged on a monthly basis by ICL or Rani LLC, respectively, as well as allocations of expenses based upon Rani LLC's utilization of ICL's facilities and equipment.

The table below details the amounts charged by ICL for services and rent, net of the amount charged to ICL under the RMS-ICL Service Agreement, which is included in the condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development	$ 280	$ 318	$ 889	$ 844
General and administrative	87	54	220	170
Total	$ 367	$ 372	$ 1,109	$ 1,014

Prior to April 2022, our eligible employees were permitted to participate in ICL's 401(k) Plan ("401(k) Plan"). Participation in the 401(k) Plan was offered for the benefit of our employees, including our named executive officers, who satisfied certain eligibility requirements. In April 2022, the Company established its own 401(k) Plan, with participation offered for the benefit of the employees, including the Company's named executive officers, who satisfy certain eligibility requirements.

As of September 30, 2023, all of our facilities are owned or leased by an entity affiliated with our Chairman. Rani LLC pays for the use of these facilities through our services agreements with ICL.

Exclusive License Agreement

In June 2021, we and ICL entered into an Amended and Restated Exclusive License Agreement which replaces the 2012 Exclusive License Agreement, as amended in 2013, and terminates the Intellectual Property Agreement, as amended in June 2013. Under the Amended and Restated Exclusive License Agreement, we have a fully paid, exclusive license under certain scheduled patents related to optional features of the device and certain other scheduled patents to exploit products covered by those patents in the field of oral delivery of sensors, small molecule drugs or biologic drugs including, any peptide, antibody, protein, cell therapy, gene therapy or vaccine. We will cover patent-related expenses and, after a certain period, we will have the right to acquire four specified United States patent families from ICL by making a one-time payment of $0.3 million to ICL for each United States patent family that we desire to acquire, up to $1.0 million in the aggregate. This payment will not become an obligation until the fifth anniversary of the Amended and Restated Exclusive License Agreement. The Amended and Restated Exclusive License Agreement will terminate when there are no remaining valid claims of the patents licensed under the Amended and Restated Exclusive License Agreement. Additionally, we may terminate the Amended and Restated Exclusive License Agreement in its entirety or as to any particular licensed patent upon notification to ICL of such intent to terminate.

Non-Exclusive License Agreement between Rani and ICL ("Non-Exclusive License Agreement")

In June 2021, we entered into the Non-Exclusive License Agreement with ICL, pursuant to which we granted ICL a non-exclusive, fully-paid license under specified patents that were assigned from ICL to us. Additionally, we agreed not to license these patents to a third party in a specific field outside the field of oral delivery of sensors, small molecule drugs or biologic drugs including, any peptide, antibody, protein, cell therapy, gene therapy or vaccine, if ICL can prove that it or its sublicensee has been in active

development of a product covered by such patents in that specific field. ICL may grant sublicenses under this license to third parties only with our prior approval. The Non-Exclusive License Agreement will continue in perpetuity unless terminated.

Intellectual Property Agreement with Mir Imran (the "Mir Agreement")

In June 2021, we entered into the Mir Agreement, pursuant to which we and Mir Imran agreed that we would own all intellectual property conceived (i) using any of our people, equipment, or facilities or (ii) that is within the field of oral delivery of sensors, small molecule drugs or biologic drugs including, any peptide, antibody, protein, cell therapy, gene therapy or vaccine. Neither us nor Mir Imran may assign the Mir Agreement to any third party without the prior written consent of the other party. The initial term of the Mir Agreement is three years, which can be extended upon mutual consent of the parties. The Mir Agreement may be terminated by either party for any reason within the initial three-year term upon providing three months' notice to the other party.

Tax Receivable Agreement

ICL is party to the TRA, entered into in August 2021 pursuant to the IPO and Organizational Transactions. The TRA provides that we pay to such entities and individuals 85% of the amount of tax benefits, if any, it is deemed to realize from exchanges of Paired Interests. During the nine months ended September 30, 2023 and 2022, these parties to the TRA exchanged zero and 2,317,184 Paired Interests, respectively, that resulted in tax benefits subject to the TRA.

Registration Rights Agreement

In connection with the IPO, we entered into a Registration Rights Agreement with the Continuing LLC Owners, including ICL. The Registration Rights Agreement provides the Continuing LLC Owners certain registration rights whereby, at any time following the IPO and the expiration of any related lock-up period, the Continuing LLC Owners can require us to register under the Securities Act shares of Class A common stock issuable to them upon, at our election, redemption or exchange of their LLC Interests. The Registration Rights Agreement also provides for piggyback registration rights for the Continuing LLC Owners. As a result of certain stockholders exercising their registration rights under the Registration Rights Agreement, in December 2022 we filed a registration statement on Form S-3 to register 6,009,542 shares of our Class A common stock held by certain of our stockholders.

Rani LLC Agreement

We operate our business through Rani LLC and, prior to December 15, 2022, its subsidiary, RMS. RMS was dissolved on December 15, 2022. In connection with the IPO, we and the Continuing LLC Owners, including ICL, entered into the Fifth Amended and Restated LLC Agreement of Rani LLC (the "Rani LLC Agreement"). The governance of Rani LLC, and the rights and obligations of the holders of LLC Interests, are set forth in the Rani LLC Agreement. As a Continuing LLC Owner, ICL is entitled to exchange, subject to the terms of the Rani LLC Agreement, Paired Interests for our Class A common stock; provided that, at our election, we may effect a direct exchange of such Class A common stock or make a cash payment equal to a volume weighted average market price of one share of Class A common stock for each Paired Interest redeemed.

During the nine months ended September 30, 2023 and 2022, these related parties that are party to the Rani LLC Agreement exchanged zero and 2,317,184 Paired Interests, respectively, for the Company's Class A common stock.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q. For information with respect to recent accounting pronouncements that are of significance or potential significance to us, see “Note 2. Summary of Significant Accounting Policies” in the “Notes to the Unaudited Condensed Consolidated Financial Statements” contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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

The following table summarizes our results of operations (in thousands):

	Three Months Ended September 30,		
	2023	**2022**	**Change**
Operating expenses			
Research and development	$ 11,220	$ 9,103	23.3 %
General and administrative	6,635	7,239	(8.3)%
Total operating expenses	$ 17,855	$ 16,342	9.3 %
Loss from operations	(17,855)	(16,342)	9.3 %
Other income (expense), net			
Interest income and other, net	839	379	121.4 %
Interest expense and other, net	(1,316)	(352)	273.9 %
Loss before income taxes	(18,332)	(16,315)	12.4 %
Income tax expense	—	107	*
Net loss	$ (18,332)	$ (16,208)	13.1 %
Net loss attributable to non-controlling interest	(9,135)	(8,253)	10.7 %
Net loss attributable to Rani Therapeutics Holdings, Inc.	$ (9,197)	$ (7,955)	15.6 %

* Not meaningful

Research and Development Expenses

The following table reflects our research and development costs by nature of expense (in thousands):

	Three Months Ended September 30,	
	2023	**2022**
Payroll, stock-based compensation and related benefits	$ 6,464	$ 6,792
Third-party services	2,929	779
Facilities, materials and supplies	1,777	1,475
Other	50	57
Total	$ 11,220	$ 9,103

Research and development expenses were $11.2 million for the three months ended September 30, 2023, compared to $9.1 million for the three months ended September 30, 2022. The increase was primarily attributed to higher third-party services expense of $2.1 million due to preclinical and clinical development activities.

General and Administrative Expenses

General and administrative expenses were $6.6 million for the three months ended September 30, 2023, compared to $7.2 million for the three months ended September 30, 2022. The decrease was primarily attributed to third-party services of $0.7 million related to support for compliance with public company requirements.

Other Income (Expense), Net

Other expense, net, was $0.5 million for the three months ended September 30, 2023, compared to other income, net, which was de minimis for the three months ended September 30, 2022. The increase was primarily attributed to an increase in interest income of $0.5 million from our investment in marketable securities offset by an increase in interest expense of $1.0 million from our long-term debt.

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

The following table summarizes our results of operations (in thousands):

	Nine Months Ended September 30,		
	2023	2022	Change
Operating expenses			
Research and development	$ 32,018	$ 26,221	22.1 %
General and administrative	20,647	19,748	4.6 %
Total operating expenses	$ 52,665	$ 45,969	14.6 %
Loss from operations	(52,665)	(45,969)	14.6 %
Other income (expense), net			
Interest income and other, net	2,626	430	510.7 %
Interest expense and other, net	(3,789)	(352)	976.4 %
Loss before income taxes	(53,828)	(45,891)	17.3 %
Income tax expense	—	(111)	*
Net loss	$ (53,828)	$ (46,002)	17.0 %
Net loss attributable to non-controlling interest	(26,956)	(24,200)	11.4 %
Net loss attributable to Rani Therapeutics Holdings, Inc.	$ (26,872)	$ (21,802)	23.3 %

* Not meaningful

Research and Development Expenses

The following table reflects our research and development costs by nature of expense (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Payroll, stock-based compensation and related benefits	$ 21,452	$ 18,421
Third-party services	5,550	3,513
Facilities, materials and supplies	4,829	3,983
Other	187	304
Total	$ 32,018	$ 26,221

Research and development expenses were $32.0 million for the nine months ended September 30, 2023, compared to $26.2 million for the nine months ended September 30, 2022. The increase was primarily attributed to higher compensation costs of $3.0 million, which includes an increase of $0.7 million in stock-based compensation, due to headcount growth, and an increase of $2.0 million in third-party services expense and an increase of $0.9 million in facilities, materials and supplies expense related to preclinical and clinical development activities.

General and Administrative Expenses

General and administrative expenses were $20.6 million for the nine months ended September 30, 2023, compared to $19.7 million for the nine months ended September 30, 2022. The increase was primarily attributed to higher compensation costs of $2.4 million, which includes an increase of $2.6 million in stock-based compensation, due to headcount growth, partially offset by a decrease in third-party services of $1.4 million related to support for compliance with public company requirements.

Other Income (Expense), Net

Other expense, net, was $1.2 million for the nine months ended September 30, 2023, compared to other income, net, which was de minimis for the nine months ended September 30, 2022. The increase was primarily attributed to an increase in interest income of $2.2 million from our investment in marketable securities offset by an increase in interest expense of $3.4 million from our long-term debt.

Liquidity and Capital Resources

Source of Liquidity

We have not generated any revenue from commercial product sales and have incurred significant operating losses and negative cash flows from operations. We have not yet commercialized any products, and we do not expect to generate revenue from sales of commercial products for several years, if at all. We anticipate that we will continue to incur net losses for the foreseeable future. Since our inception, we have devoted substantially all of our resources on organizing and staffing our company, business planning, research and development activities, including the RaniPill platform design, drug formulation, preclinical studies, clinical trials, manufacturing automation and scale up, establishing our intellectual property portfolio, and providing general and administrative support for these operations. To date, we have financed our operations primarily through an IPO, private placements of Rani LLC preferred units, the issuance of convertible promissory notes, and long-term debt, as well as contract revenue generated from evaluation agreements.

In August 2022, we entered into the Loan Agreement with the Lender. The Loan Agreement provides for Loans in an aggregate principal amount up to $45.0 million. A Loan of $30.0 million was committed at closing, with $15.0 million funded immediately and $15.0 million available to be drawn between October 1, 2022 and December 31, 2022, which was drawn in December 2022. The remaining $15.0 million of Loans is uncommitted and is subject to certain conditions and approval by the Lender. The purpose of the Loans is for general corporate purposes. The Loan Agreement also contains various covenants and restrictive provisions. As of September 30, 2023, we were in compliance with all applicable debt covenants under the Loan Agreement and had cash, cash equivalents and marketable securities totaling $60.5 million.

In August 2022, we entered into the Sales Agreement with the Agents, pursuant to which we may offer and sell from time to time through the Agents up to $150.0 million of shares of our Class A common stock in ATM Sales. As of September 30, 2023, we had not delivered any placement notices to either of the Agents and there had been no ATM Sales.

Since our inception, we have incurred significant losses and negative cash flows from operations. Our net losses were $53.8 million and $46.0 million for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, we had an accumulated deficit of $65.8 million. We expect to continue to incur significant losses for the foreseeable future, and our net losses may fluctuate significantly from period to period, depending on the timing of and expenditures on our planned research and development activities. Until such time as we can generate sufficient revenue from commercial product sales, if ever, we expect to finance our operations through a combination of equity offerings and debt financings, which may include ATM Sales, or other capital sources, which may include strategic collaborations or other arrangements with third parties. We may be unable to raise additional funds or to enter into such agreements or arrangements on favorable terms, or at all. If we are unable to raise capital or enter into such agreements as and when needed, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our product candidates. Insufficient liquidity may also require us to relinquish rights to product candidates at an earlier stage of development or on less favorable terms than we would otherwise choose.

Tax Receivable Agreement

We entered into a Tax Receivable Agreement with certain of the Continuing LLC Owners in August 2021 in connection with the IPO. The Tax Receivable Agreement provides for our payment to certain of the Continuing LLC Owners of 85% of the amount of tax benefits, if any, that we are deemed to realize as a result of any basis adjustments and certain other tax benefits arising from payments under the Tax Receivable Agreement. We will have in effect an election under Section 754 of the Code effective for each taxable year in which a redemption or exchange (including deemed exchange) of LLC Interests for shares of our Class A common stock or cash occurs. These Tax Receivable Agreement payments are not conditioned upon any continued ownership interest in either the Company or Rani LLC by such Continuing LLC Owners. The rights of such Continuing LLC Owners under the Tax Receivable Agreement are assignable to transferees of their LLC Interests (other than us as transferee pursuant to subsequent redemptions (or exchanges) of the transferred LLC Interests). We expect to benefit from the remaining 15% of tax benefits, if any, that we may realize.

As of September 30, 2023, we have not recorded a liability under the TRA related to the income tax benefits originating from the exchanges of Paired Interest or non-corresponding Class A Units of Rani LLC as it is not probable that the Company will realize such tax benefits. To the extent the Company is able to realize the income tax benefits associated with the exchanges of Paired Interest or non-corresponding Class A Units of Rani LLC subject to the TRA, the TRA payable would range from zero to $23.0 million at September 30, 2023.

The amounts payable under the TRA will vary depending upon a number of factors, including the amount, character, and timing of the taxable income of the Company in the future. Should the Company determine that the payment of the TRA liability

becomes probable at a future date based on new information, any changes will be recorded on the Company's condensed consolidated statement of operations and comprehensive loss at that time.

Future Funding Requirements

Based on our current operating plan, we estimate that our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements through at least twelve months from the date of issuance of these condensed consolidated financial statements. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. Because of the numerous risks and uncertainties associated with the development of the RaniPill GO, RaniPill HC and our product candidates and because the extent to which we may enter into strategic collaborations or other arrangements with third parties for development of the RaniPill GO, RaniPill HC and/or our product candidates is unknown, we are unable to estimate the timing and amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidates.

To date, we have not generated any commercial product revenue. We do not expect to generate any commercial product revenue unless and until we obtain regulatory approval and commercialize any of our commercial product candidates, and we do not know when, or if at all, that will occur. We will continue to require additional capital to develop our product candidates and fund operations for the foreseeable future. Our primary uses of cash are to fund our operations, which consist primarily of research and development expenses related to our programs, manufacturing automation and scaleup, and general and administrative expenses. We expect our expenses to continue to increase in connection with our ongoing activities as we continue to advance the RaniPill GO, RaniPill HC and our product candidates. In addition, we expect to incur additional costs operating as a public company.

We may seek to raise capital through equity offerings or debt financings, which may include ATM Sales, collaboration agreements, or other arrangements with other companies, or through other sources of financing. Adequate additional funding may not be available to us on acceptable terms or at all. Our failure to raise capital as and when needed could have a negative impact on our consolidated financial condition and our ability to pursue our business strategies. We anticipate that we will need to raise substantial additional capital, the requirements of which will depend on many factors, including:

- the progress, costs, trial design, results of and timing of our preclinical studies and clinical trials;
- the progress, costs, and results of our research pipeline;
- the willingness of the FDA, or other regulatory authorities to accept data from our clinical trials, as well as data from our completed and planned clinical trials and preclinical studies and other work, as the basis for review and approval of our product candidates or collaborator drugs or biologics paired with the RaniPill GO capsule and/or RaniPill HC for various indications;
- the outcome, costs, and timing of seeking and obtaining FDA and any other regulatory approvals;
- the number and characteristics of product candidates that we pursue;
- our ability to manufacture sufficient quantities of the RaniPill capsules;
- our need to expand our research and development activities;
- the costs associated with manufacturing our product candidates, including establishing commercial supplies and sales, marketing, and distribution capabilities;
- the costs associated with securing and establishing commercial infrastructure;
- the costs of acquiring, licensing, or investing in businesses, product candidates, and technologies;
- our ability to maintain, expand, and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense, and enforcement of any patents or other intellectual property rights;
- our need and ability to retain key management and hire scientific, technical, business, and engineering personnel;
- the effect of competing drugs and product candidates and other market developments;
- the timing, receipt, and amount of sales from our potential products, if approved;
- our ability to establish strategic collaborations;
- our need to implement additional internal systems and infrastructure, including financial and reporting systems;

- our ability to realize savings from any restructuring plans or cost-containment measures we propose to implement;
- security breaches, data losses or other disruptions affecting our information systems; and
- the economic and other terms, timing of and success of any collaboration, licensing, or other arrangements which we may enter in the future.

If we raise additional capital through debt financing, we may be subject to covenants that restrict our operations including limitations on our ability to incur liens or additional debt, pay dividends, make certain investments, and engage in certain merger, consolidation, or asset sale transactions. Any debt financing or additional equity that we raise may contain terms that are not favorable to us. If we raise funds through collaborations, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs, product candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds when needed, we may be required to delay, reduce, or terminate some or all of our development programs and clinical trials or delay investments in our manufacturing scale-up and automation. In addition, our ability to raise additional capital may be adversely impacted by potential worsening global economic conditions and the recent disruptions to and volatility in the credit and financial markets globally.

The following table summarizes our cash, cash equivalents and marketable securities:

	September 30, 2023	December 31, 2022
Cash and cash equivalents	$ 4,972	$ 27,007
Marketable securities	55,554	71,475
Total cash, cash equivalents and marketable securities	$ 60,526	$ 98,482

As of September 30, 2023, we had cash, cash equivalents and marketable securities of $60.5 million, compared to $98.5 million as of December 31, 2022. We believe our cash, cash equivalents and marketable securities will be sufficient to meet our anticipated operating requirements for at least the next twelve months following the date of issuance of these condensed consolidated financial statements.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	$ (38,758)	$ (31,886)
Net cash provided by (used in) investing activities	16,586	(71,979)
Net cash provided by financing activities	137	14,131
Net decrease in cash, cash equivalents and restricted cash equivalents	$ (22,035)	$ (89,734)

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2023 was $38.8 million, which was primarily attributable to a net loss of $53.8 million and net accretion and amortization of investments in marketable securities of $1.9 million, partially offset by stock-based compensation expense of $14.5 million and depreciation and amortization expense of $0.6 million. Additionally, there was an increase in accrued expenses and other current liabilities of $1.6 million for the nine months ended September 30, 2023.

Net cash used in operating activities for the nine months ended September 30, 2022 was $31.9 million, which was primarily attributable to a net loss of $46.0 million, partially offset by the equity-based compensation expense of $11.3 million and depreciation and amortization expense of $0.4 million. Additionally, there was an increase in accounts payable of $0.4 million and accrued expenses of $2.5 million attributable to accrued bonuses for the nine months ended September 30, 2022.

Investing Activities

For the nine months ended September 30, 2023, net cash provided by investing activities was $16.7 million consisting of $81.5 million in proceeds from maturities of marketable securities partially offset by $63.9 million and $1.0 million in purchases of marketable securities and property and equipment, respectively.

For the nine months ended September 30, 2022, net cash used in investing activities was $72.0 million consisting of $70.9 million in purchases of marketable securities and $1.1 million in purchases of property and equipment.

Financing Activities

For the nine months ended September 30, 2023, there were no significant financing activities.

For the nine months ended September 30, 2022, net cash provided by financing activities was $14.1 million, which was primarily attributable to proceeds from the issuance of long-term debt and warrants, net of issuance costs of $14.7 million and proceeds from employee stock purchase plan of $0.2 million. These items were partially offset by a $0.6 million decrease for employee taxes paid on net share settlement on the vesting of restricted stock units and payment of deferred financing costs of $0.1 million.

Contractual Obligations and Other Commitments

Except as discussed below, there have been no material changes to our contractual obligations and other commitments as of September 30, 2023, excluding any subsequent events, as compared to those disclosed in our Annual Report on Form 10-K.

The following table summarizes our contractual obligations and commitments as of September 30, 2023 (in thousands):

	As of September 30, 2023		
	Total	**Short-term**	**Long-term**
Operating leases (1)	$ 959	$ 788	$ 171
Debt obligations (2)	30,973	1,222	29,751
Total	$ 31,932	$ 2,010	$ 29,922

(1) Represents operating lease payments. See Note 7 to the condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

(2) Represents long-term debt principal maturities and final payment equal to 5.5% of aggregate amount funded, excluding interest. See Note 11 to the condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

In addition, we enter into agreements in the normal course of business with contract research organizations for clinical trials and with vendors for preclinical studies and other services and products for operating purposes, which are generally cancelable upon written notice.

Critical Accounting Policies and Estimates

This discussion and analysis of financial condition and results of operation is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its estimates and assumptions. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For further information on our significant accounting policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 22, 2023.

Recently Adopted Accounting Standards

None.

Other Information

JOBS Act Accounting Election

We are an "emerging growth company" within the meaning of the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). The JOBS Act permits an emerging growth company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are electing to use this extended transition period and we will therefore comply with new or revised accounting standards on the earlier of (i) when they apply to private companies; or (ii) when we lose our emerging growth company status. As a result, our financial statements may not be comparable with companies that comply with public company effective dates for accounting standards. We also rely on other exemptions provided by the JOBS Act, including not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act unless we cease to be an emerging growth company.

We will remain an emerging growth company until the earliest of (1) December 31, 2026 (the last day of the fiscal year following the fifth anniversary of the closing of our initial public offering), (2) the last day of the fiscal year in which we have total annual gross revenue of at least $1.235 billion, (3) the last day of the fiscal year in which we are deemed to be a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which would occur if the market value of our Class A common stock held by non-affiliates exceeded $700.0 million as of the last business day of the second fiscal quarter of such year or (4) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15(d)-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2023.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost–effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may become involved in litigation or other legal proceedings. We are not currently a party to any litigation or legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

Other than as described below, management believes that there have been no significant changes to the risk factors associated with our business as compared to those disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, which is incorporated by reference herein.

Any restructuring actions that we undertake may not deliver the expected results and these actions may adversely affect our business operations.

We may undertake various restructuring activities in an effort to better align our resources, organizational structure and costs with our strategic priorities, including a recent streamlining of business operations and development program priorities and reduction in force. For example, in November 2023, we committed to a restructuring plan involving the reduction of our workforce by approximately 25%. As a result of the restructuring activities, we estimate we will incur approximately $0.3 million in costs of which nearly all are cash expenditures related to severance and a material portion of which is anticipated to be incurred in the fourth quarter of 2023. The restructuring is expected to be substantially completed by the end of the first quarter of 2024. The estimates of costs that we expect to incur in connection with the restructuring and the timing thereof are subject to a number of assumptions and actual results may differ materially from estimates. We may also incur other charges or cash expenditures not currently contemplated in connection with the restructuring due to unanticipated events that may occur, including in connection with the implementation of the Restructuring. In connection with such activities, and any other future restructuring activities, we may experience a disruption in our ability to perform functions critical to our strategy or business objectives. While we strive to reduce the negative impact of such restructuring actions, such actions could result in significant disruptions to our operations, including adversely affecting our clinical program development, technology platform development, the successful implementation and completion of our strategic objectives and the results of our operations. We expect to continue to actively manage our costs. However, if we do not fully realize or maintain the anticipated benefits of our restructuring plans and cost reduction initiatives, our business could be adversely affected. Restructuring activities may also yield unintended consequences and costs, such as the loss of institutional knowledge and expertise, attrition beyond our intended reduction-in-force, a reduction in morale among our remaining employees, and the risk that we may not achieve the anticipated benefits, all of which may have an adverse effect on our results of operations or financial condition.

If we are unable to raise additional capital when needed on acceptable terms, we may be forced to delay, limit, reduce or terminate our product development programs, commercialization efforts or other operations.

Our operations have consumed substantial amounts of cash since our inception. We are in early clinical development with certain product candidates and have conducted or are in the process of conducting preclinical studies with other product candidates. We intend to advance our product candidates into initial and later stages of clinical development, which requires significant capital. In addition, we are developing the RaniPill HC. Developing biologic product candidates, including conducting preclinical studies and clinical trials, and developing the RaniPill platform, is expensive. We will require substantial additional future capital in order to complete the development of the RaniPill platform, expand our manufacturing capabilities, and seek regulatory approval for our product candidates, and to complete the clinical development of our product candidates and, if we are successful, to commercialize any of our current product candidates. If the U.S. Food and Drug Administration (FDA) or any comparable foreign regulatory authorities, such as the European Medicines Agency (EMA), require that we perform studies or trials in addition to those that we currently anticipate with respect to the development of our product candidates or any of our future product candidates, or repeat studies or trials, our expenses would further increase beyond what we currently expect, and any delay resulting from such further or repeat studies or trials could also result in the need for additional financing.

Based on our current operating plan, we estimate that our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements through at least the next 12 months. This period could be shortened if there are any significant increases beyond our expectations in spending on development programs or more rapid progress of development programs than anticipated. Our existing capital resources, including the net proceeds from our IPO and Loans, will not be sufficient to enable us to initiate any pivotal clinical trials. Accordingly, we expect that we will need to raise substantial additional funds in the future in order to complete the development of the RaniPill platform, to complete the clinical development of our product candidates

and seek regulatory approval thereof, to expand our manufacturing capabilities, to further develop the RaniPill HC device and to commercialize any of our product candidates.

Our funding requirements and the timing of our need for additional capital are subject to change based on a number of factors, including:

- the progress, costs, trial design, results and timing of our preclinical studies and clinical trials;
- the progress, costs, and results of our research pipeline;
- the progress and costs of development of the RaniPill HC device and other improvements or advancements to our delivery technologies;
- the willingness of the FDA or other regulatory authorities to accept data from our clinical trials, as well as data from our completed and planned preclinical studies and clinical trials and other work, as the basis for review and approval of our product candidates;
- the outcome, costs, and timing of seeking and obtaining FDA, and any other regulatory approvals;
- the number and characteristics of product candidates that we pursue;
- our ability to manufacture sufficient quantities of the RaniPill capsule;
- our need to expand our research and development activities;
- the costs associated with manufacturing, and obtaining drug supply for, our product candidates, including for clinical and commercial supplies;
- the costs associated with securing and establishing commercial infrastructure, including establishing sales, marketing, and distribution capabilities;
- the costs of acquiring, licensing, or investing in businesses, product candidates, and technologies;
- our ability to maintain, expand, and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense, and enforcement of any patents or other intellectual property rights;
- our need and ability to retain key management and hire scientific, technical, business, and engineering personnel;
- the effect of competing drugs and product candidates and other market developments;
- the timing, receipt, and amount of sales from our potential products, if approved;
- our ability to establish strategic collaborations;
- our need to implement additional internal systems and infrastructure, including financial and reporting systems;
- security breaches, data losses or other disruptions affecting our information systems;
- our ability to realize savings from any restructuring plans and cost-containment measures we propose to implement;
- the economic and other terms, timing of and success of any collaboration, licensing, or other arrangements which we may enter in the future; and
- the effects of disruptions to and volatility in the credit and financial markets in the United States and worldwide from the COVID-19 pandemic, geopolitical conflicts or other such disruptions.

Additional funding may not be available to us on acceptable terms, or at all. As a result of the conflict in Ukraine, inflation, rising interest rates and other conditions, the global credit and financial markets have experienced volatility and disruptions. In November 2023, we underwent a reduction in our workforce and paused or discontinued certain programs to reduce our expenses and focus our financial resources on key priorities. If we are unable to obtain additional funding from equity offerings or debt financings, including on a timely basis, we may be required to:

- seek collaborators for one or more of our product candidates at an earlier stage than otherwise would be desirable or on terms that are less favorable than might otherwise be available;
- relinquish or license on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves; or

- significantly curtail, suspend or discontinue additional research or development programs or cease operations altogether.

Conducting preclinical studies and clinical trials is a time consuming, expensive and uncertain process that takes years to complete, and we may never generate the necessary data or results required to obtain regulatory approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our commercial revenues, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if at all.

Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans.

Any inability to develop, or difficulties or delays in developing, formulations of drugs for our product candidates could prevent or delay our ability to advance our existing product candidates or develop new product candidates, which could adversely affect our commercial prospects and ability to generate revenues.

We develop microtablets of drugs for use in the RaniPill GO and may need to develop or modify formulations of drugs for use in the RaniPill HC. Drug formulation work is difficult and the outcomes are uncertain. If we are not able to develop a drug formulation suitable for use with our RaniPill capsule, it could prevent, limit or delay our ability to pursue or advance product candidates. Even if we are successful in developing drug formulations of product candidates that are suitable for the RaniPill capsule, such formulations may cause the drug to perform differently than another formulation of the drug and could result in our product candidates having a safety or efficacy profile different or worse than other formulations of the drug. If we are unable to develop, or have difficulties or delays in developing, suitable formulations of drugs for the RaniPill capsule, our ability to develop and commercialize product candidates, to expand use of the RaniPill oral delivery technology and to generate revenues could be adversely affected.

Any difficulties or delays in the commencement or completion, or termination or suspension, of our current or planned clinical trials could result in increased costs to us, delay or limit our ability to generate revenue and adversely affect our commercial prospects.

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. We are in the early stages of our development efforts and have a limited number of product candidates in early clinical development. Other product candidates are still in the formulation or preclinical stages. While we intend to advance our product candidates into initial and later stages of clinical development, we have not, to date, submitted an IND for any of our product candidates. We will be required to submit applicable equivalent regulatory filings to foreign regulatory authorities to the extent we initiate clinical trials outside of the United States.

We do not know whether our planned clinical trials will begin on time or be completed on schedule, if at all. The commencement and completion of clinical trials can be delayed for a number of reasons, including delays related to:

- the FDA or comparable foreign regulatory authorities disagreeing with the design or implementation of our clinical trials;
- obtaining regulatory authorizations to commence a trial, or reaching a consensus with regulatory authorities on trial design;
- any failure or delay in reaching an agreement with contract research organizations (“CROs”) and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining approval from one or more IRBs;
- IRBs refusing to approve, suspending or terminating the trial at an investigational site, precluding enrollment of additional volunteers or withdrawing their approval of the trial;
- changes to clinical trial protocol;
- clinical sites deviating from trial protocol or dropping out of a trial;
- manufacturing sufficient quantities of a product candidate or obtaining sufficient quantities of other therapies or active pharmaceutical ingredients for use in clinical trials;
- volunteers failing to enroll or remain in our trial at the rate we expect, or failing to return for post-treatment follow-up;

- volunteers choosing an alternative treatment for the indication for which we are developing our product candidates, or participating in competing clinical trials;
- lack of adequate funding to continue the clinical trial;
- volunteers experiencing severe or unexpected drug-related or device-related adverse effects;
- occurrence of serious adverse events in clinical trials of the same class of agents conducted by other companies;
- selection of clinical endpoints that require prolonged periods of clinical observation or analysis of the resulting data;
- a facility manufacturing our product candidates or any of their components being ordered by the FDA or comparable foreign regulatory authorities to temporarily or permanently shut down due to violations of cGMP regulations or other applicable requirements, or infections or cross-contaminations of product candidates in the manufacturing process;
- any changes to our manufacturing process or product formulation that may be necessary or desired;
- shortages in, or delays in obtaining, raw materials for manufacturing our product candidates or adequately scaling our manufacturing processes and procedures to deliver sufficient quantities for use in our clinical trials;
- third-party clinical investigators losing the licenses or permits necessary to perform our clinical trials, not performing our clinical trials on our anticipated schedule or consistent with the clinical protocol or relevant regulatory requirements;
- third-party contractors not performing data collection or analysis in a timely or accurate manner; or
- third-party contractors becoming debarred or suspended or otherwise penalized by the FDA or other government or comparable foreign regulatory authorities for violations of regulatory requirements, in which case we may need to find a substitute contractor, and we may not be able to use some or all of the data produced by such contractors in support of our marketing applications.

Regulatory authorities may require that filings related to the commencement, continuation or termination of a clinical trial be submitted through specific electronic systems or in a specific manner (e.g. format), which may differ from one jurisdiction to another. We may seek to conduct a clinical trial in multiple jurisdictions in an effort to enroll sufficient numbers of patients or to do so in a timely manner or for other reasons. Meeting the requirements of various regulatory agencies could be costly and any delay in meeting, or inability to meet, the regulatory requirements of different jurisdictions regarding submissions could delay or negatively impact our ability to initiate or complete our clinical trials as planned. For example, the European Medicines Agency maintains an electronic Clinical Trial Information System (CTIS) to support interactions between clinical trial sponsors and regulatory agencies for various European Union member states and European Economic Area countries. Clinical trial sponsors can use the CTIS system to apply for authorization to conduct a clinical trial in one or more of such countries. The CTIS system has experienced certain technical issues delaying or preventing sponsors from submitting clinical trial applications. Any failure or inability by us to submit required regulatory documents for our planned or future clinical trials or any failure or inability to do so in the required manner could delay or prevent us from initiating or completing our planned or future clinical trials when we are otherwise ready or at all.

We could also encounter delays if a clinical trial is suspended or terminated by us, by the IRBs of the institutions in which such trials are being conducted, by a Data Safety Monitoring Board for such trial or by the FDA or comparable foreign regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or comparable foreign regulatory authorities resulting in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. In addition, changes in regulatory requirements and policies may occur, and we may need to amend clinical trial protocols to comply with these changes. Amendments may require us to resubmit our clinical protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial.

Further, conducting clinical trials in foreign countries, as we may do for our product candidates, presents additional risks that may delay completion of our clinical trials. These risks include the failure of enrolled participants in foreign countries to adhere to clinical protocol as a result of differences in healthcare services or cultural customs, managing additional administrative burdens associated with foreign regulatory schemes and data protection regulations, as well as political and economic risks relevant to such foreign countries.

Moreover, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA or comparable foreign regulatory authorities. The FDA or comparable foreign regulatory authorities may conclude that a financial relationship between us and a principal investigator has created a conflict of interest or otherwise

affected interpretation of the study. The FDA or comparable foreign regulatory authorities may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval, or rejection, of our marketing applications by the FDA or comparable foreign regulatory authorities, as the case may be, and may ultimately lead to the denial of marketing approval of one or more of our product candidates.

In addition, we work with third parties to manufacture, develop, and supply the drug payloads for inclusion in the RaniPill capsule, a development process that is lengthy and expensive. Some of the active ingredients we are utilizing in our development are used by other sponsors to make biosimilars in the United States, and others are not. We and our third-party manufacturers may discover, even late in the process, that a particular drug payload does not demonstrate the necessary characteristics or is unacceptable to the FDA or other regulatory authorities, and we may be forced to abandon such manufacturing and development efforts for such compound and pursue alternative sourcing, or conduct additional, more involved development work to be able to use such compound, which could have an adverse effect on our operations.

If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. Moreover, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues.

In addition, many of the factors that cause, or lead to, termination or suspension of, or a delay in the commencement or completion of, clinical trials may also ultimately lead to the denial of regulatory approval of a product candidate. We may make formulation or manufacturing changes to our product candidates, in which case we may need to conduct additional preclinical studies or clinical trials to bridge our modified product candidates to earlier versions. Any delays to our clinical trials that occur as a result could shorten any period during which we may have the exclusive right to commercialize our product candidates and our competitors may be able to bring products to market before we do, and the commercial viability of our product candidates could be significantly reduced. Any of these occurrences may harm our business, financial condition and prospects significantly.

As an organization, we have conducted limited early clinical development, have not submitted an IND to the FDA and we have never conducted later-stage clinical trials or submitted a BLA or NDA, and may be unable to do so for any of our product candidates.

We are early in our development efforts for our product candidates, and we will need to successfully complete later-stage and pivotal clinical trials in order to obtain FDA or comparable foreign regulatory approval to market our current or any future product candidates. Carrying out later-stage clinical trials and the submission of a successful BLA or NDA is a complicated process. As an organization, we have conducted Phase 1 clinical trials in Australia. We have not previously conducted any later stage or pivotal clinical trials, have limited experience as a company in preparing, submitting and prosecuting regulatory filings and have not previously submitted a BLA, NDA or other comparable foreign regulatory submission for any product candidate. We also plan to conduct a number of clinical trials for multiple product candidates in parallel over the next several years. This may be a difficult process to manage with our limited resources and may divert the attention of management. In addition, we have had limited interactions with the FDA, and we have never filed an IND. We cannot be certain how many clinical trials of our product candidates will be required or how such trials will have to be designed. For example, we anticipate relying on data developed on the RaniPill platform to enable shortened or more efficient development for our subsequent product candidates, but this may not be the case and the FDA or other regulatory authorities may require us to perform a full suite of studies for each of our product candidates. Consequently, we may be unable to successfully and efficiently commence, execute and complete necessary clinical trials in a way that leads to regulatory submission and approval of any of our product candidates. We may require more time and incur greater costs than our competitors and may not succeed in obtaining regulatory approvals of product candidates that we develop. Failure to commence or complete, or delays in, our planned clinical trials, could prevent us from or delay us in submitting BLAs or NDAs for and commercializing our product candidates.

We may not be successful in maintaining or obtaining formulation and manufacturing collaborations, and any potential partner may not devote sufficient resources to the formulation and manufacturing of our product candidates or may otherwise fail in formulation and manufacturing efforts, which could adversely affect our ability to develop certain of our product candidates and adversely affect our financial condition and operating results.

In the past, we have entered into evaluation agreements with Takeda and certain other pharmaceutical companies concerning the formulation and manufacture of oral versions of Factor VIII and other molecules. In January 2023, we entered into a License and Supply Agreement with Celltrion, under which we receive supply of ustekinumab biosimilar from Celltrion for RT-111 and Celltrion has a right of first negotiation to obtain development and commercialization rights for RT-111 after completion of a Phase 1 clinical trial that meets its primary endpoint(s). In May 2023, we entered into another License and Supply Agreement with Celltrion, under which we receive supply of adalimumab biosimilar from Celltrion for RT-105 and Celltrion has a right of first

negotiation to obtain development and commercialization rights for RT-105 after completion of a Phase 1 clinical trial that meets its primary endpoint(s). If we complete such a clinical trial for RT-111 or RT-105, Celltrion exercises its right of first negotiation, and the parties enter into an agreement granting Celltrion development and commercialization rights, we may be reliant on Celltrion to develop and commercialize the applicable product in certain countries or worldwide.

Future evaluation agreements, supply agreements or collaborations entered into, may not ultimately be successful, which could have a negative impact on our business, results of operations, financial condition and growth prospects. While we plan to expand our reach by selectively entering into strategic partnerships, we may not be able to enter into such partnerships, and if we do, we may not be able to maintain significant rights or control of future development and commercialization of our product candidates. Accordingly, if we collaborate with a third party for development and commercialization of a product candidate, we may relinquish some or all of the control over the future success of that product candidate to the third party, and that partner may not devote sufficient resources to the formulation and manufacture of our product candidate or may otherwise fail in these efforts, in which event the formulation and manufacture of the product candidate in the collaboration could be delayed or terminated and our business could be substantially harmed.

We believe our product candidates are biologic-device combination products that we anticipate will be regulated under the biologic regulations of the FDA based on their primary mode of action as a biologic. Third-party manufacturers may not be able to comply with the regulatory requirements, known as cGMP, applicable to biologic-device combination products, including applicable provisions of the FDA’s drug and biologics cGMP regulations, device cGMP requirements embodied in the medical device Quality System Regulations ("QSRs"), or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates, operating restrictions and criminal prosecutions, any of which could significantly affect supplies of our product candidates. The facilities used by our contract manufacturers to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit any BLA or NDA to the FDA.

In addition, the terms of any potential collaboration or other arrangement that we may establish may not be favorable to us or may not be perceived as favorable, which may negatively impact the price of our Class A common stock. In some cases, we may be responsible for continuing formulation and manufacture of a product candidate under a collaboration, and the payments we receive from our partner may be insufficient to cover the cost of this work or may result in a dispute between the parties. Moreover, collaborations and sales and marketing arrangements are complex and time consuming to negotiate, document and implement and they may require substantial resources to maintain, which may be detrimental to the development of our other product candidates.

We are subject to a number of additional risks associated with our dependence on collaborations with third parties, the occurrence of which could cause our collaboration arrangements to fail. Conflicts may arise between us and partners, such as conflicts concerning the implementation of development plans, efforts and resources dedicated to the product candidate, interpretation of clinical data, the achievement of milestones, the interpretation of financial provisions or the ownership of intellectual property developed during the collaboration. If any such conflicts arise, a collaborator could act in its own self-interest, which may be adverse to our interests. Any such disagreement between us and a partner could result in one or more of the following, each of which could delay or prevent the development or commercialization of our product candidates, and in turn prevent us from generating sufficient revenue to achieve or maintain profitability:

- reductions in the payment of royalties or other payments we believe are due pursuant to the applicable collaboration arrangement;
- actions taken by a partner inside or outside our collaboration which could negatively impact our rights or benefits under our collaboration; or
- unwillingness on the part of a partner to keep us informed regarding the progress of its development and commercialization activities or to permit public disclosure of the results of those activities.

In addition, the termination of a collaboration may limit our ability to obtain rights to the product or intellectual property developed by our collaborator under terms that would be sufficiently favorable for us to consider further development or investment in the terminated collaboration product candidate, even if it were returned to us.

We may seek to enter into collaborations, licenses and other similar arrangements and may not be successful in doing so, and even if we are, we may not realize the benefits of such relationships.

We may seek to enter into, and have entered into, collaborations, joint ventures, licenses and other similar arrangements for the development or commercialization of our product candidates, due to capital costs required to develop or commercialize the

product candidate or manufacturing constraints. We may not be successful in our efforts to establish or maintain such collaborations for our product candidates because our research and development pipeline may be insufficient, our product candidates may be deemed to be at too early of a stage of development for collaborative effort or third parties may not view our product candidates as having the requisite potential to demonstrate safety and efficacy or significant commercial opportunity. In addition, we face significant competition in seeking appropriate strategic partners, and the negotiation process can be time consuming and complex. Further, any future collaboration agreements may restrict us from entering into additional agreements with potential collaborators. Following a strategic transaction or license, we may not achieve an economic benefit that justifies such transaction.

In January 2023, we entered into a License and Supply Agreement with Celltrion, under which Celltrion has a right of first negotiation to obtain development and commercialization rights for RT-111 after completion of a Phase 1 clinical trial that meets its primary endpoint(s). In May 2023, we entered into another License and Supply Agreement with Celltrion, under which we receive supply of adalimumab biosimilar from Celltrion for RT-105 and Celltrion has a right of first negotiation to obtain development and commercialization rights for RT-105 after completion of a Phase 1 clinical trial that meets its primary endpoint(s). Even if we complete such a clinical trial for RT-111 or RT-105, Celltrion may not exercise its right of first negotiation, or if it does exercise such right we may not be able to agree on terms favorable to us or acceptable to us or Celltrion. Accordingly, there can be no assurance that we will complete the required development of RT-111 or RT-105, that Celltrion will exercise its right of first negotiation if we do, or that the parties will enter into an agreement granting Celltrion development and commercialization rights for the applicable product following any such exercise of the right of first negotiation. In November 2023, we announced that we have paused the RT-105 program until we have appropriate resources to continue the development.While the License and Supply Agreement with Celtrion regarding adalimumab biosimilar for RT-105 remains in place, if we do not initiate a Phase 1 trial with RT-105 within a certain time period specified in the agreement or fail to deliver Phase 1 data to Celltrion within a later timepoint specified in the agreement, Celltrion will have a right to terminate that License and Supply Agreement. In addition, as a result of a pausing of the RT-105 program, Celltrion’s interest in exercising its right of first negotiation with respect to that program or negotiating a collaboration for that program could diminish.

Even if we are successful in our efforts to establish a collaboration with Celltrion or collaborations with other third parties, the terms that we agree upon may not be favorable to us, and we may not be able to maintain such collaborations if, for example, development or approval of a product candidate is delayed, the safety of a product candidate is questioned or sales of an approved product candidate are unsatisfactory.

In addition, any potential future collaborations may be terminable by our strategic partners, and we may not be able to adequately protect our rights under these agreements. Furthermore, strategic partners may negotiate for certain rights to control decisions regarding the development and commercialization of our product candidates, if approved, and may not conduct those activities in the same manner as we do. Any termination of collaborations that we may enter into in the future, or any delay in entering into collaborations related to our product candidates, could delay the development and commercialization of our product candidates and reduce their competitiveness if they reach the market, which could have a material adverse effect on our business, financial condition and results of operations.

We will need to expand the size of our organization, and we may experience difficulties in managing this growth.

As our development and commercialization plans and strategies develop and we operate as a public company, we expect to need additional managerial, operational, scientific, sales, marketing, development, regulatory, manufacturing, financial and other resources. Future growth would impose significant added responsibilities on members of management, including:

- designing and managing our clinical trials effectively;
- identifying, recruiting, maintaining, motivating and integrating additional employees;
- managing our manufacturing and development efforts effectively;
- improving our managerial, development, operational and financial systems and controls; and
- expanding our facilities.

Although in November 2023 we underwent a reduction in our workforce and paused or discontinued certain programs, we are continuing development of other programs and expanding our manufacturing footprint to support scale-up and automation. At such time as our operations expand, we expect that we will need to manage relationships with our partners, suppliers, vendors and other third parties. Our future financial performance and our ability to develop and commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively. We may not be successful in accomplishing these tasks in growing our company, and our failure to accomplish any of them could adversely affect our business and operations.

Our European patents are presently being challenged in Europe, and if one or more of such challenges is successful it could encourage such party or other parties to challenge additional patents of ours in Europe or other jurisdictions.

Our patent portfolio includes numerous issued European patents and pending European patent applications directed to various technical aspects of our business. The European Patent Office (EPO) provides for an opposition proceeding that could result in revocation of or amendment to a European patent. We are presently involved in opposition proceedings involving four of our European patents at the EPO, all of which opposition proceedings were asserted against us by Novo Nordisk AS.

The first opposition proceeding involves European Patent No. 2515992, which is generally directed to an ingestible device. In July 2021, the EPO Opposition Division issued a decision resulting in an amendment to the claims of the patent. We subsequently filed a notice of appeal with the EPO Appeal Board and we are awaiting a final decision.

The second opposition proceeding involves European Patent No. 2544668, which is generally directed to a therapeutic agent preparation. In December 2021, the EPO Opposition Division issued a decision resulting in revocation of the patent. We subsequently filed a notice of appeal with the EPO Appeal Board and we are awaiting a final decision.

The third opposition proceeding involves European Patent No. 3461478, which is in the same family as European Patent No. 2515992 noted above. In April 2022, the EPO Opposition Division issued a decision resulting in an amendment to the claims of the patent. We subsequently filed a notice of appeal with the EPO Appeal Board and we are awaiting a final decision.

The fourth opposition proceeding involves European Patent No. 3653223, which is generally directed to a swallowable device. In October 2023, the EPO Opposition Division communicated an interlocutory decision resulting in an amendment to the claims of the patent. Once the formal written decision is received, the parties will have opportunity to appeal.

While we own numerous issued European patents and pending European patent applications, including several in the same patent families as the four patents noted above and which are not currently the subject of opposition proceedings, there is a risk that one or more of our issued European patents will be revoked, or have its claims amended, through an opposition process. If this were to happen to one of our European patents, the corresponding national patent in each European country in which the European patent was validated would similarly be revoked or have its claims amended. We believe that our current patent portfolio provides us with meaningful protection of the RaniPill technology in Europe even apart from the four European patents which are the subject of the current opposition proceedings. However, if any of the current oppositions results in a revocation or reduction in our patent protection, it could encourage Novo Nordisk As or other parties to seek to invalidate or reduce additional patents in Europe or other jurisdictions. If current or future opposition proceedings result in the revocation or amendment of one or more of our patents that cover important aspects of our technology, it could have a material adverse impact on our ability to commercialize and/or our ability to defend against potential competitors in Europe or the applicable jurisdiction(s).

There is a risk that we may face additional oppositions in Europe as additional European patents are granted.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Registrant as currently in effect (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, as amended, filed with the SEC on July 26, 2021).
3.2	Amended and Restated Bylaws of the Registrant as currently in effect (incorporated by reference to Exhibit 3.4 to the Registrant's Registration Statement on Form S-1, as amended, filed with the SEC on July 9, 2021).
10.1x*	Standard Industrial/Commercial Multi-Tenant Lease – Net, by and between Rani Therapeutics, LLC and BKM South Bay 240, LLC, dated as of November 1, 2023.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*†	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

† The certifications attached as Exhibit 32.1 which accompanies this Quarterly Report on Form 10-Q, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

x Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential.

SIGNATURES

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

	Rani Therapeutics Holdings, Inc.
Date: November 8, 2023	By: /s/ Talat Imran
	Talat Imran
	Chief Executive Officer
	(Principal Executive Officer)
Date: November 8, 2023	By: /s/ Svai Sanford
	Svai Sanford
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

STANDARD INDUSTRIAL/COMMERCIAL
MULTI-TENANT LEASE - NET

SHORELINE BUSINESS CENTER
FREMONT, CA

LANDLORD:

BKM SOUTH BAY 240, LLC

a Delaware limited liability company

AND

TENANT:

RANI THERAPEUTICS, LLC,

a California limited liability company

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

SUMMARY OF BASIC PROVISIONS
(the "Summary")

A. Project: Those certain two buildings located in Fremont, California, commonly known as Shoreline Business Center, consisting of approximately 84,115 square feet together with all improvements and facilities situated upon the land underlying the same, all as depicted on the Site Plan attached hereto as Exhibit B (collectively, the "**Project**").

B. Building: 47703-47709 Fremont Blvd., Fremont, CA 94538 (the "**Building**"), as depicted on the Site Plan attached hereto as Exhibit B.

C. Premises: 47709 Fremont Blvd. in the Building as depicted on Exhibit A.

D. Commencement Date: February 1, 2024, subject to Paragraph 3.

E. Expiration Date: April 30, 2029, subject to Paragraph 3.

F. Rentable Area: The rentable area of the Premises shall conclusively be deemed 33,340 rentable square feet.

G. Tenant's Share: 39.64%, subject to Paragraph 4.

H. Base Rent: From the Commencement Date through the Expiration Date, as further described in Paragraph 4, as follows:

From:	To:	Monthly Rent:
Month 1	Month 12	$95,019.00**
Month 13	Month 24	$98,819.76
Month 25	Month 36	$102,772.55
Month 37	Month 48	$106,883.45
Month 49	Month 60	$111,158.79
Month 61	Month 63	$115,605.14

Notwithstanding anything to the contrary in the Lease, Landlord hereby conditionally excuses Tenant from the payment of Base Rent (only) for the first three (3) full calendar months of the Original Term (the "Abated Base Rent**"), provided that Tenant pay all other charges under the Lease from and after the Commencement Date and provided further that Tenant shall not be in Breach of its obligations under the Lease. Should Tenant at any time during the Original Term (defined in Section 1.3) of the Lease be in Breach under the Lease and the Lease or Tenant's right of possession is terminated as a result of such Breach, then all unamortized Abated Base Rent (i.e. based upon the amortization of the Abated Base Rent in equal monthly amounts, without interest, during the period commencing on the Commencement Date and ending on the original Expiration Date) so conditionally excused shall become immediately due and payable by Tenant to Landlord. If at the date of expiration of the Original Term of the Lease, Tenant has not so Breached, Landlord shall waive any payment of all such Abated Base Rent so conditionally excused.

Rent and Other Monies To Be Paid Upon Execution:

(a) **Base Rent**: $95,019.00 for the fourth (4th) full calendar month of the Original Term.

(b) **Common Area Operating Expenses**: $16,336.60 in Common Area Operating Expenses for the first (1st) full calendar month of the Original Term.

(c) **Security Deposit**: $245,576.28 **("Security Deposit")**. (See also Paragraph 5)

(d) **Total Due Upon Execution of this Lease**: $356,931.88.

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

I. Additional Rent: Tenant shall pay Tenant's Share of Common Area Operating Expenses pursuant to Paragraph 4. Tenant's Share of Common Area Operating Expenses is currently estimated to be $16,336.60 per month for the 2024 calendar year, subject to adjustment pursuant to Paragraph 4.

J. Agreed Use: Advanced manufacturing, shipping and receiving, warehousing, office, research and development of biologics drugs and devices and all other legally permitted uses ancillary thereto, subject to Paragraph 6.

K. Security Deposit: Two Hundred Forty-Five Thousand Five Hundred Seventy-Six and 28/100 dollars ($245,576.28), subject to Paragraph 5.

L. Parking: Landlord shall provide Tenant the rights to ninety-nine (99) unreserved parking stalls, subject to Paragraph 2.5.

M. Broker (if any): CBRE, Inc., (Sherman Chan), representing Landlord.

Cushman & Wakefield U.S., Inc., (Alex Lagemann), representing Tenant.

N. Exhibits: Exhibit A (Floor Plan), Exhibit B (Site Plan), Exhibit C (Rules and Regulations), Exhibit D (Parking Rules), Exhibit E (Work Letter), Exhibit F (Sign Criteria), Exhibit G (Permitted Hazardous Substances), Exhibit H (Laboratory Equipment), and Exhibit I (Emergency Contacts).

O. Landlord's Notice Address (subject to Paragraph 23):

c/o BKM Capital Partners, L.P.
1701 Quail Street, Suite 100
Newport Beach, CA 92660
Attn: Asset Manager – Northern California

P. Tenant's Notice Address (subject to Paragraph 23):

On and after the Commencement Date:

The Premises
Attn: General Counsel

Q. Rent Payments: All rent payments shall be made through Landlord's online payment portal which may be accessed at the following link*:

[*]

*Landlord shall provide Tenant with specific instructions for using the online payment portal.

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

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1. Basic Provisions ("Basic Provisions").

1.1 **Parties:** This Lease ("**Lease**"), dated for reference purposes only October 23, 2023 (the "**Lease Reference Date**"), is made by **BKM SOUTH BAY 240, LLC, a Delaware limited liability company ("Landlord")**, and **RANI THERAPEUTICS, LLC, a California limited liability company** ("**Tenant**"), (collectively the **"Parties"**, or individually a **"Party"**).

1.2(a) **Premises**: That certain portion of the Project (as defined below), including all improvements therein or to be provided by Landlord under the terms of this Lease, commonly known by the street address of 47709 Fremont Blvd. located in the City of Fremont, County of Alameda, State of CA with zip code 94538, as outlined on Exhibit A attached hereto (**"Premises"**) and consisting of **33,340** rentable square feet at "Shoreline Business Center", an industrial business park consisting of two (2) buildings containing in the aggregate 84,115 rentable square feet. In addition to Tenant's rights to use and occupy the Premises as hereinafter specified, subject to the rights reserved to Landlord under this Lease, Tenant shall have non-exclusive rights to any utility raceways of the building containing the Premises (**"Building"**) and to the Common Areas (as defined In Paragraph 2.7 below), but shall not have any rights to the roof, or exterior walls of the Building or to any other buildings in the Project. The Premises, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the **"Project."** (See also Paragraph 2).

1.2(b) **Parking**: Ninety-nine (99) unreserved vehicle parking spaces. (See also Paragraph 2.5)

1.3 **Term:** 5 years, 3 months **("Original Term")** commencing February 1, 2024 **("Commencement Date")** and ending April 30, 2029 **("Expiration Date").** (See also Paragraph 3)

1.4 **Base Rent:** As set forth in the Summary (See also Paragraph 4). Tenant shall also be responsible for city and county rental taxes, if any.

1.5 **Tenant's Share:** As set forth in the Summary (See also Paragraph 4).

1.6 **Base Rent and Other Monies Paid Upon Execution:** As set forth in the Summary.

1.7 **Agreed Use:** Advanced manufacturing, shipping and receiving, warehousing, office, research and development of biologics drugs and devices and all other legally permitted uses ancillary thereto. (See also Paragraph 6).

1.8 **Guarantor.** None.

1.9 **Addendum & Exhibits:** The Addendum and Exhibits set forth in the Summary hereby incorporated herein by this reference as if set forth in full herein.

2. **Premises.**

2.1 **Letting.** Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating Rent, is an approximation which the Parties agree is reasonable and any payments based thereon are not subject to revision whether or not the actual size is more or less.

2.2 **Condition**. Landlord shall deliver the Premises clean and free of debris in "AS-IS" condition. Notwithstanding anything contained in the Lease to the contrary, but subject to the remainder of this Section 2.2, Tenant acknowledges that Tenant has inspected and investigated the Premises, Building and Project and accepts the Premises, Building and Project in their existing condition "AS-IS", "WITH ALL FAULTS". However, notwithstanding the foregoing, Landlord agrees that the dock doors, roof, fire sprinklers, lighting and the base Building electrical, heating, ventilation and air conditioning and plumbing systems located in the Premises shall be in good working order as of the date Landlord delivers possession of the Premises to Tenant. Except to the extent caused by the acts or omissions of Tenant or any Tenant Parties (as defined in Section 2.5(d) below) or by any alterations or improvements performed by or on behalf of Tenant, if such systems or other items are not in good working order as of the date possession of the Premises is delivered to Tenant and Tenant provides Landlord with notice of the same within [*] days following the date Landlord delivers possession of the Premises to Tenant, Landlord shall be responsible for repairing or restoring the same at its sole cost and expense (and not as part of Common Area Operating Expenses). Tenant acknowledges that neither Landlord nor its agents have made any representations or warranties as to (i) the condition of the Premises, Building or Project or with respect to the functionality thereof or the suitability of any of the foregoing for the conduct of Tenant's business, or (ii) whether the Premises, Building or Project are in compliance with federal, state or local laws, ordinances, codes or regulations or any covenants or restrictions of record (collectively, "**Applicable Requirements**"). Landlord shall deliver the Premises with the existing Clean Room and Laboratory Equipment (as defined in Section 41.1 below) in place in its then existing condition "AS-IS", "WITH ALL FAULTS" and otherwise subject to the provisions of Section 41.1 below.

2.3 **Acknowledgements**. Tenant acknowledges that: (a) it has been advised by Landlord to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements and the Act), and their suitability for Tenant's intended use, (b) Tenant has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, (c) neither Landlord nor Landlord's agents have made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease, and (d) that past uses of the Premises may no longer be allowed.

2.4 **Tenant as Prior Owner/Occupant**. The covenants made by Landlord in Paragraph 2 shall be of no force or effect if immediately prior to the Commencement Date Tenant was the owner or occupant of the Premises. In such event, Tenant shall be responsible for any necessary corrective work.

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

2.5 **Vehicle Parking**. Tenant shall be entitled to use the number of Parking Spaces specified in Paragraph 1.2(b) on those portions of the Common Areas designated from time to time by Landlord for parking. Tenant shall not use more parking spaces than said number. Said parking spaces shall be used for parking by vehicles no larger than full-size passenger automobiles or pick-up trucks, herein called **"Permitted Size Vehicles."** Landlord may regulate the loading and unloading of vehicles by adopting Rules and Regulations as provided in Paragraph 2.9. No vehicles other than Permitted Size Vehicles may be parked in the Common Area without the prior written permission of Landlord. In addition:

(a) Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant's employees, suppliers, shippers, customers, contractors or invitees to be loaded, unloaded, or parked in areas other than those designated by Landlord for such activities.

(b) Tenant shall not service or store any vehicles in the Common Areas.

(c) If Tenant or the Tenant Parties (defined below) parks any vehicles at the Project in violation of this Lease, in addition to any other rights and remedies that Landlord may have, Landlord shall have the right to remove or tow away the vehicle involved and charge the cost to Tenant, which cost shall be immediately payable upon demand by Landlord.

(d) All responsibility for damage and theft to vehicles and their contents is assumed by Tenant. Tenant shall repair or cause to be repaired, at Tenant's sole cost and expense, any and all damage to any portion of the Premises caused by the use of the driveway or parking areas of the Premises by Tenant or Tenant's agents, employees, partners, trustees, officers, directors, shareholders, members, beneficiaries, licensees, invitees, or any assignees, subtenants or assignees' or subtenants' agents, employees, contractors, servants, guests or independent contractors (collectively, "**Tenant Parties**"). Landlord shall not be liable to Tenant, nor shall this Lease be affected in any way, by reason of any moratorium, initiative, referendum, statute, regulation, or other governmental action which could in any manner prevent or limit the parking rights of Tenant hereunder. Any government charges or surcharges imposed relative to parking rights with respect to the Premises shall be payable by Tenant.

2.6 **Common Areas - Definition**. The term "**Common Areas**" is defined as all areas and facilities outside the Premises and within the exterior boundary line of the Project and interior utility raceways and installations within the Premises that are provided and designated by the Landlord from time to time for the general non-exclusive use of Landlord, Tenant, and other tenants or occupants of the Project and their respective employees, agents, suppliers, shippers, customers, contractors and invitees, including parking areas, loading and unloading areas, trash areas, roadways, walkways, driveways and landscaped areas.

2.7 **Common Areas - Tenant's Rights.** Landlord grants to Tenant, for the benefit of Tenant and the Tenant Parties, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, the Common Areas as they exist from time to time, subject to any rights, powers, and privileges reserved by Landlord under the terms hereof or under the terms of any rules and regulations or restrictions governing the use of the Project. Under no circumstances shall the right herein granted to use the Common Areas be deemed to include the right to store any property, temporarily or permanently, in the Common Areas. Any such storage shall be permitted only by the prior written consent of Landlord or Landlord's designated agent, which consent may be revoked at any time. In the event that any unauthorized storage shall occur, then Landlord shall have the right, without notice, in addition to such other rights and remedies that it may have, to remove the property and charge the cost to Tenant, which cost shall be immediately payable upon demand by Landlord.

2.8 **Common Areas - Rules and Regulations.** Landlord or such other person(s) as Landlord may appoint shall have the exclusive control and management of the Common Areas and shall have the right, from time to time, to establish, modify, amend and enforce reasonable rules and regulations ("**Rules and Regulations**") for the management, safety, care, and cleanliness of the grounds, the parking and unloading of vehicles and the preservation of good order, as well as for the convenience of other occupants or tenants of the Building and the Project and their invitees. Tenant agrees to abide by and conform to all such Rules and Regulations, and shall use commercially reasonable efforts to cause its employees, suppliers, shippers, customers, contractors and invitees to so abide and conform. Landlord shall not be responsible to tenant for the non-compliance with said Rules and Regulations by other tenants of the Project. The initial Rules and Regulations are attached hereto as Exhibit "C".

2.9 **Common Areas - Changes.** Landlord shall have the right, in Landlord's sole discretion, from time to time:

(a) To make changes to the Common Areas, including, without limitation, changes in the location, size, shape and number of driveways, entrances, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscaped areas, walkways and utility raceways;

(b) To close temporarily any of the Common Areas for maintenance purposes so long as reasonable access to the Premises remains available;

(c) To designate other land outside the boundaries of the Project to be a part of the Common Areas;

(d) To add additional buildings and improvements to the Common Areas;

(e) To use the Common Areas while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof; and

(f) To do and perform such other acts and make such other changes in, to or with respect to the Common Areas and Project as Landlord may, in the exercise of sound business judgment, deem to be appropriate; provided that none of the foregoing materially and adversely interfere with the Agreed Use of, or Tenant's access to, the Premises.

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

3. **Term.**

3.1 **Term.** The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3. If the Commencement Date falls on any day other than the first day of a calendar month then the term of the Lease will be measured from the first day of the month following the month in which the Commencement Date occurs. Within [*] business days after Landlord's written request, Tenant shall execute a written confirmation of the Commencement Date and Expiration Date of the Term on Landlord's standard form Commencement Date Memorandum. The Commencement Date Memorandum shall be binding upon Tenant unless Tenant objects thereto in writing within such [*] business day period.

3.2 **Early Possession**. If Landlord elects to permit Tenant to enter upon the Premises prior to the Commencement Date for the sole purpose of installing furniture, equipment or other personal property or any other purpose permitted by Landlord other than for the conduct of its business, such early entry shall be at Tenant's sole risk and shall be subject to all the terms and provisions of this Lease, except that Tenant shall not be required to pay Base Rent or Tenant's Share of Common Area Operating Expenses for any days of possession before the Commencement Date during which Tenant, with the approval of Landlord, is in possession of the Premises for the sole purpose of performing improvements or installing furniture, equipment or other personal property. If Tenant takes possession of the Premises before the Commencement Date for any other purpose, such possession shall be subject to the terms and conditions of this Lease, including without limitation, Tenant's obligation to pay Base Rent and Tenant's Share of Common Area Operating Expenses. Any such early possession shall not advance the Expiration Date.

3.3 **Delay In Possession.** Landlord shall exercise commercially reasonable efforts to deliver possession of the Premises to Tenant by the Commencement Date. If for any reason Landlord cannot deliver possession of the Premises on the Commencement Date, Landlord will not be subject to any liability nor will the validity of this Lease be affected in any manner. Rather, the actual Commencement Date shall be delayed until delivery of possession in which event the Expiration Date shall be extended to include the same number of full calendar months as set forth in the Basic Provisions (plus any partial first month); provided, in the event delivery of possession is delayed by any act, omission or request of Tenant or any Tenant Parties, then the Premises shall be deemed to have been delivered (and the actual Commencement Date shall occur) on the earlier of the actual date of delivery or the date delivery would have occurred absent the number of days of such delay attributable to Tenant and the Term (as defined above in the Basic Provisions) shall then be for such number of full calendar months (plus any partial first month). Upon request made by Landlord following the Commencement Date, Tenant shall execute and deliver a commencement letter setting forth the actual Commencement Date, the date upon which the Term shall expire, and such other matters regarding the commencement of this Lease as Landlord shall request. Tenant's failure to execute and return the commencement letter, or to provide written objection to the statements contained in the commencement letter, within [*] business days after the date of the commencement letter shall be deemed an approval by Tenant of the statements contained therein. Notwithstanding any of the foregoing to the contrary, so long as this Lease has been fully executed and Tenant has delivered to Landlord all required prepaid rents, the Security Deposit and required certificates of insurance, if Landlord has not delivered possession of the Premises on or before March 1, 2024 (the "**Outside Delivery Date**"), then Tenant, as its sole and exclusive remedy, shall have the option to terminate this Lease exercisable by giving written notice to Landlord within [*] business days following the Outside Delivery Date. Landlord and Tenant acknowledge and agree that: (i) the determination of the Outside Delivery Date shall take into consideration the effect of any delays caused by the acts or omissions of Tenant or any Tenant Party; and (ii) the Outside Delivery Date shall be postponed by the number of days the Outside Delivery Date is delayed due to force majeure events (as described in Section 40.7 below), however, in no event shall the Outside Delivery Date be delayed due to force majeure events beyond March 31, 2024.

3.4 **Tenant Compliance.** Landlord shall not be required to tender possession of the Premises to Tenant until Tenant complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Tenant shall be required to perform all of its obligations under this Lease from and after the Commencement Date, including the payment of Rent, notwithstanding Landlord's election to withhold possession pending receipt of such evidence of insurance. Further, if Tenant is required to perform any other conditions prior to or concurrent with the Commencement Date, the Commencement Date shall occur but Landlord may elect to withhold possession until such conditions are satisfied.

4. **Rent.**

4.1 **Rent Defined.** All monetary obligations of Tenant to Landlord under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("**Ren**t").

4.2 **Common Area Operating Expenses.** Tenant shall pay to Landlord during the Term hereof, in addition to the Base Rent, Tenant's Share (as specified in Paragraph 1.6) of all Common Area Operating Expenses, as hereinafter defined, during each calendar year of the Term of this Lease.

(a) **"Common Area Operating Expenses"** are defined, for purposes of this Lease, as all costs incurred by Landlord relating to the ownership and operation of the Project, including, but not limited to, the following:

(i) Costs relating to the operation, repair, maintenance, in neat, clean, good order and condition, and, subject to subparagraph (e) below, the replacement, of the following:

(aa) The Common Areas and Common Area improvements, including parking areas, loading and unloading areas, trash areas, roadways, parkways, walkways, driveways, landscaped areas, bumpers, irrigation systems, Common Area lighting facilities, fences and gates, elevators, roofs, and roof drainage systems.

(bb) Exterior signs and any tenant directories.

(cc) Any fire sprinkler systems.

(ii) The cost of water, gas, electricity and telephone to service the Common Areas and any utilities not separately metered.

(iii) The cost of trash disposal, pest control services, property management (including fees paid to an affiliate of Landlord), security services, owner's association dues and fees, the cost to repaint the exterior of any structures and the cost of any environmental inspections.

(iv) Reserves set aside for maintenance and repair of Common Areas and Common Area equipment.

(v) Real Property Taxes (as defined in Section 10).

(vi) The cost of the premiums for the insurance maintained by Landlord (as defined in Paragraph 8).

(vii) Any deductible portion of an insured loss concerning the Project; provided, however, in the event that the Building is damaged by an earthquake (each, an "**Earthquake Event**") and Tenant's Proportionate Share of the earthquake insurance deductible for an Earthquake Event exceeds $[*], Tenant shall pay an initial amount equal to [*] of Tenant's Proportionate Share of the earthquake insurance deductible for the applicable Earthquake Event (the "**Initial Payment**"), plus any amount in excess of the Initial Payment (such amount referred to herein as the "**Excess Deductible Share**"), which Excess Deductible Share shall be amortized over a period of [*] commencing the year following Tenant's Initial Payment, with interest on the unamortized amount at [*] in excess of the Wall Street Journal prime lending rate announced from time to time. Tenant shall only pay the Initial Payment in the year incurred and thereafter pay only the amortized portion of such Excess Deductible Share in equal monthly installments during each remaining year of the Term (including any extension thereof) following the year in which the Initial Payment was made.

(viii) Auditors', accountants' and attorneys' fees and costs related to the operation, maintenance, repair and replacement of the Project.

(ix) The cost of any capital improvement to the Building or the Project which is reasonably calculated to reduce Common Area Operating Expenses, required under any Applicable Requirements which were not applicable to the Building (as then interpreted and enforced) as of the date of this Lease, or for fire sprinklers and suppression systems and other life safety systems; provided, however, that Landlord shall allocate the cost of any such capital improvement over the reasonable useful life as reasonably determined by Landlord in accordance with generally accepted accounting principles and Tenant shall not be required to pay more than Tenant's Share of 1 divided by the number of months in such reasonable useful life thereof as reasonably determined by Landlord times the cost of such capital improvement in any given month.

(x) The cost of any other services to be provided by Landlord that are stated elsewhere in this Lease to be a Common Area Operating Expense.

(b) Common Area Operating Expenses shall not include the cost of replacing the roof structure or other structural components, foundations, and load bearing exterior walls, or any expenses paid by any Tenant directly to third parties, or as to which Landlord is otherwise reimbursed by any third party, other tenant, or insurance proceeds. The following are also excluded from Common Area Operating Expenses: (i) the depreciation of the Building and other real property structures on the Project; (ii) except as specifically provided in Paragraph 4.2(a)(ix), any capital improvement costs; (iii) except to the extent included in Common Area Operating Expenses as provided Paragraph 4.2(a)(ix), interest, principal, points and fees on debt or amortization payments on any mortgage or deed of trust or any other debt instrument encumbering the Building, Project or Property or the land on which the Building or Project is situated; (iv) ground lease rental; (v) reserves not spent by Landlord by the end of the calendar year for which Common Area Operating Expenses are paid; (vi) all bad debt loss, rent loss, or reserves for bad debt or rent loss; (vii) costs in connection with leasing space in the Building, including brokerage commissions, brochures and marketing supplies, legal fees in negotiating and preparing lease documents; (viii) all costs of purchasing or leasing major sculptures, paintings or other major works or objects of art (as opposed to decorations purchased or leased by Landlord for display in the common areas of the Building); (ix) any cost or expense related to removal, cleaning, abatement or remediation of Hazardous Substances (hereinafter defined) existing as of the date of this Lease in or about the Building, common areas or Project except to the extent such removal, cleaning, abatement or remediation is related to the general repair and maintenance of the Building (x) costs incurred by Landlord for the repair of damage to the Building, to the extent that Landlord is reimbursed for such costs by insurance proceeds, contractor warranties, guarantees, judgments or other third party sources; (xi) the cost of complying with any Applicable Requirements in effect (and as interpreted and enforced) on the date of this Lease, provided that if any portion of the Building that was in compliance with all Applicable Requirements on the date of this Lease becomes out of compliance due to normal wear and tear, the cost of bringing such portion of the Building into compliance shall be included in Common Area Operating Expenses unless otherwise excluded pursuant to the terms hereof; (xii) any "tenant allowances", "tenant concessions" and other costs or expenses incurred in fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for lessees or other occupants of the Building, or vacant leaseable space in the Building, except in connection with general maintenance and repairs provided to the tenants of the Building in general; (xiii) salaries for employees whose time is not spent directly and solely in the operation of the Project, provided that if any employee performs services in connection with the Project and other project, costs associated with such employee may be proportionately included in Common Area Operating Expenses based on the percentage of time such employee spends in connection with the operation, maintenance and management of the Project; (xiv) all costs associated with the operation of the business of the entity which constitutes "Landlord" (as distinguished from the costs of operating, maintaining, repairing and managing the Building) including, but not limited to, Landlord's or Landlord's managing agent's general corporate overhead and general administrative expenses; (xv) sums (other than management fees which are included in Common Area Operating Expenses, subject to (xvi) below) paid to subsidiaries or other affiliates of Landlord for services on or to the Building and/or Premises, but only to the extent that the costs of such services exceed the competitive cost for such services rendered by persons or entities of similar skill, competence and experience; (xvi) management fees for the Building (expressed as a percentage of gross receipts for the Building and the Project) in excess of [*] ([*]%) of such gross receipts; and (xvii) Landlord's charitable and political contributions.

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

(c) Any Common Area Operating Expenses and Real Property Taxes that are specifically attributable to the Premises, the Building or to any other building in the Project or to the operation, repair and maintenance thereof, shall be allocated entirely to such Premises, Building, or other building. However, any Common Area Operating Expenses and Real Property Taxes that are not specifically attributable to the Building or to any other building or to the operation, repair and maintenance thereof, shall be equitably allocated by Landlord to all buildings in the Project.

(d) The inclusion of the improvements, facilities and services set forth in Subparagraph 4.2(a) shall not be deemed to impose an obligation upon Landlord to either have said improvements or facilities or to provide those services unless the Project already has the same, Landlord already provides the services, or Landlord has agreed elsewhere in this Lease to provide the same or some of them.

(e) Tenant's Share of Common Area Operating Expenses will be equal to each calendar year's total Common Area Operating Expenses multiplied by Tenant's Share. Estimated payments shall be made monthly on or before the first day of each calendar month each in the amount of Landlord's then current estimate as outlined below. Tenant's Share will be prorated for partial months. All Common Area Operating Expenses which vary due to occupancy will be adjusted, at the election of Landlord, to reflect [*] during any calendar year in which the Project is not fully occupied.

(f) Tenant's Share of Operating Expenses shall be determined and paid as follows:

(i) Tenant's Common Area Operating Expense estimates: As soon as is practical following the end of each calendar year, Landlord will provide Tenant with a determination (which determination shall be broken down by category of expenses) of: (a) Tenant's annual share of estimated Common Area Operating Expenses for the then current calendar year; (b) Tenant's monthly Common Area Operating Expense estimate for the then current year; and, (c) Tenant's retroactive estimate correction billing (for the period of January 1st through the date immediately prior to the commencement date of Tenant's new monthly Common Area Operating Expense estimate) for the difference between Tenant's new and previously billed monthly Common Operating Expense estimates for the then current year.

(ii) Tenant's Share of actual annual Common Area Operating Expenses: Each year, Landlord will provide Tenant with a determination reflecting the total Common Area Operating Expenses for the previous calendar year. If the total of Tenant's Common Area Operating Expense estimates billed for the previous calendar year are less than Tenant's Share of the actual Common Area Operating Expenses, the determination will indicate the payment amount and date due. If Tenant has paid more than Tenant's Share of Common Area Operating Expenses for the preceding calendar year, Landlord will credit the overpayment toward Tenant's future Common Area Operating Expense obligations, or if this Lease has terminated, refund such overpayment to Tenant within [*] days after the expiration of the Term. Monthly Common Area Operating Expense estimates are due on the first day of each month and shall commence in the month specified by Landlord. Tenant's retroactive estimate correction, and actual annual Common Area Operating Expense charges, if any, shall be due, in full, on within [*] days of delivery of an invoice by Landlord.

(g) Tenant, within [*] days after receiving Landlord's determination of Common Area Operating Expenses, may give Landlord written notice ("**Review Notice**") that Tenant intends to review Landlord's records of the Operating Expenses (excluding Real Property Taxes) for the calendar year to which the statement applies. Within a reasonable time after receipt of the Review Notice, Landlord shall make all pertinent records available for inspection that are reasonably necessary for Tenant to conduct its review. If any records are maintained at a location other than the management office for the Building, Tenant may either inspect the records at such other location or pay for the reasonable cost of copying and shipping the records. If Tenant retains an agent to review Landlord's records, the agent must be with a CPA firm licensed to do business in the state where the Project is located. Tenant shall be solely responsible for all costs, expenses and fees incurred for the audit. Within [*] days after the records are made available to Tenant, Tenant shall have the right to give Landlord written notice (an "**Objection Notice**") stating in reasonable detail any objection to Landlord's statement of Common Area Operating Expenses for that year. If Tenant fails to give Landlord an Objection Notice within the [*] day period or fails to provide Landlord with a Review Notice within the [*] day period described above, Tenant shall be deemed to have approved Landlord's determination of Common Area Operating Expenses and shall be barred from raising any claims regarding Common Area Operating Expenses for that year. If Tenant provides Landlord with a timely Objection Notice, Landlord and Tenant shall work together in good faith to resolve any issues raised in Tenant's Objection Notice. If Landlord and Tenant determine that actual Common Area Operating Expenses for the Building for the year in question were less than stated by more than [*] percent ([*]%), Landlord, within [*] days after its receipt of paid invoices therefor from Tenant, shall reimburse Tenant for the reasonable amounts paid by Tenant to third parties in connection with such review by Tenant; provided, however, that in no event shall Landlord be obligated to reimburse Tenant for costs in excess of $[*]. If Landlord and Tenant determine that Common Area Operating Expenses for the calendar year are less than reported, Landlord shall provide Tenant with a credit against the next installment of Tenant's Share of Common Area Operating Expenses in the amount of the overpayment by Tenant, or if this Lease has terminated, refund such overpayment to Tenant within [*] days after the expiration of the Term. Likewise, if Landlord and Tenant determine that Common Area Operating Expenses for the calendar year are greater than reported, Tenant shall pay Landlord the amount of any underpayment within [*] days. The records obtained by Tenant shall be treated as confidential. In no event shall Tenant be permitted to examine Landlord's records or to dispute any statement of Common Area Operating Expenses unless Tenant has paid and continues to pay all Rent when due.

4.3 **Payment**. Tenant shall cause payment of Rent to be received by Landlord in lawful money of the United States, without notice, offset or deduction, on or before the first day of each calendar month during the Term. In the event that any statement or invoice prepared by Landlord is inaccurate such inaccuracy shall not constitute a waiver and Tenant shall be obligated to pay the amount set forth in this Lease. Rent for any period during the Term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Acceptance of a payment which is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of any check so stating. In the event that any check, draft, or other instrument of payment given by Tenant to Landlord is dishonored for any reason, Landlord, at its option, may require all future Rent be paid by cashier's check, money order or electronic payment. Payments will be applied first to accrued late charges and attorney's fees, second to accrued interest; then to Base Rent and Common Area Operating Expenses, and any remaining amount to any other outstanding charges or costs.

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

4.4 **Payment Instructions**. Notwithstanding anything to the contrary contained in this Lease, all Rent and other sums payable by Tenant to Landlord hereunder shall be paid to Landlord in the manner as designated in the Summary, or to such other persons and/or at such other places or by such other means as Landlord may hereafter designate in writing.

4.5 **Triple Net Lease**. It is intended that this Lease be an absolute bondable, "**triple net lease**," and that the Rent will be paid hereunder by Tenant on account of any period within the Term without any deduction or offset whatsoever by Tenant, foreseeable or unforeseeable, but shall be subject to the exclusions to Common Area Operating Expenses set forth in Paragraph 4.2(b) above. Except as expressly provided to the contrary in this Lease, Landlord shall not be required to make any expenditure, incur any obligation, or incur any liability of any kind whatsoever in connection with this Lease or the ownership, construction, maintenance, operation or repair of the Premises.

5. **Security Deposit.** Tenant shall deposit with Landlord upon execution hereof the Security Deposit as security for Tenant's full and faithful performance of its obligations under this Lease. If (a) a Breach by Tenant occurs in the payment or performance of any of the terms, covenants or conditions of this Lease, including the payment of Rent, or (b) Tenant fails to make any installment of Rent within [*] business days after the same is due (without any obligation on the part of Landlord to provide Tenant written notice of such failure), Landlord may use, apply or retain all or any portion of said Security Deposit for the payment of any amount already due to Landlord, for Rents which will be due in the future, and/ or to reimburse or compensate Landlord for any liability, expense, loss or damage which Landlord may suffer or incur by reason thereof. If Landlord uses or applies all or any portion of the Security Deposit, Tenant shall within [*] days after written request therefor deposit monies with Landlord sufficient to restore said Security Deposit to the full amount required by this Lease. Should the Agreed Use be amended to accommodate a material change in the business of Tenant or to accommodate a subtenant or assignee, Landlord shall have the right to increase the Security Deposit to the extent necessary, in Landlord's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result thereof. Landlord shall not be required to keep the Security Deposit separate from its general accounts. Within [*] days after the expiration or termination of this Lease, Landlord shall return that portion of the Security Deposit not used or applied by Landlord. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Tenant under this Lease. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, or any similar or successor Applicable Requirements now or hereinafter in effect (provided that Tenant's waiver shall not include a waiver of the provisions of Section 1950.7(b) regarding the priority of Tenant's claim to the Security Deposit), and agrees that the provisions of this Section 5 shall govern the treatment of Tenant's Security Deposit in all respects for this Lease.

6. **Use.**

6.1 **Use.** Tenant shall use and occupy the Premises only for the Agreed Use, and for no other purpose. Tenant shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that emits odors or vibrations or disturbs occupants of or causes damage to neighboring premises or properties or in a manner that is unlawful or in violation of any Applicable Requirements, conflicts with or is prohibited by the terms and conditions of this Lease or the Rules and Regulations (defined below). Other than guide, signal and seeing eye dogs, Tenant shall not keep or allow in the Premises any pets, animals, birds, fish, or reptiles. Tenant shall not bring upon the Premises or any portion of the Building or use the Premises or permit the Premises or any portion thereof to be used for the growing, manufacturing, administration, distribution (including without limitation, any retail sales), possession, use or consumption of any cannabis, marijuana or cannabinoid product or compound, regardless of the legality or illegality of the same. Tenant shall comply with all Applicable Requirements applicable to the use of the Premises and its occupancy and shall promptly comply with all governmental orders and directions for the correction, prevention and abatement of any violations in the building or appurtenant land, caused or permitted by, or resulting from the specific use by, Tenant, or any alterations, additions or improvements performed on or on behalf of Tenant or otherwise triggered by the acts of omissions of Tenant or any Tenant Party, all at Tenant's sole expense. Tenant shall not do or permit anything to be done on or about the Premises or bring or keep anything into the Premises which will in any way increase the rate of, invalidate or prevent the procuring of any insurance protecting against loss or damage to the Building or any of its contents by fire or other casualty or against liability for damage to property or injury to persons in or about the Building or any part thereof.

6.2 **Hazardous Substances**.

(a) **Reportable Uses Require Consent**. The term "**Hazardous Substance**" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Landlord to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof, any explosive, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "**hazardous substances**", "**hazardous wastes**", "**infectious wastes**", "**hazardous materials**", or "**toxic substances**" now or subsequently regulated under any federal, state or local laws, regulations or ordinances, including, without limitation, oil, petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons. Subject to Tenant's use of the Permitted Hazardous Substances (defined below) and the remainder of this Paragraph 6.2(a), Tenant and the Tenant Parties shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances, or bring Hazardous Substances onto the Premises, Building or the Project, without the express prior written consent of Landlord and timely compliance (at Tenant's expense) with all Applicable Requirements. **"Reportable Use"** shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Tenant may use any ordinary and customary office supplies (copier toner, liquid paper, glue, etc.) and common household cleaning materials, so long as such use is in compliance with all

Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Landlord to any liability therefor. In addition, Landlord may condition its consent to any Reportable Use upon receiving such additional assurances as Landlord reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit. Notwithstanding anything to the contrary contained herein, Landlord hereby consents to the use and storage of the Hazardous Substances set forth in **Exhibit G** attached hereto (the "**Permitted Hazardous Substances**"), provided that such Permitted Hazardous Substances are used in the ordinary course of Tenant's business at the Premises, are handled and stored at all times in compliance with all Applicable Requirements and so long as Tenant complies with the terms and conditions of this Lease with respect to the handling, use and storage of such Permitted Hazardous Substances at all times. From time to time during the Term of this Lease and any extension thereof, Tenant shall provide Landlord with copies of any and all Hazardous Substances plans, reports and filings that Tenant is required to deliver to applicable regulatory and/or governmental authorities with respect to the Premises and/or the operation of Tenant's business at the Premises. Tenant shall deliver such copies to Landlord within [*] days following Tenant's delivery of such plans, reports and filings to such applicable regulatory or governmental authority. Landlord will not unreasonably withhold its consent to any additional Hazardous Substances which Tenant desires to use and store at the Premises so long as Tenant demonstrates and docu ments to Landlord's reasonable satisfaction (i) that such Hazardous Substances (A) are necessary or useful to Tenant's business; and (B) will be used, kept, and stored in compliance with all Applicable Requirements applicable to any Hazardous Substances so brought or used or kept in or about the Premises; and (ii) that Tenant will give all re quired notices concerning the presence in or on the Premis es or the release of such Hazar dous Substances from the Premises.

(b) **Duty to Inform Landlord.** If Tenant knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Landlord, Tenant shall immediately give written notice of such fact to Landlord, and provide Landlord with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance. Tenant shall provide Landlord with a written list identifying any Hazardous Materials then used, stored or maintained upon the Premises, the use and approximate quantity of each such material, a copy of any Material Safety Data Sheet ("**MSDS**") issued by the manufacturer thereof, written information concerning the removal, transportation, and disposal of the same, and such other information as Landlord may reasonably require or as may be required by Environmental Laws. Landlord, at its option, and at Tenant's expense, may cause an engineer selected by Landlord, to review (1) Tenant's operations including materials used, generated, stored, disposed, and manufactured in Tenant's business; and (2) Tenant's compliance with terms of this Paragraph. Tenant shall provide the engineer with such information reasonably requested by the engineer to complete the review. The first such review may occur prior to or shortly following the commencement of the Term of this Lease. Thereafter, such review shall not occur more frequently than once each year unless cause exists for some other review schedule.

(c) **Tenant Remediation.** Tenant and the Tenant Parties shall not cause, permit or suffer any Hazardous Substance to be spilled or released in, on, under, or about the Premises, Building or Property (including through the plumbing or sanitary sewer system) and shall promptly, at Tenant's expense, comply with all Applicable Requirements and take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Tenant or any Tenant Parties, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease.

(d) **Tenant Indemnification.** Tenant shall indemnify, defend and hold Landlord, its agents, employees, lenders, trustees, members, beneficiaries, officers, partners, directors and ground lessors, if any (collectively, the "**Landlord Parties**"), harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Tenant, or any third party during the Term or any period of access or possession granted to Tenant prior to the Term or any period of holding over by the Tenant following the expiration or earlier termination of the Term (other than the Prior Tenant (as defined in Section 41.3 below or Landlord's contractors, agents or employees), provided, however, that Tenant shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from areas outside of the Project not caused or contributed to by Tenant. Tenant's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Tenant, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. The provisions of this Paragraph 6.2(d) shall survive the expiration or earlier termination of this Lease. No termination, cancellation or release agreement entered into by Landlord and Tenant shall release Tenant from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Landlord in writing at the time of such agreement.

(e) **Investigations and Remediations.** Landlord shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to Tenant taking possession, unless such remediation measure is required as a result of Tenant's use (including "**Alterations**", as defined in paragraph 7.3(a) below) of the Premises, in which event Tenant shall be responsible for such payment. Tenant shall cooperate fully in any such activities at the request of Landlord, including allowing Landlord and Landlord's agents to have reasonable access to the Premises at reasonable times in order to carry out Landlord's investigative and remedial responsibilities.

(f) **Pre-existing Conditions.** As of the date hereof, to Landlord's actual knowledge, Landlord has not received written notice from any governmental agencies that the Building is in violation of any Applicable Requirements with respect to Hazardous Substances at the Building or Project. For purposes of this Paragraph, "Landlord's actual knowledge" shall be deemed to mean and limited to the current actual knowledge of William Martin, Associate Director, Asset Management, at the time of execution of this Lease and not any implied, imputed, or constructive knowledge of said individual or of Landlord or Landlord's officers, directors, employees or agents or any other party related to Landlord and without any independent investigation or inquiry having been made or any implied duty to investigate or make any inquiries; it being understood and

agreed that such individual shall have no personal liability in any manner whatsoever hereunder or otherwise related to the transactions contemplated hereby. Notwithstanding anything to the contrary contained in this Lease, including, without

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limitation, this Section 6, Tenant shall not be liable for any cost or expense related to removal, cleaning, abatement or remediation of Hazardous Substances existing in the Premises prior to the date Landlord tenders possession of the Premises to Tenant, including, without limitation, Hazardous Substances in the ground water or soil ("**Pre-Existing Hazardous Substances**"), except to the extent that any of the foregoing results directly or indirectly from any act or omission by Tenant or any of Tenant's contractors, employees, agents or invitees or any Pre-Existing Hazardous Substances disturbed, distributed or exacerbated by Tenant or any of Tenant's contractors, employees, agents or invitees.

6.3 **Tenant's Compliance with Applicable Requirements.** Except as otherwise provided in this Lease, Tenant shall, at Tenant's sole expense, fully, diligently and in a timely manner, comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Landlord's engineers and/or consultants which relate in any manner to such Applicable Requirements, without regard to whether said Applicable Requirements are now in effect or become effective after the Commencement Date. Tenant shall, within [*] days after receipt of Landlord's written request, provide Landlord with copies of all permits and other documents, and other information evidencing Tenant's compliance with any Applicable Requirements specified by Landlord, and shall immediately upon receipt, notify Landlord in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Tenant or the Premises to comply with any Applicable Requirements. Likewise, Tenant shall immediately give written notice to Landlord of Tenant's knowledge of: (i) any water damage to the Premises and any suspected seepage, pooling, dampness or other condition conducive to the production of mold; or (ii) any mustiness or other odors that might indicate the presence of mold in the Premises.

6.4 **Inspection; Compliance.** Landlord and Landlord's **"Lender"** (as defined in Paragraph 30) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable notice, for the purpose of inspecting the condition of the Premises and for verifying compliance by Tenant with this Lease. The cost of any such inspections shall be paid by Landlord, unless a violation of Applicable Requirements attributable to Tenant, or a hazardous substance condition not caused by Landlord or its contractors, agents or employees is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority and not in connection with any hazardous substance condition caused by Landlord or its contractors, agents or employees. In such case, Tenant shall upon request reimburse Landlord for the cost of such inspection, so long as such inspection is reasonably related to the violation or contamination. In addition, Tenant shall provide copies of all relevant material safety data sheets **(MSDS)** to Landlord.

7. **Maintenance; Repairs; Utility Installations; Trade Fixtures and Alterations.**

7.1 **Tenant's Obligations**.

(a) **In General.** Subject to the provisions of Paragraph 7.2, Tenant shall, at Tenant's sole expense, keep the Premises, Utility Installations (intended for Tenant's exclusive use, no matter where located), and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Tenant, and whether or not the need for such repairs occurs as a result of Tenant's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities located in or exclusively serving the Premises, such as plumbing, HVAC equipment, electrical, lighting facilities, boilers, pressure vessels, fixtures, interior walls, interior surfaces of exterior walls, ceilings, floors, windows, doors, and plate glass. Tenant, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. As part of its obligations hereunder, Tenant shall at all times keep and maintain the Premises in a clean, safe and sanitary condition and shall at its sole cost and expense, comply with all cleaning protocols and ordinances promulgated by any governmental authority having jurisdiction over the Premises. Tenant's obligations shall include restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair, reasonable wear and tear excepted. Notwithstanding anything to the contrary contained herein, Tenant shall maintain, repair and surrender the Laboratory Equipment (as defined in Section 41.1 below) in accordance with the terms and provisions of Section 41.1. Any such maintenance and repairs will be performed by contractors reasonably approved by Landlord. The parties agree that Landlord's approval of any such contractors shall not be considered to be unreasonably withheld if any such contractor (a) does not have trade references reasonably acceptable to Landlord, (b) does not maintain insurance as required pursuant to the terms of this Lease, (c) does not have the ability to be bonded for the work in an amount of no less than [*] percent ([*]%) of the total estimated cost of such work, or (d) is not licensed as a contractor in the state/municipality in which the Premises is located.

(b) **Service Contracts.** Tenant shall, at Tenant's sole expense, procure and maintain contracts, with copies to Landlord, in customary form and substance for, and with contractors specializing and experienced in the maintenance of the following equipment and improvements, if any, if and when installed on the Premises: (i) HVAC equipment, (ii) boiler and pressure vessels, (iii) clarifiers, and (iv) compressors. Copies of such contracts shall be delivered to Landlord within [*] days following the Commencement Date. Should Tenant fail to maintain such contracts, and such failure shall continue after the expiration of any applicable notice and cure periods under this Lease, Landlord reserves the right, upon notice to Tenant, to procure and maintain any or all of such service contracts, and Tenant shall reimburse Landlord, upon demand, for the cost thereof.

(c) **Failure to Perform.** If Tenant does not perform required maintenance or repairs within any applicable notice and cure period, Landlord shall have the right, without waiver of Default or of any other right or remedy, to perform such obligations of Tenant on Tenant's behalf, and Tenant will reimburse Landlord for any costs incurred, together with an administrative fee in an amount equal to 15% of the cost of the repairs, immediately upon demand.

(d) **Replacement and Repair Cap.** If an item described in Paragraph 7.1(b)(i), (ii) or (iii) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such item, then, provided that (i) Tenant has properly and in good faith consistently maintained and repaired such item, and (ii) the need for any such replacement does not arise from the negligent acts or omissions of Tenant or any Tenant Parties or the abuse or misuse by Tenant or any Tenant Parties, such item shall be replaced by Landlord, and Tenant shall reimburse Landlord for such cost and expense by payments of monthly Rent in an amount that would fully amortize such cost and expense as of the date such expense is incurred, over the

projected useful life of the item being replaced, as reasonably determined by Landlord in accordance with generally accepted accounting

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principles. Such additional Rent obligation shall continue until such cost and expense is fully amortized or until the expiration of the Term, as it may be extended from time to time, whichever comes first. Tenant shall pay Interest on the unamortized balance but may prepay its obligation at any time. The foregoing shall only apply to the boiler and pressure vessels located within the Building and not with respect to any boilers located on the concrete pad outside the Building, if any. In addition to the foregoing and notwithstanding anything to the contrary set forth in this Lease, Tenant's obligation with respect to the costs and expenses associated with Tenant's repair and maintenance of the heating, ventilation and air conditioning units existing in and exclusively serving the Premises as of the date of this Lease, as further described below (collectively, the "**HVAC Unit**"), shall not exceed a total amount equal to $25,000.00 per HVAC Unit per calendar year (the "**HVAC Cap**"), and subject to the remainder of this Section 7.1(d), Landlord shall be responsible for any such costs in excess of the HVAC Cap. The HVAC Units are described and identified as follows: (1) Unit AHU-1, Trane Model Number SXHLF70, Serial Number C16F04334, (2) Unit AHU-2Trane Model Number SXHLF50, Serial Number C16F04335, and (3) Unit AHU-3, Trane Model Number SXHLF50, Serial Number C16F04333. The HVAC Cap shall not apply to (a) any repair and maintenance obligations which are covered by Tenant's preventative maintenance/service contract or would have been covered if Tenant had procured and maintained a preventative maintenance/service contract as required pursuant to Section 7.1(b) above, or (b) to any repair and/or maintenance necessitated by the negligent acts or omissions of, or abuse or misuse by, Tenant or any Tenant Parties. Prior to performing any such repair or maintenance to a HVAC Unit, Tenant shall notify Landlord in writing ("**Tenant's HVAC Repair Notice**") of the necessity of such repairs or maintenance and Tenant's estimated cost thereof. Landlord, at its sole option, may investigate the type and necessity of any such contemplated repair or maintenance item, and procure a cost estimate of repairs or maintenance necessary to enable the applicable HVAC Unit to operate in a good, safe and satisfactory condition. Landlord may elect to perform any such repair or maintenance of the applicable HVAC Unit by providing written notice of such election within [*] days of receiving Tenant's HVAC Repair Notice. In the event Landlord elects to perform or have its contractors perform any such repair or maintenance of such HVAC Unit, Tenant shall reimburse Landlord its costs and expenses incurred in performing such repair and maintenance of such HVAC Unit up to an amount equal to the HVAC Cap applicable to such HVAC Unit. The HVAC Cap shall only apply to the repair and maintenance of the HVAC Unit and shall not apply to any required replacement of any HVAC Unit. The HVAC Unit shall exclude any supplemental heating, ventilating and air conditioning unit installed by or for the benefit of Tenant.

7.2 **Landlord's Obligations.** Landlord, subject to reimbursement pursuant to Paragraph 4.2, shall keep in good order, condition and repair the foundations, exterior walls, structural condition of interior bearing walls, exterior roof, roof membrane, skylights, fire sprinkler system, Common Area fire alarm and/or smoke detection systems, fire hydrants, parking lots, walkways, parkways, driveways, landscaping, fences, signs and utility systems serving the Common Areas and all parts thereof, as well as providing the services for which there is a Common Area Operating Expense pursuant to Paragraph 4.2. Landlord shall not be obligated to paint the exterior or interior surfaces of exterior walls nor shall Landlord be obligated to maintain, repair or replace windows, doors or plate glass of the Premises. However, subject to Section 8.4 below, to the extent such maintenance, repairs or replacements are required as a result of any negligence or intentional or willful misconduct of Tenant or any of Tenant's agents, employees, contractors, licensees or invitees, Tenant shall pay to Landlord, as additional rent, the costs of such maintenance, repairs and replacements. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932, and Sections 1941 and 1942 of the California Civil Code, or any similar or successor Applicable Requirements now or hereinafter in effect.

7.3 **Utility Installations; Trade Fixtures; Alterations.**

(a) **Definitions.** The term **"Utility Installations"** refers to all floor and window coverings, air and/or vacuum lines, power panels, electrical distribution, security and fire protection systems, communication cabling, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term **"Trade Fixtures"** shall mean Tenant's machinery and equipment that can be removed without doing material damage to the Premises. The term **"Alterations"** shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. **"Tenant Owned Alterations and/or Utility Installations"** are defined as Alterations and/or Utility Installations made by Tenant that are not yet owned by Landlord pursuant to Paragraph 7.4(a).

(b) **Consent.** Tenant shall not make any Alterations or Utility Installations to the Premises without Landlord's prior written consent. Landlord's consent shall not be unreasonably withheld with respect to alterations which (i) are not structural in nature, (ii) are not visible from the exterior of the Building, (iii) do not materially or adversely affect or require modification of the Building's electrical, mechanical, plumbing, HVAC or other systems, and (iv) in aggregate do not cost more than $[*] per rentable square foot of the Premises. All such Alterations or Utility Installations shall be performed by a contractor reasonably approved by Landlord. Any Alterations or Utility Installations that Tenant shall desire to make shall be presented to Landlord in written form with detailed plans. Consent shall be deemed conditioned upon Tenant's: (i) acquiring all applicable governmental permits, (ii) furnishing Landlord with copies of both the permits and the plans and specifications prior to commencement of the work, (iii) compliance with all conditions of said permits and other Applicable Requirements 'in a prompt and expeditious manner, and (iv) furnishing Landlord with complete lien waivers acceptable to Landlord for all costs of the applicable Alteration or Utilities Installation. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Tenant shall promptly upon completion furnish Landlord with as-built plans and specifications. For work which costs an amount in excess of [*], Landlord may condition its consent upon Tenant providing a lien and completion bond in an amount equal to [*]% of the estimated cost of such Alteration or Utility Installation and/or upon Tenant's posting an additional Security Deposit with Landlord. Notwithstanding anything the contrary contained herein, Tenant shall have the right to perform, with prior written notice to but without Landlord's consent, any alteration, addition, or improvement that satisfies all of the following criteria (a "**Cosmetic Alteration**"): (1) is of a cosmetic nature such as painting, hanging pictures and installing carpeting; (2) is not visible from the exterior of the Premises or Building; (3) will not affect the systems or structure of the Building; (4) costs less than $[*] in the aggregate during any twelve (12) month period of the Term of this Lease, and (5) does not require work to be performed inside the walls or above the ceiling of the Premises. However, even though consent is not required, the performance of Cosmetic Alterations shall be subject to all of the other provisions of this Section 7.

(c) **Liens; Bonds.** Tenant shall keep the Premises, the Building and appurtenant land and Tenant's leasehold interest in the Premises free from any liens arising out of any services, work or materials performed, furnished, or contracted

for by

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

Tenant, or obligations incurred by Tenant. In the event that Tenant fails, within [*] days following the imposition of any such lien, to either cause the same to be released of record or provide Landlord with insurance against the same issued by a major title insurance company or such other protection against the same as Landlord shall accept (such failure to constitute Breach), Landlord shall have the right to cause the same to be released by such means as it shall deem proper, including payment of the claim giving rise to such lien. All such sums paid by Landlord and all expenses incurred by it in connection therewith shall be payable to it by Tenant within [*] days of Landlord's demand.

7.4 **Ownership; Removal; Surrender; and Restoration**.

(a) **Ownership**. Subject to Landlord's right to require removal or elect ownership as hereinafter provided, all Alterations and Utility Installations made by Tenant shall be the property of Tenant but considered a part of the Premises. Tenant shall be solely responsible for all taxes applicable to any Alterations and Utility Installations, to insure all Alterations and Utility Installations and to restore the same following any casualty. Landlord may, at any time, elect in writing to be the owner of all or any specified part of the Tenant Owned Alterations and Utility Installations. Unless otherwise instructed per paragraph 7.4(b) hereof, all Tenant Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Landlord and be surrendered by Tenant with the Premises.

(b) **Removal.** By delivery to Tenant of written notice from Landlord not later than [*] days prior to the end of the term of this Lease, Landlord may require that any or all Tenant Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease and repair any damage caused by such removal. Landlord may require the removal at any time of all or any part of any Tenant Owned Alterations or Utility Installations made without the required consent. Notwithstanding anything to the contrary contained herein, so long as Tenant's written request for consent for a proposed Tenant Owned Alteration or Utility Installation contains the following statement in large, bold and capped font "**PURSUANT TO PARAGRAPH 7.4(B) OF THE LEASE, IF LANDLORD CONSENTS TO THE SUBJECT TENANT OWNED ALTERATION OR UTILITY INSTALLATION, LANDLORD SHALL NOTIFY TENANT IN WRITING WHETHER OR NOT LANDLORD WILL REQUIRE SUCH TENANT OWNED ALTERATION OR UTILITY INSTALLATION TO BE REMOVED AT THE EXPIRATION OR EARLIER TERMINATION OF THE LEASE.**", at the time Landlord gives its consent for any Tenant Owned Alterations or Utility Installations, if it so does, Tenant shall also be notified whether or not Landlord will require that such Tenant Owned Alterations or Utility Installations be removed upon the expiration or earlier termination of this Lease. If Tenant's written notice strictly complies with the foregoing and if Landlord fails to so notify Tenant whether Tenant shall be required to remove the subject Tenant Owned Alterations or Utility Installations at the expiration or earlier termination of this Lease, it shall be assumed that Landlord shall require the removal of the subject Tenant Owned Alterations or Utility Installations. However, if Tenant's written notice strictly complies with the foregoing and if Landlord fails to notify Tenant within [*] days of Landlord's receipt of such notice whether Tenant shall be required to remove the subject Tenant Owned Alterations or Utility Installations at the expiration or earlier termination of this Lease, Tenant may, within [*] days following the expiration of the [*] day period described above, provide to Landlord a second written notice (the "**Second Notice**") in compliance with the foregoing requirements but also stating in large, bold and capped font the following: "**THIS IS TENANT'S SECOND NOTICE TO LANDLORD. LANDLORD FAILED TO RESPOND TO TENANT'S FIRST NOTICE IN ACCORDANCE WITH THE TERMS OF SECTION 7.4(b) OF THE LEASE. IF LANDLORD FAILS TO RESPOND TO THIS NOTICE IN** [*] **DAYS WITH RESPECT TO THE WHETHER OR NOT LANDLORD WILL REQUIRE SUCH TENANT OWNED ALTERATIONS or UTILITY INSTALLATIONS TO BE REMOVED AT THE EXPIRATION OR EARLIER TERMINATION OF THE LEASE, TENANT SHALL HAVE NO OBLIGATION TO REMOVE SUCH TENANT OWNED ALTERATIONS or UTILITY INSTALLATIONS SO LONG AS THE ESTIMATED REMOVAL COST IS LESS THAN $**[*]". If (a) Tenant's Second Notice strictly complies with the terms of this Section, (b) Landlord fails to notify Tenant within [*] days of Landlord's receipt of such Second Notice, and (c) the reasonably estimated removal costs associated with the subject alteration or improvement is less than $[*], it shall be assumed that Landlord shall not require the removal of the subject Tenant Owned Alterations or Utility Installations at the expiration or earlier termination of this Lease other than any data and telecommunications cabling which shall be removed by Tenant in all events in accordance with this Lease.

(c) **Surrender; Restoration.** Tenant shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear and damage by fire or other casualty excepted. "**Ordinary wear and tear**" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Notwithstanding the foregoing, if this Lease is for 12 months or less, then Tenant shall surrender the Premises in the same condition as delivered to Tenant on the Commencement Date with NO allowance for ordinary wear and tear. Tenant shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Tenant Owned Alterations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Tenant. Tenant shall also completely remove from the Premises any and all Hazardous Substances brought onto the Premises by or for Tenant, or any third party during the Term or any period of access or possession granted to Tenant prior to the Term or any period of holding over by the Tenant following the expiration or earlier termination of the Term (other than the Prior Tenant or Landlord's contractors, agents or employees), except Hazardous Substances which were deposited via underground migration from areas outside of the Premises or any Pre-Existing Hazardous Substances (other than any Pre-Existing Hazardous Substances disturbed, distributed or exacerbated by Tenant or any of Tenant's contractors, employees, agents or invitees), even if such removal would require Tenant to perform or pay for work that exceeds statutory requirements. Trade Fixtures shall remain the property of Tenant and shall be removed by Tenant. Any personal property of Tenant not removed on or before the Expiration Date or any earlier termination date shall be deemed to have been abandoned by Tenant and may be disposed of or retained by Landlord as Landlord may desire. The failure by Tenant to timely vacate the Premises in accordance with this Paragraph 7.4(c) without the express written consent of Landlord shall constitute a holdover under the provisions of Paragraph 25 below.

8. **Insurance; Indemnity.**

8.1 **Tenant's Insurance**. Tenant shall keep in force throughout the Term: (a) a Commercial General Liability insurance policy or policies to protect the Landlord and the Landlord Parties against any liability to the public or to any invitee of

Tenant or Landlord or any Landlord Party incidental to the use of or resulting from any accident occurring in or upon the Premises

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

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with a limit of not less than $[*] per occurrence and not less than $[*] in the annual aggregate, or such larger amount as Landlord may prudently require from time to time, covering bodily injury and property damage liability and $[*] products/completed operations aggregate; (b) Business Auto Liability covering owned, non-owned and hired vehicles with a limit of not less than $[*] per accident; (c) Worker's Compensation Insurance with limits as required by statute and Employers Liability with limits of $[*] each accident, $[*] disease policy limit, $[*] disease each employee; (d) Property Insurance - All Risk or Special Form coverage protecting Tenant against loss of or damage to any Alterations, Utility Installations, any Landlord's Work performed for the benefit of Tenant, other improvements and betterments within the Premises, whether or not installed by Tenant or on behalf of Tenant and/or by or on behalf of any and all prior tenants within the Premises and all other alterations, additions, improvements, carpeting, floor coverings, panelings, decorations, fixtures, inventory and other business personal property situated in or about the Premises to the full replacement value of the property so insured; (e) Business Interruption Insurance with limit of liability representing loss of at least approximately [*] months of income; and (f) and Umbrella/Excess Liability policy (or policies) with a limit of not less than $[*] per occurrence. Whenever Tenant shall undertake any alterations, additions or improvements in, to or about the Premises ("Work") the aforesaid insurance protection must extend to and include injuries to persons and damage to property arising in connection with such Work, without limitation including liability under any applicable structural work act, and such other insurance as Landlord shall reasonably require; and the policies of or certificates evidencing such insurance must be delivered to Landlord prior to the commencement of any such Work.

8.2 **Policy Requirements**. The aforesaid policies shall (a) be provided at Tenant's expense; (b) name Landlord, the Landlord Parties and any other party designated by Landlord as additional insureds (General Liability) and loss payee for Alterations, Utility Installation and any other additions, improvements, carpeting, floor coverings and fixtures at the Premises (Property—Special Form); (c) be issued by an insurance company with a minimum Best's rating of "A-:VII" during the Term; and (d) provide that said insurance shall not be canceled unless [*]; a certificate of Liability insurance on ACORD Form 25 and a certificate of Property insurance on ACORD Form 28 shall be delivered to Landlord by Tenant upon the Commencement Date and at least [*] days prior to each renewal of said insurance.

8.3 **Landlord's Insurance**. Landlord will secure and maintain insurance coverage in such limits as Landlord may deem reasonable in its sole judgment to afford Landlord adequate protection, which insurance coverage, in all cases, shall include All Risk or Special Form property coverage at replacement cost value for the Building. The premiums for such coverage shall be included in Common Area Operating Expenses. Any proceeds of such insurance shall be the sole property of Landlord to use as Landlord determines. Tenant will provide, at its own expense, all insurance as Tenant deems adequate to protect its interests.

8.4 **Waiver of Subrogation.** Without affecting any other rights or remedies, Tenant and Landlord each hereby release and relieve the other and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils insured against or required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required or by any deductibles applicable thereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Landlord or Tenant, as the case may be, so long as the insurance is not invalidated thereby.

8.5 **Indemnity**. Except for Landlord's or any Landlord Party's gross negligence or willful misconduct, Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and the Landlord Parties, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or, liabilities arising out of, involving, or in connection with, Tenant's occupancy of the Premises or presence at the Project, the conduct of Tenant's business, any default by Tenant, and/or any act, omission or neglect (including violations of Applicable Requirement) of Tenant or the Tenant Parties. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified. The provisions of this Section 8.5 shall survive the expiration or earlier termination of this Lease.

8.6 **Exemption of Landlord and its Agents from Liability**. Notwithstanding the negligence or breach of this Lease by Landlord or its agents, neither Landlord nor its agents shall be liable under any circumstances for: (i) injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, indoor air quality, the presence of mold or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building, or from other sources or places, (ii) any damages arising from any act or neglect of any other tenant of Landlord or from the failure of Landlord or its agents to enforce the provisions of any other lease in the Project, or (iii) injury to Tenant's business or for any loss of income or profit therefrom. Instead, it is intended that Tenant's sole recourse in the event of such damages or injury be to file a claim on the insurance policy(ies) that Tenant is required to maintain pursuant to the provisions of paragraph 8.

8.7 **Failure to Provide Insurance**. Tenant acknowledges that any failure on its part to obtain or maintain the insurance required herein will expose Landlord to risks and potentially cause Landlord to incur costs not contemplated by this Lease, the extent of which will be extremely difficult to ascertain. Accordingly, for any month or portion thereof that Tenant does not maintain the required insurance and/or does not provide Landlord with the required binders or certificates evidencing the existence of the required insurance, the Base Rent shall be automatically increased, without any requirement for notice to Tenant, by an amount equal to [*]. The parties agree that such increase in Base Rent represents fair and reasonable compensation for the additional risk/costs that Landlord will incur by reason of Tenant's failure to maintain the required insurance. Such increase in Base Rent shall in no event constitute a waiver of Tenant's Default or Breach with respect to the failure to maintain such insurance prevent the exercise of any of the other rights and remedies granted hereunder, nor relieve Tenant of its obligation to maintain the insurance specified in this Lease.

9. **Damage or Destruction.**

9.1 In the event the Premises or the Building are damaged by fire or other cause and in Landlord's reasonable estimation such damage can be materially restored within [*] days following the commencement of restoration, Landlord shall forthwith

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repair the same and this Lease shall remain in full force and effect, except that Tenant shall be entitled to a proportionate abatement in rent from the date of such damage. Such abatement of rent shall be made pro rata in accordance with the extent to which the damage and the making of such repairs shall interfere with the use and occupancy by Tenant of the Premises from time to time. Within [*] days from the date of such damage, Landlord shall notify Tenant, in writing, of Landlord's reasonable estimation of the length of time within which material restoration can be made, and Landlord's determination shall be binding on Tenant. For purposes of this Lease, the Building or Premises shall be deemed "materially restored" if they are in such condition as would not prevent or materially interfere with Tenant's use of the Premises for the purpose for which it was being used immediately before such damage.

9.2 If such repairs cannot, in Landlord's reasonable estimation, be made within [*] days following the commencement of restoration, Landlord and Tenant shall each have the option of giving the other, at any time within [*] days after Landlord's notice of estimated restoration time, notice terminating this Lease as of the date of such damage. In the event of the giving of such notice, this Lease shall expire and all interest of the Tenant in the Premises shall terminate as of the date of such damage as if such date had been originally fixed in this Lease for the expiration of the Term. In the event that neither Landlord nor Tenant exercises its option to terminate this Lease, then Landlord shall repair or restore such damage, this Lease continuing in full force and effect, and the rent hereunder shall be proportionately abated as provided in Paragraph 9.1.

9.3 Landlord shall not be required to repair or replace any damage or loss by or from fire or other cause to any panelings, decorations, partitions, additions, railings, ceilings, floor coverings, office fixtures or any other property or improvements installed on the Premises by, or belonging to, Tenant. Any insurance which may be carried by Landlord or Tenant against loss or damage to the Building or Premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

9.4 In the event that Landlord should fail to complete such repairs and material restoration within [*] days after the date estimated by Landlord therefor as extended by this paragraph, Tenant may at its option and as its sole remedy terminate this Lease by delivering written notice to Landlord, within [*] days after the expiration of said period of time, whereupon this Lease shall end on the date of such notice or such later date fixed in such notice as if the date of such notice was the date originally fixed in this Lease for the expiration of the Term; provided, however, that if construction is delayed because of changes, deletions or additions in construction requested by Tenant, strikes, lockouts, casualties, Acts of God, war, material or labor shortages, government regulation or control or other causes beyond the reasonable control of Landlord, the period for restoration, repair or rebuilding shall be extended for the amount of time Landlord is so delayed (but not in excess of an additional [*] days).

9.5 Notwithstanding anything to the contrary contained in this Article: (a) Landlord shall not have any obligation whatsoever to repair, reconstruct, or restore the Premises when the damages resulting from any casualty covered by the provisions of this Paragraph 9 occur during [*], or for which sufficient insurance proceeds (excluding deductibles) to fully cover the repair and restoration are not received by Landlord, but if Landlord determines not to repair such damages Landlord shall notify Tenant and if such damages shall render any material portion of the Premises untenantable Tenant shall have the right to terminate this Lease by notice to Landlord within [*] days after receipt of Landlord's notice; and (b) in the event the holder of any indebtedness secured by a mortgage or deed of trust covering the Premises or Building requires that any insurance proceeds be applied to such indebtedness, then Landlord shall have the right to terminate this Lease by delivering written notice of termination to Tenant within [*] days after such requirement is made by any such holder, whereupon this Lease shall end on the date of such damage as if the date of such damage were the date originally fixed in this Lease for the expiration of the Term.

9.6 In the event of any damage or destruction to the Building or Premises by any peril covered by the provisions of this Paragraph 9, it shall be Tenant's responsibility to properly secure the Premises and upon notice from Landlord to remove forthwith, at its sole cost and expense, such portion of all of the property belonging to Tenant or its licensees from such portion or all of the Building or Premises as Landlord shall request.

9.7 Tenant hereby waives any and all rights under and benefits of Sections 1932(2) and 1933(4) of the California Civil Code, or any similar or successor Regulations or other laws now or hereinafter in effect.

10. **Real Property Taxes.**

10.1 **Definitions.** As used herein, the term **"Real Property Taxes"** shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rental levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Landlord in the Project, Landlord's right to other income therefrom, and/or Landlord's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Project address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Project is located. The term "**Real Property Taxes**" shall also include any tax, fee, levy, assessment or charge, or any increase therein: (i) imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Project, (ii) a change in the improvements thereon, and/or (iii) levied or assessed on machinery or equipment provided by Landlord to Tenant pursuant to this Lease.

10.2 **Payment of Taxes.** Except as otherwise provided in Paragraph 10.3, Landlord shall pay the Real Property Taxes applicable to the Project and said payments shall be included in the calculation of Common Area Operating Expenses in accordance with the provisions of Paragraph 4.2.

10.3 **Additional Improvements.** Common Area Operating Expenses shall not include Real Property Taxes specified in the tax assessor's records and work sheets as being caused by additional improvements placed upon the Project by other tenants or by Landlord for the exclusive enjoyment of such other tenants. Notwithstanding Paragraph 10.2 hereof, Tenant shall, however, pay to Landlord at the time Common Area Operating Expenses are payable under Paragraph 4.2, the entirety of any increase in Real Property Taxes if assessed solely by reason of Alterations, Trade Fixtures or Utility Installations placed upon the Premises by Tenant or at Tenant's request or by reason of any alterations or improvements to the Premises made by Landlord subsequent to the execution of this Lease by the Parties.

10.4 **Joint Assessment**. If the Building is not separately assessed, Real Property Taxes allocated to the Building shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Landlord from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available. Landlord's reasonable determination thereof, in good faith, shall be conclusive.

10.5 **Personal Property Taxes**. Tenant shall pay prior to delinquency all taxes assessed against and levied upon Tenant Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Tenant contained in the Premises. When possible, Tenant shall cause its Tenant Owned Alterations and Utility Installations, Trade Fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Landlord. If any of Tenant's said property shall be assessed with Landlord's real property, Tenant shall pay Landlord the taxes attributable to Tenant's property within [*] days after receipt of a written statement setting forth the taxes applicable to Tenant's property.

11. **Utilities and Services.** Tenant shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. Notwithstanding the provisions of Paragraph 4.2, if at any time in Landlord's reasonable judgment, Landlord determines that Tenant is using a disproportionate amount of any commonly metered utilities, or that Tenant is generating such a large volume of trash as to require an increase in the size of the trash receptacle and/or an increase in the number of times per month that it is emptied, then Tenant shall pay Landlord, as additional rent, the cost of such excess usage or with respect to trash, such increased costs. In the event it is not possible for Tenant to obtain separate utility and/or other services, or if Landlord, in its sole discretion, elects to provide any such utility and/or other services to Tenant, such utility and/or other services may, at Landlord's discretion, be obtained in Landlord's name, and Tenant will pay Landlord, as additional Rent, the cost of any utility services provided by Landlord either: (a) through inclusion in Common Area Operating Expenses (except for excess usage, which will be paid as a separate charge by Tenant to Landlord); (b) by a separate charge payable by Tenant to Landlord; or (c) by a separate charge billed by the applicable utility company and payable directly by Tenant. Landlord will not be liable or deemed in default, nor will there be any abatement of rent, breach of any covenant of quiet enjoyment, partial or constructive eviction or right to terminate this Lease, for (a) any interruption or reduction of utilities, utility services or telecommunication services, (b) any telecommunications or other company (whether selected by Landlord or Tenant) failing to provide such utilities or services or providing the same defectively, and/or (c) any utility interruption in the nature of blackouts, brownouts, rolling interruptions, hurricanes, tropical storms or other natural disasters. It is the Tenant's sole responsibility to have a contractor verify the available utilities and data services to the Premises. By executing this Lease, Tenant hereby authorizes Landlord to obtain information regarding Tenant's utility and energy usage at the Premises directly from the applicable utility providers and Tenant shall execute, within [*] days of Landlord's request, any additional documentation required by any applicable utility provider evidencing such authorization. Further, within [*] days of Landlord's request, Tenant shall provide to Landlord all requested information regarding Tenant's utility and energy usage at the Premises. In the event any equipment, meters or monitors are required during the term of this Lease to monitor the use of utilities or any other Building services during non-Business Hours as a result of Tenant's use of Building services during non-Business Hours, the cost of such equipment, meters or monitor shall be paid by Tenant. Landlord shall furnish invoices monthly to Tenant for all such utility services for which Tenant is responsible under this Section and Tenant shall pay such amount to Landlord within [*] days after receipt of such invoice. Notwithstanding anything to the contrary contained herein if the Premises, or a material portion of the Premises, are made untenantable for a period in excess of [*] consecutive business days solely as a result of an interruption, diminishment or termination of services that Landlord is obligated to provide pursuant to the terms of this Lease due to Landlord's active negligence or willful misconduct and such interruption, diminishment or termination of services is otherwise reasonably within the control of Landlord or Landlord's agents or contractors to correct (a "Service Failure"), then Tenant, as its sole remedy, shall be entitled to receive an abatement of the Base Rent and Tenant's Share of Common Area Operating Expenses payable hereunder during the period beginning on the [*] consecutive business day of the Service Failure and ending on the day the interrupted service has been restored. If the entire Premises have not been rendered untenantable by the Service Failure, the amount of abatement shall be equitably prorated in the same proportion that the rentable square footage of the untenantable portion of the Premises bears to the total rentable square footage of the Premises.

12. **Assignment and Subletting.**

12.1 Landlord's Consent Required.

(a) Tenant shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "**assign or assignment**") or sublet all or any part of Tenant's interest in this Lease or in the Premises without Landlord's prior written consent, which consent shall not be unreasonably withheld. Landlord and Tenant hereby acknowledge that Landlord's approval of any proposed transfer pursuant to this Article 12 ("**Transfer**") shall be deemed reasonably withheld if based upon any reasonable factor, including, without limitation, any or all of the following factors: (a) the proposed Transfer would result in more than two (2) subleases of portions of the Premises being in effect at any one time during the Term; (b) the proposed Transferee is an existing tenant of the Project or is negotiating with Landlord (or has negotiated with Landlord in the last [*] months for space in the Project, however, Landlord will not withhold its consent solely because the proposed subtenant or assignee is an occupant of the Project if Landlord does not have space available for lease in the Project that is comparable to the space Tenant desires to sublet or assign. Landlord shall be deemed to have comparable space if it has, or will have, space available in the Project that is approximately the same size as the space Tenant desires to sublet or assign within [*] months of the proposed commencement of the proposed sublease or assignment; (c) the proposed Transferee is a governmental entity; (d) the portion of the Premises to be sublet or assigned is irregular in shape with inadequate means of ingress and egress; (e) the use of the Premises by the Transferee (i) is not permitted by the use provisions in Section 1.8 hereof, or (ii) violates any exclusive use granted by Landlord to another tenant in the Project; (f) the Transfer would likely result in significant increase in the use of the parking areas or Common Areas by the Transferee's employees or visitors, and/or significantly increase the demand upon utilities and services to be provided by Landlord to the Premises; (g) the Transferee does not have the financial capability to fulfill the obligations imposed by the Transfer; or (h) the Transferee is not in Landlord's reasonable opinion of reputable or good character or consistent with Landlord's desired tenant mix.

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

(b) Unless Tenant is a corporation and its stock is publicly traded on a national stock exchange, a change in the control of Tenant shall constitute an assignment requiring consent. The provisions of this Section shall not apply so long as Tenant is an entity whose outstanding stock is listed on a recognized security exchange, or if at least [*] percent ([*]%) of its voting stock is owned by another entity, the voting stock of which is so listed. The transfer, on a cumulative basis, of [*]% or more of the voting control of Tenant shall constitute a change in control for this purpose (a "**Change in Control**").

(c) The involvement of Tenant or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), whether or not a formal assignment or hypothecation of this Lease or Tenant's assets, occurs, which results or will result in a reduction of the Net Worth of Tenant by an amount greater than 25% of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Landlord has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Landlord may withhold its consent. "**Net Worth of Tenant"** shall mean the net worth of Tenant (excluding any guarantors) established under generally accepted accounting principles.

(d) Subject to Section 12.5 below, an assignment or subletting without consent shall, at Landlord's option, be a Default curable after notice per Paragraph 13.1(c), or a non-curable Breach without the necessity of any notice and grace period.

(e) Tenant hereby waives the provisions of Section 1995.310 of the California Civil Code, or any similar or successor Laws, now or hereinafter in effect, and all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all Applicable Requirements, on behalf of the proposed transferee.

(f) Landlord may reasonably withhold consent to a proposed assignment or subletting if Tenant is in Default at the time consent is requested.

(g) Notwithstanding the foregoing, allowing a de minimis, portion of the Premises, i.e., [*] square feet or less, to be used by a third party vendor in connection with the installation of a vending machine or payphone shall not constitute a subletting.

12.2 **Terms and Conditions Applicable to Assignment and Subletting.**

(a) Regardless of Landlord's consent, no assignment or subletting shall: (i) be effective without the express written assumption by such assignee or subtenant of the obligations of Tenant under this Lease (other than with respect to the payment of Rent or the Security Deposit by a subtenant), (ii) release Tenant of any obligations hereunder, or (iii) alter the primary liability of Tenant for the payment of Rent or for the performance of any other obligations to be performed by Tenant.

(b) Landlord may accept Rent or performance of Tenant's obligations from any person other than Tenant pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Landlord's right to exercise its remedies for Tenant's Default or Breach.

(c) Landlord's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Tenant, Landlord may proceed directly against Tenant, any Guarantors or anyone else responsible for the performance of Tenant's obligations under this Lease, including any assignee or subtenant, without first exhausting Landlord's remedies against any other person or entity responsible therefore to Landlord, or any security held by Landlord.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Landlord's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or subtenant, including but not limited to the intended use and/or required modification of the Premises, if any, together with the Transfer Fee (defined below) as consideration for Landlord's considering and processing said request. Tenant agrees to provide Landlord with such other or additional information and/or documentation as may be reasonably requested. (See also Paragraph 36)

(f) Any assignee of, or subtenant under, (each, a "**Transferee**") this Lease shall, by reason of accepting such assignment, entering into such sublease, or entering into possession of the Premises or any portion thereof, be deemed to have assumed and agreed to conform and comply with each and every term, covenant, condition and obligation herein to be observed or performed by Tenant during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Landlord has specifically consented to in writing.

(g) Landlord's consent to any assignment or subletting shall not transfer to the assignee or subtenant any Option granted to the original Tenant by this Lease unless such transfer is specifically consented to by Landlord in writing.

(h) If Landlord shall consent to any assignment of this Lease or sublease of any portion of the Premises, [*] percent ([*]%) of all sums and other consideration payable to or for the benefit of the Tenant from its assignees or subtenants in excess of the Rent payable by Tenant to Landlord under this Lease shall be paid to Landlord, as and when such sums are due and payable, provided, such excess rental shall be calculated by deducting the reasonable costs incurred by Tenant for leasing commissions and tenant improvements and reasonable attorneys' fees in connection with such sublease, assignment or other transfer.

12.3 **Additional Terms and Conditions Applicable to Subletting.** The following terms and conditions shall apply to any subletting by Tenant of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) In addition to all other conditions to Landlord's consent to a proposed Transfer, Landlord may withhold consent on any of the following grounds which Tenant agrees are reasonable:

(i) Tenant is in Default at any time between the date of the request for approval and the date of Landlord's approval of the Transfer.

(ii) The transferee is of a character or reputation or engaged in a business that is not consistent with the quality of the Building.

(iii) The transferee intends to use the space for purposes that are not permitted under this Lease.

(iv) The transferee is either a governmental agency or instrumentality thereof.

(v) The Transfer will result in more than a reasonable and safe number of occupants within the space.

(vi) The transferee is not a party of reasonable financial worth or financial stability in light of the responsibilities involved under this Tenant on the date consent is requested, as determined by Landlord.

(vii) The Transfer would cause a violation of another lease or any agreement to which Landlord is a party, or would give an occupant of the Building or the Project a right to cancel its lease.

(viii) Either the transferee or an affiliate of the transferee (i) occupies space in the Building or the Project at the time of the request for consent; (ii) is negotiating with Landlord to lease space in the Building or the Project at such time; or (iii) has negotiated with Landlord during the six (6) month period immediately preceding the proposed transfer, so long as Landlord has space available for lease in the Project that is comparable to the space Tenant desires to sublet or assign. Landlord shall be deemed to have comparable space if it has, or will have, space available in the Project that is approximately the same size as the space Tenant desires to sublet or assign within six (6) months of the proposed commencement of the proposed sublease or assignment.

(b) In the event Landlord consents to a Transfer, the Transfer will not be effective until Landlord receives a fully executed agreement regarding the Transfer, in a form and of substance reasonably acceptable to Landlord, any documents or information required by such agreement (including any estoppel certificate and any subordination agreement required by any lender of Landlord), an amount equal to all reasonable attorneys' fees incurred by Landlord (regardless of whether such consent is granted and regardless of whether the Transfer is consummated) and other expenses of Landlord incurred in connection with the Transfer, and a Transfer fee in the amount of $[*] (the "**Transfer Fee**").

12.4 If Tenant requests Landlord's consent to any assignment of this Lease or subletting of all or any portion of the Premises for all of the then remaining Term, Landlord will have the right, but not the obligation, to terminate this Lease with respect to any such assignment of this Lease or sublease of one hundred percent (100%) of the Premises effective as of the date Tenant proposes to assign this Lease or sublet the entire Premises, and in the case of a sublease of less than all of the Premises, to recapture and terminate the Lease as to the portion of the Premises to be sublet effective as of the date the proposed subletting is to be effective. Landlord's right to terminate this Lease as to less than all of the Premises proposed to be sublet or assigned will not terminate as to any future additional subletting or assignment as a result of Landlord's consent to a subletting of less than all of the Premises or Landlord's failure to exercise its termination right with respect to any subletting or assignment. Landlord will exercise such termination right, if at all, by giving written notice to Tenant within [*] days of receipt by Landlord of the financial responsibility information required by this Paragraph 12.4. Tenant understands and acknowledges that the option, as provided in this Paragraph 12.4, to terminate this Lease as to all or such portion of the Premises which is proposed to be sublet or assigned rather than approve the subletting or assignment of all or a portion of the Premises, is a material inducement for Landlord's agreeing to lease the Premises to Tenant upon the terms and conditions herein set forth. In the event of any such recapture and termination with respect to less than all of the Premises, Tenant's future monetary obligations under this Lease will be reduced proportionately on a square footage basis to correspond to the balance of the Premises which Tenant continues to lease.

12.5 **Permitted Transfer**. Notwithstanding anything to the contrary set forth in this Section 12, so long as Tenant is not entering into the Permitted Transfer (as defined below) for the purpose of avoiding or otherwise circumventing the terms of this Section 12, Tenant may, without the consent of Landlord and without any right of Landlord to recapture the Premises, (1) assign its entire interest under this Lease or sublease the Premises to (a) an affiliate, subsidiary, or parent of Tenant, or a corporation, partnership or other legal entity wholly owned by Tenant (collectively, an "**Affiliated Party**"), or (b) a successor to Tenant by purchase, merger, consolidation or reorganization, or (2) conduct a Change in Control, provided that all of the following conditions are satisfied (each such transfer, which, for purposes hereof, may include a Change in Control, a "**Permitted Transfer**" and any such assignee or sublessee of a Permitted Transfer, a "**Permitted Transferee**"): (i) Tenant is not in Default under this Lease; (ii) Tenant shall give Landlord written notice at least [*] days prior to the effective date of the proposed Permitted Transfer (provided that, if prohibited by legally binding confidentiality agreement or by Applicable Requirements in connection with a proposed Change in Control, purchase, merger, consolidation or reorganization, then Tenant shall give Landlord written notice within [*] days after the effective date of the proposed Change in Control, purchase, merger, consolidation or reorganization); (iii) with respect to a proposed Permitted Transfer to an Affiliated Party or a Change in Control, Tenant continues to have a net worth equal to or greater than Tenant's net worth at the date of this Lease; and (iv) with respect to a purchase, merger, consolidation or reorganization or any Permitted Transfer which results in Tenant ceasing to exist as a separate legal entity, (A) Tenant's successor shall own all or substantially all of the assets of Tenant, and (B) Tenant's successor shall have a net worth which is at least equal to the greater of Tenant's net worth at the date of this Lease or Tenant's net worth as of the day prior to the proposed purchase, merger, consolidation or reorganization. Tenant's notice to Landlord shall include information and documentation showing that each of the above conditions has been satisfied. If requested by Landlord, Tenant's successor shall sign a commercially reasonable form of assumption agreement. As used herein, (1) "parent" shall mean a company which owns a majority of Tenant's voting equity; (2) "subsidiary" shall mean an entity wholly owned by Tenant or at least [*] percent ([*]%) of whose voting equity is owned by Tenant; and (3) "affiliate" shall mean an entity controlled, controlling or under common control with Tenant.

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

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13. **Default; Breach; Remedies.**

13.1 **Default; Breach.** A "**Default"** is defined as a failure by the Tenant to comply with or perform any of the terms, covenants, conditions or Rules and Regulations under this Lease. A "**Breach**" is defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Tenant to make any payment of Rent or any Security Deposit required to be made by Tenant hereunder, whether to Landlord or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of [*] business days following written notice to Tenant. THE ACCEPTANCE BY LANDLORD OF A PARTIAL PAYMENT OF RENT OR SECURITY DEPOSIT SHALL NOT CONSTITUTE A WAIVER OF ANY OF LANDLORD'S RIGHTS, INCLUDING LANDLORD'S RIGHT TO RECOVER POSSESSION OF THE PREMISES.

(c) The failure of Tenant to allow Landlord and/or its agents access to the Premises or the commission of waste, act or acts constituting public or private nuisance, and/or an illegal activity on the Premises by Tenant, where such actions continue for a period of [*] business days following written notice to Tenant.

(d) The failure by Tenant to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) an Estoppel Certificate or financial statements, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 41, (viii) material data safety sheets (MSDS), (ix) certificates of insurance or (x) any other documentation or information which Landlord may reasonably require of Tenant under the terms of this Lease, where any such failure continues for a period of [*] days following written notice to Tenant.

(e) A Default by Tenant as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 2.9 hereof, other than those described in subparagraphs 13.1(a), (b), (c) or (d), above, where such Default continues for a period of [*] days after written notice; provided, however, that if the nature of Tenant's Default is such that more than [*] days are reasonably required for its cure, then it shall not be deemed to be a Breach if Tenant commences such cure within said [*] day period and thereafter diligently prosecutes such cure to completion, but the total aggregate cure period shall not exceed [*] days.

(f) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a **"debtor"** as defined in 11 U.S.C. § 101 or any successor statute thereto (unless, in the case of a petition filed against Tenant, the same is dismissed within [*] days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within [*] days; or (iv) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within [*] days; provided, however, in the event that any provision of this subparagraph is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(g) The discovery that any financial statement of Tenant or of any Guarantor given to Landlord was materially false.

13.2 **Remedies**. If Tenant fails to perform any of its affirmative duties or obligations, within [*] days after written notice (or in case of an emergency, without notice), Landlord may, at its option, perform such duty or obligation on Tenant's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. Tenant shall pay to Landlord an amount equal to [*]% of the reasonable costs and expenses incurred by Landlord in such performance upon receipt of an invoice therefor. In the event of a Breach, Landlord shall have the option to pursue any one or more of the following remedies without any notice (except as expressly prescribed herein) or demand whatsoever (and without limiting the generality of the foregoing, Tenant hereby specifically waives notice and demand for payment of Rent or other obligations, except for those notices specifically required pursuant to the terms of Paragraph 13.1 or this Paragraph 13.2, and waives any and all other notices or demand requirements imposed by applicable law, including any statutory notice required under California Code of Civil Procedure Section 1161):

(a) Terminate this Lease and Tenant's right to possession of the Premises and recover from Tenant an award of damages equal to the sum of the following:

(i)The Worth at the Time of Award of the unpaid Rent which had been earned at the time of termination;

(ii) The Worth at the Time of Award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that Tenant affirmatively proves could have been reasonably avoided;

(iii) The Worth at the Time of Award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that Tenant affirmatively proves could be reasonably avoided;

(iv) Any other amount necessary to compensate Landlord for all the detriment either proximately caused by Tenant's failure to perform Tenant's obligations under this Lease or which in the ordinary course of things would be likely to result therefrom; and

(v) All such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time under applicable law.

The "**Worth at the Time of Award**" of the amounts referred to in parts (i) and (ii) above, shall be computed by allowing interest at the lesser of a per annum rate equal to: (A) the greatest per annum rate of interest permitted from time to time under applicable law, or (B) the Prime Rate plus [*]%. For purposes hereof, the "**Prime Rate**" shall be the per annum interest rate publicly announced as its prime or base rate by a federally insured bank selected by Landlord in the State of California. The "**Worth at the Time of Award**" of the amount referred to in part (iii), above, shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus [*] percent ([*]%);

(b) Employ the remedy described in California Civil Code § 1951.4 (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations); or

(c) Notwithstanding Landlord's exercise of the remedy described in California Civil Code § 1951.4 in respect of an event or events of default, at such time thereafter as Landlord may elect in writing, to terminate this Lease and Tenant's right to possession of the Premises and recover an award of damages as provided above in Paragraph 13.2(a).

(d) The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent. No waiver by Landlord of any breach hereof shall be effective unless such waiver is in writing and signed by Landlord.

(e) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Tenant's occupancy of the Premises.

(f) [*]

(g) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing by agreement, applicable law or in equity. In addition to other remedies provided in this Lease, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease, or to any other remedy allowed to Landlord at law or in equity. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default.

(h) This paragraph shall be enforceable to the maximum extent such enforcement is not prohibited by applicable law, and the unenforceability of any portion thereof shall not thereby render unenforceable any other portion.

13.3 **[Intentionally Omitted.]**

13.4 **Late Charges**. Tenant hereby acknowledges that late payment by Tenant of Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by any Lender. Accordingly, if any Rent shall not be received by Landlord when such amount shall be due, then, without any requirement for notice to Tenant, Tenant shall immediately pay to Landlord a one-time late charge equal to [*]% of each such overdue amount or $[*], whichever is greater; provided, however, that the foregoing late charge shall not apply to the first such late payment in any [*] month period of the Term of this Lease or any extension thereto until following written notice to Tenant and the expiration of [*] days thereafter without cure. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for [*] consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Landlord's option, become due and payable quarterly in advance. In addition, any check returned by the bank for any reason will be considered late and will be subject to all late charges, plus a [*] fee. After [*] returned checks in any [*] month period, Landlord will have the right to receive payment by a cashier's check, money order or via electronic payment. Nothing contained herein shall be construed as to compel Landlord to accept any payment of Rent in arrears or late charges should Landlord elect to apply its rights and remedies available under this Lease or at law or in equity in the event of a Default.

13.5 **Interest.** Any monetary payment due Landlord hereunder, other than late charges, not received by Landlord, when due as to scheduled payments (such as Base Rent) or within [*] days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the [*] day after it was due as to non-scheduled payments. The interest ("**Interest**") charged shall be computed at the rate of [*]% per annum but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "**Condemnation**"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than [*]% of the floor area of the Premises, or more than [*]% of the parking spaces is taken by Condemnation, Tenant may, at Tenant's option, to be exercised in writing within [*] days after Landlord shall have given Tenant written notice of such taking (or in the absence of such notice, within [*] days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Tenant does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Notwithstanding anything to

the contrary contained herein, a regulatory action, ordinance or any Applicable Requirements limiting or temporarily prohibiting Tenant's right to enter or use the Premises or the Building shall not be construed as a taking or appropriation hereunder and Tenant shall

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

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have no right to rent abatement or termination right as a result thereof. Condemnation awards and/or payments shall be the property of Landlord, whether such award shall ‘be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Tenant shall be entitled to any compensation paid by the condemner for Tenant's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Tenant, for purposes of Condemnation only, shall be considered the property of the Tenant and Tenant shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Landlord shall repair any damage to the Premises caused by such Condemnation. Tenant hereby waives any rights it may have pursuant to any applicable laws (including, without limitation, Section 1265.130 of the California Code of Civil Procedure) and agrees that the provisions hereof shall govern the parties' rights in the event of any Condemnation.

15. **Representations and Indemnities of Broker Relationships.** Tenant and Landlord each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers in the Summary are entitled to any commission or finder's fee in connection herewith. Tenant and Landlord do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto. Landlord shall pay any commission due to the Brokers in connection with this Lease in accordance with a separate agreement.

16. **Estoppel Certificates; Financial Statements.**

(a) Tenant will execute and deliver to Landlord, within [*] business days after written request from Landlord, a commercially reasonable estoppel certificate to those parties as are reasonably requested by Landlord (including a mortgagee or prospective purchaser). Without limitation, such estoppel certificate may include a certification as to the status of this Lease, the existence of any Default and the amount of Rent that is due and payable. Any such estoppel certificate may be relied upon by Landlord and by any actual or prospective buyer or lender of the Project and any other third party designated by Landlord. If Tenant fails to execute and deliver such estoppel certificate within such [*] business day period, such estoppel certificate shall be binding on Tenant as prepared.

(b) If Landlord desires to finance, refinance, or sell the Premises, or any part thereof, Tenant Guarantors shall within [*] business days after written notice from Landlord deliver to any potential lender or purchaser designated by Landlord such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Tenant's financial statements for the past [*] years. All such financial statements shall be received by Landlord and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. **Definition of Landlord.** The term "**Landlord**" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Tenant's interest in the prior lease. In the event of a transfer of Landlord's title or interest in the Premises or this Lease, Landlord shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Landlord. Upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Landlord shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Landlord. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Landlord shall be binding only upon the Landlord as hereinabove defined.

18. **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Days.** Unless otherwise specifically indicated to the contrary, the word "**days**" as used in this Lease shall mean and refer to calendar days.

20. **Limitation of Liability.** The obligations of Landlord under this Lease shall not constitute personal obligations of Landlord, or its partners, members, directors, officers or shareholders, and Tenant shall look to the Premises, and to no other assets of Landlord, for the satisfaction of any liability of Landlord with respect to this Lease; and Tenant shall not seek recourse against Landlord's partners, members, directors, officers or shareholders, or any of their personal assets for such satisfaction. It is expressly understood and agreed that notwithstanding anything in this Lease to the contrary, Tenant acknowledges and agrees that all persons dealing with Landlord must look solely to the interest of the Landlord in the Premises for the enforcement of any claims against or liability of the Landlord and in no case shall Landlord be liable to Tenant hereunder for any lost profits, damage to business, or any form of special, indirect or consequential damages. For purposes hereof, Landlord's "interest in the Premises" shall include rents due from tenants, insurance proceeds (provided, however, that in no event shall Tenant, or anyone claiming on behalf or through Tenant, be deemed or otherwise considered a loss payee under any such insurance policies), proceeds from condemnation or eminent domain proceedings (prior to the distribution of same to any partner or shareholder of Landlord or any third party) and proceeds from the arms-length sale of the Premises to a third party (less any sums payable to satisfy any mortgages or other liens against the Premises). No present or future employee, trustee, agent, or member of Landlord shall have any personal liability directly or indirectly, and recourse shall not be had against any such present or future employee, trustee, agent, or member of Landlord under or in connection with this Lease or the Premises. Tenant on its behalf, and on behalf of any and all of its successors and assigns, hereby waives and releases any and all such personal liability and recourse.

21. **Time of Essence.** Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. **No Prior or Other Agreements.** This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective.

23. **Notices.** All communications and notices required under this Lease shall be in writing and shall be addressed to the respective address of the receiving party. All notices to Tenant shall be given by reputable overnight courier, U. S. mail

(return

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

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receipt required, postage prepaid), or hand delivery, and shall be deemed received on the date of delivery (or attempted delivery) as evidenced by return receipt. Either Party may by written notice to the other specify a different address for notice, except that upon Tenant's taking possession of the Premises, the Premises shall constitute Tenant's address for notice.

24. **Waivers.**

(a) No waiver by Landlord of the Default or Breach of any term, covenant or condition hereof by Tenant, shall-be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Tenant of the same or of any other term, covenant or condition hereof. Landlord's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Landlord's consent to, or approval of, any subsequent or similar act by Tenant, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent.

(b) The acceptance of Rent by Landlord shall not be a waiver of any Default or Breach by Tenant. Any payment by Tenant may be accepted by Landlord on account of monies or damages due Landlord, notwithstanding any qualifying statements or conditions made by Tenant in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Landlord at or before the time of deposit of such payment.

(c) THE PARTIES AGREE THAT THE TERMS OF THIS LEASE SHALL GOVERN WITH REGARD TO ALL MATTERS RELATED THERETO AND HEREBY WAIVE THE PROVISIONS OF ANY PRESENT OR FUTURE STATUTE TO THE EXTENT THAT SUCH STATUTE IS INCONSISTENT WITH THIS LEASE.

25. **Holding Over.** Tenant shall pay Landlord for each day Tenant retains possession of the Premises or part of them after termination of this Lease by lapse of time or otherwise at the rate ("**Holdover Rate**") which shall be [*] percent ([*]%) of the amount of the Base Rent for the last period prior to the date of such termination plus Tenant's Share of Common Area Operating Expenses under Paragraph 4, prorated on a daily basis, and also pay all damages sustained by Landlord by reason of such retention. In addition to the payment of the amounts provided above, if Tenant fails to vacate the Premises within [*] days after Landlord notifies Tenant that Landlord has entered into a lease for the Premises or has received a bona fide offer to lease the Premises, and that Landlord will be unable to deliver possession, perform improvements, due to Tenant's holdover, then Tenant shall be liable to Landlord for all damages, including, without limitation, consequential damages, that Landlord suffers from the holdover. If Landlord gives notice to Tenant of Landlord's election to such effect, such holding over shall constitute renewal of this Lease for a period from month to month at the Holdover Rate, but if the Landlord does not so elect, no such renewal shall result notwithstanding acceptance by Landlord of any sums due hereunder after such termination; and instead, a tenancy at sufferance at the Holdover Rate shall be deemed to have been created. In any event, no provision of this Paragraph 25 shall be deemed to waive Landlord's right of reentry or any other right under this Lease or at law.

26. **Binding Effect; Choice of Law.** This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

27. **Subordination.** Tenant accepts this Lease subject and subordinate to any mortgage(s), deed(s) of trust, ground lease(s) or other lien(s) now or subsequently arising upon the Premises, the Building or the Property, and to renewals, modifications, refinancing's, and extensions thereof (collectively referred to as a "**Mortgage**"). The party having the benefit of a Mortgage shall be referred to as a "**Mortgagee**". This clause shall be self-operative, but upon request from a Mortgagee, Tenant shall, within [*] business days of request therefor, execute a commercially reasonable subordination agreement in favor of the Mortgagee. As an alternative, a Mortgagee shall have the right at any time to subordinate its Mortgage to this Lease. Upon request, Tenant, without charge, shall attorn to any successor to Landlord's interest in this Lease. Notwithstanding the foregoing, upon written request by Tenant, Landlord will use reasonable efforts to obtain a non-disturbance, subordination and attornment agreement from Landlord's then current mortgagee on such mortgagee's then current standard form of agreement. "Reasonable efforts" of Landlord shall not require Landlord to incur any cost, expense or liability to obtain such agreement, it being agreed that Tenant shall be responsible for any fee or review costs charged by the mortgagee. Upon request of Landlord, Tenant will execute the mortgagee's commercially reasonable form of non-disturbance, subordination and attornment agreement and return the same to Landlord for execution by the mortgagee. Landlord's failure to obtain a non-disturbance, subordination and attornment agreement for Tenant shall have no effect on the rights, obligations and liabilities of Landlord and Tenant or be considered to be a default by Landlord hereunder.

28. **Attorneys' Fees.** If any Party brings an action or proceeding involving the Premises whether founded in tort, contract or equity, or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term "**Prevailing Party**" shall include, without limitation, a Party who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Landlord shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach ($[*] is a reasonable minimum per occurrence for such services and consultation).

29. **Entry by Landlord.** Landlord and Landlord's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times after reasonable prior notice for the purpose of showing the same to prospective purchasers, lenders, or tenants, and for any other purpose, including making such alterations, repairs, improvements or additions to the Premises as Landlord may deem necessary or desirable and the erecting, using and maintaining of utilities, services, pipes and conduits through the Premises and/or other premises as long as there is no material adverse effect on Tenant's use of the Premises. All such activities shall be without abatement of rent or liability to Tenant. Landlord agrees that except in the event (a) Tenant is in monetary or material non-monetary default under this Lease, which may result in a termination of this Lease, (b) Landlord and Tenant are negotiating for or have agreed to an early

termination of this Lease, or (c) Landlord and Tenant otherwise mutually agree to the contrary, Landlord shall not show the Premises to prospective tenants

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except during the last [*] months of the Term of this Lease. Notwithstanding the foregoing, except in emergency situations, as determined by Landlord, Landlord shall exercise reasonable efforts to perform any entry into the Premises in a manner that is reasonably designed to minimize interference with the operation of Tenant's business in the Premises. Notwithstanding the foregoing, Tenant has provided Landlord with a list of emergency contact telephone numbers (collectively, "Emergency Contacts"), which Emergency Contacts are set forth in Exhibit J attached hereto and Landlord shall provide prompt prior notice via telephone and text messaging to the Emergency Contacts before entering the Premises in an emergency, provided however, if due to the circumstances it is not reasonably practical for Landlord to provide such prior oral notice, Landlord shall provide oral notice of its entry to the Premises to the Emergency Contacts as soon thereafter as is reasonably possible.

30. **Auctions.** Tenant shall not conduct, nor permit to be conducted, any auction upon the Premises without Landlord's prior written consent. Landlord shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

31. **Signs.** Landlord may place on the Premises ordinary "For Sale" signs at any time and ordinary "For Lease" signs during the last [*] months of the term hereof. Except for ordinary "For Sublease" signs which may be placed only on the Premises, Tenant shall not place any sign upon the Project without Landlord's prior written consent. All signs must comply with all Applicable Requirements. If Landlord shall approve any signage for Tenant, such signage shall be erected, affixed and maintained at Tenant's sole cost and expense at all times in accordance with the signage criteria and requirements ("**Sign Criteria**") attached hereto as Exhibit F (which Sign Criteria shall be subject to revision by Landlord from time to time, which Tenant acknowledges may require the removal and/or modification of any such signage that Tenant may be permitted to install, all at Tenant's sole cost and expense) and all Applicable Requirements. Landlord shall have the right to remove any signs or other matter installed without Landlord's permission without being liable to Tenant by reason of such removal and to charge the cost of removal to Tenant, payable within [*] days of written demand by Landlord. At the expiration or earlier termination of this Lease, Tenant shall, at Tenant's sole cost and expense, remove any signage and repair any damage caused in connection with such removal. Notwithstanding the foregoing, Landlord shall allow Tenant to install one (1) sign at the front of their suite, one (1) sign above the entrance to their suite, and one (1) identification panel on the monument sign for the Project, subject to Landlord's approval and in accordance with the Signage Criteria. Tenant shall be responsible for all costs related to the design, fabrication, installation, maintenance and removal of Tenant's signage. Tenant agrees to remove its sign from the Premises prior to the Expiration Date, and repair any and all damages caused thereby (including without limitation discoloration). Tenant shall make all required repairs to the Premises at Tenant's sole cost. Landlord shall have the right to install Tenant's sign, at Tenant's expense, if Tenant does not install their sign within [*] days of the Commencement Date.

32. **Guarantor. [Intentionally Omitted.]**

33. **Quiet Title.** Landlord represents and warrants that it has full right and authority to enter into this Lease and that Tenant, while paying the rental and performing its other covenants and agreements contained in this Lease, shall peaceably and quietly have, hold and enjoy the Premises for the Term without hindrance or molestation from Landlord subject to the terms and provisions of this Lease. Landlord shall not be liable for any interference or disturbance by other tenants or third persons, nor shall Tenant be released from any of the obligations of this Lease because of such interference or disturbance.

34. **Security Measures.** Tenant hereby acknowledges that the Rent payable to Landlord hereunder does not include the cost of guard service or other security measures, and that Landlord shall have no obligation whatsoever to provide same. Tenant assumes all responsibility for the protection of the Premises, Tenant, its agents and invitees and their property from the acts of third parties. In the event, however, that Landlord should elect to provide security services, then the cost thereof shall be a Common Area Operating Expense.

35. **Authority; Multiple Parties; Execution.**

(a) If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf.

(b) If this Lease is executed by more than one person or entity as "**Tenant**", each such person or entity shall be jointly and severally liable hereunder. It is agreed that any one of the named Tenants shall be empowered to execute any amendment to this Lease, or other document ancillary thereto and bind all of the named Tenants, and Landlord may rely on the same as if all of the named Tenants had executed such document.

(c) This Lease may be executed by the Parties in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(d) Tenant represents and warrants to Landlord that each individual executing this Lease on behalf of Tenant is authorized to do so on behalf of Tenant and that Tenant is not, and the entities or individuals constituting Tenant or which may own or control Tenant or which may be owned or controlled by Tenant are not, (i) in violation of any laws relating to terrorism or money laundering, or (ii) among the individuals or entities identified on any list compiled pursuant to Executive Order 13224 for the purpose of identifying suspected terrorists or on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, http://www.treas.gov/ofac/tllsdn.pdf or any replacement website or other replacement official publication of such list.

36. **Waiver of Jury Trial. TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING INVOLVING THE PROPERTY OR ARISING OUT OF THIS AGREEMENT. IN THE EVENT OF A PANDEMIC OR EPIDEMIC SUCH AS COVID-19 AFFECTING THE GEOGRAPHICAL REGION IN WHICH THE PREMISES ARE LOCATED, AND AS A RESULT THEREOF ANY GOVERNMENTAL AUTHORITIES HAVING JURISDICTION OVER TENANT REQUIRE TENANT TO REDUCE, LIMIT OR SUSPEND ITS USE OF THE**

PREMISES, TENANT HEREBY WAIVES AND AGREES NOT TO PURSUE OR CLAIM ANY EXCUSE OR OFFSET TO TENANT'S

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OBLIGATIONS UNDER THIS LEASE BASED ON THE DOCTRINES OF IMPOSSIBILITY, IMPRACTICALITY, FRUSTRATION OF CONTRACT, FRUSTRATION OF PURPOSE, OR OTHER SIMILAR LEGAL PRINCIPALS.

37. **Americans with Disabilities Act.** Since compliance with the Americans with Disabilities Act (ADA) is dependent upon Tenant's specific use of the Premises, Landlord makes no warranty or representation as to whether or not the Premises comply with ADA or any similar legislation. In the event that Tenant's specific use of the Premises requires modifications or additions to the Premises in order to be in ADA compliance, Tenant agrees to make any such necessary modifications and/or additions at Tenant's expense.

38. **Substituted Premises. [Intentionally Omitted.]**

39. **CASp.** Pursuant to Section 1938 of the California Civil Code, Landlord hereby advises Tenant that as of the date of this Lease neither the Premises, the Building nor the Project have undergone inspection by a Certified Access Specialist (CASp). Further, pursuant to Section 1938 of the California Civil Code, Landlord notifies Tenant of the following: "A Certified Access Specialist (CASp) can inspect the Premises and determine whether the Premises comply with all of the applicable construction-related accessibility standards under state law. Although California state law does not require a CASp inspection of the Premises, the commercial property owner or Landlord may not prohibit the Tenant from obtaining a CASp inspection of the Premises for the occupancy or potential occupancy of the Tenant, if requested by the Tenant. The parties shall mutually agree on the arrangements for the time and manner of any such CASp inspection, the payment of the costs and fees for the CASp inspection and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises." Therefore and notwithstanding anything to the contrary contained in this Lease, Landlord and Tenant agree that (a) Tenant may, at its option and at its sole cost, cause a CASp to inspect the Premises and determine whether the Premises complies with all of the applicable construction-related accessibility standards under California law, (b) the Parties shall mutually coordinate and reasonably approve of the timing of any such CASp inspection so that Landlord may, at its option, have a representative present during such inspection, and (c) Tenant shall be solely responsible for the cost of any repairs necessary to correct violations of construction-related accessibility standards within the Premises, any and all such alterations and repairs to be performed in accordance with Paragraph 7.3 of this Lease provided Tenant shall have no obligation to remove any repairs or alterations made pursuant to a CASp inspection under this Paragraph 39. The terms of this Paragraph 39 with respect to CASp inspections shall only apply in the event Tenant voluntarily or affirmatively exercises its right to perform a CASp inspection of the Premises. Otherwise, the terms and conditions of the Lease with respect to compliance, repairs and maintenance obligations of the parties shall apply.

40. **Miscellaneous.**

40.1 Notwithstanding any provision in the Lease to the contrary, any representation or warranty of Landlord which is contained in the Lease shall be made to Landlord's actual knowledge.

40.2 Unless specifically stated otherwise in writing by Landlord, the voluntary or other surrender of this Lease by Tenant, the mutual termination or cancellation hereof, or a termination hereof by Landlord for Breach by Tenant, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Landlord may elect to continue any one or all existing subtenancies. Landlord's failure within [*] days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Landlord's election to have such event constitute the termination of such interest.

40.3 The grant of any consent or approval required from Landlord under this Lease shall be proved only by proof of a written document signed and delivered by Landlord expressly setting forth such consent or approval. Unless otherwise specified herein, any such consent or approval may be withheld in Landlord's sole discretion. Notwithstanding any other provision of this Lease, the sole and exclusive remedy of Tenant for any alleged or actual improper withholding, delaying or conditioning of any consent or approval by Landlord shall be the right to specifically enforce any right of Tenant to require issuance of such consent or approval on conditions allowed by this Lease.

40.4 Landlord reserves the right: (i) to grant, without the consent or joinder of Tenant, such easements, rights and dedications that Landlord deems necessary, (ii) to cause the recordation of parcel maps and restrictions, and (iii) to create and/or install new utility raceways, so long as such easements, rights, dedications, maps, restrictions, and utility raceways do not unreasonably interfere with the use of the Premises by Tenant. Tenant agrees to sign any documents reasonably requested by Landlord to effectuate such rights.

40.5 This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Tenant's obligations hereunder, Tenant agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

40.6 Tenant shall not record this Lease or any short form memorandum hereof.

40.7 The time for performance by either Party of any obligation under this Lease (other than the payment of Base Rent or any other rent obligation) shall be extended on a day by day basis to the extent of any delay resulting from the occurrence of any of the following (collectively, a "**force majeure event**"): fire, earthquake, explosion, flood, weather, the elements, acts of God or the public enemy, pandemic, strike, other labor trouble, interference of governmental authorities or agents, or shortages of fuel, supplies or labor resulting therefrom or any other cause, whether similar or dissimilar to the above, beyond and the reasonable control of the Party obligated for such performance (financial inability excepted). It is specifically understood and agreed that the failure of Tenant to obtain any permit or governmental approval for the operation of its business on the Premises shall not alter, impair or otherwise affect the obligations of Tenant to pay Base Rent and any other additional rent due under the terms and provisions of this Lease.

40.8 If any clause or provision of the Lease is illegal, invalid or enforceable under present or future laws effective during the term of the Lease, then and in that event, it is the intention of the parties hereto that the remainder of the Lease

shall not be

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affected thereby, and it is also the intention of the parties to the Lease that, in lieu of each clause or provision of the Lease that is illegal, invalid or unenforceable, there be added as a part of this Lease a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

40.9 **Esignature Consent**. The parties hereto consent and agree that this Lease may be signed and/or transmitted by facsimile, e-mail of a .pdf document or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's handwritten signature. The parties further consent and agree that (1) to the extent a party signs this Lease using electronic signature technology, by clicking "SIGN", such party is signing this Lease electronically, and (2) the electronic signatures appearing on this Lease shall be treated, for purposes of validity, enforceability and admissibility, the same as handwritten signatures.

40.10 Preparation of this Lease by Landlord or Landlord's agent and submission of same to Tenant shall not be deemed an offer to Tenant to lease. This Lease shall become effective and binding upon the Parties hereto only upon mutual execution by both Parties. Tenant shall be aware that Landlord's customary practice is not to reserve the space, which is the subject of this Lease until such time as this Lease has been fully executed by both Parties. As a result, Landlord may have made or subsequently may make other proposals on the space, which is the subject of this Lease.

40.11 TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE REQUIREMENTS, LANDLORD HEREBY DISCLAIMS, AND TENANT WAIVES THE BENEFIT OF, ANY AND ALL IMPLIED WARRANTIES, INCLUDING IMPLIED WARRANTIES OF HABITABILITY, FITNESS OR SUITABILITY FOR PURPOSE, OR THAT THE PREMISES, THE IMPROVEMENTS IN THE PREMISES, THE BUILDING OR THE PROJECT HAVE BEEN CONSTRUCTED IN A GOOD AND WORKMANLIKE MANNER. TENANT EXPRESSLY ACKNOWLEDGES THAT LANDLORD DID NOT CONFIGURE, GRADE, DEVELOP, CONSTRUCT OR APPROVE THE QUALITY OF CONSTRUCTION OF THE PREMISES, THE BUILDING OR THE PROJECT AND/OR THE IMPROVEMENTS THEREON.

41. **Additional Provisions.**

41.1 **Laboratory Equipment.** Tenant shall have the right to use the furniture and the laboratory fixtures, equipment and infrastructure existing in the Premises (including such equipment and infrastructure existing in and serving the existing Clean Room in the Premises) and on the concrete pad outside the Premises as of the date of this Lease (including the compressors and boilers), all as more particularly described on **Exhibit H** attached hereto (collectively, the "**Laboratory Equipment**"), in the ordinary course of Tenant's business at the Premises during the Term, at no additional cost except as hereinafter provided. Tenant acknowledges and agrees (i) that Tenant has had an opportunity to inspect the Laboratory Equipment and to perform any desired due diligence with respect to the same, (ii) and that the Laboratory Equipment was installed by the Prior Tenant (as defined in Section 41.3 below) and that Landlord makes no representations or warranties regarding the suitability of the Laboratory Equipment for Tenant's use, the condition of the Laboratory Equipment or the compliance thereof with Applicable Requirements, or any other matter relating to the Laboratory Equipment. Tenant shall accept the use of the Laboratory Equipment in its "as is" condition and agrees that the Laboratory Equipment is in good working order and satisfactory condition. Tenant acknowledges that Tenant shall use the Laboratory Equipment at Tenant's sole risk and that Landlord shall have no liability to Tenant in connection therewith. TENANT ACKNOWLEDGES AND AGREES THAT, TO THE FULLEST EXTENT PERMITTED BY LAW, LANDLORD SHALL NOT BE RESPONSIBLE FOR ANY LOSS OR DAMAGE TO TENANT OR TENANT'S PROPERTY ARISING FROM OR RELATED TO TENANT'S USE OF THE LABORATORY EQUIPMENT OR EXERCISE OF ANY RIGHTS UNDER THIS SECTION 41.1, WHETHER OR NOT SUCH LOSS OR DAMAGE RESULTS FROM LANDLORD'S NEGLIGENCE OR NEGLIGENT OMISSION. Tenant, at its sole cost and expense, shall be solely responsible for the maintenance and repair of the Laboratory Equipment and shall maintain the Laboratory Equipment in good condition and repair (but not in any better than the condition as of the date of delivery of the Premises to Tenant) and in compliance with all Applicable Requirements during the Term and in accordance with the conditions and requirements described in any warranties issued by the manufacturer of the Laboratory Equipment and delivered to Tenant. In the event of any damage to the Laboratory Equipment, Tenant shall provide written notice to Landlord of such damage and Tenant shall make any and all repairs that are necessary at Tenant's sole cost and expense. If Tenant fails to make any repairs to the Laboratory Equipment for more than [*] days after notice from Landlord (although notice shall not be required if there is an emergency), Landlord may make the repairs, and Tenant shall pay the reasonable cost of the repairs to Landlord within [*] days after receipt of an invoice, together with an administrative charge in an amount equal to [*] percent ([*]%) of the cost of the repairs. At all times during the Term, Tenant shall cause the Laboratory Equipment to be insured pursuant to the provisions of Article 8 of this Lease. Tenant agrees that notwithstanding anything to the contrary contained in this Lease, the Laboratory Equipment is owned by Landlord and, upon the expiration or earlier termination of this Lease, the Laboratory Equipment shall each be returned to Landlord in the same condition as of the date of delivery of the Premises to Tenant, reasonable wear and tear excepted.

41.2 **Option to Extend**. Provided (i) this Lease is in full force and effect, (ii) Tenant is not in Breach under any of the other terms and conditions of this Lease at the time of notification or commencement, and (iii) Tenant has timely paid all rent due under this Lease during the twelve (12) month period immediately preceding the time of exercise or at any time thereafter until the beginning of such extension of the Term, then Tenant shall have one (1) option to extend (the "**Extension Option**") the Original Term for a term of five (5) years (the "**Extension Term**"), for the portion of the Premises being leased by Tenant as of the date the Extension Term is to commence, on the same terms and conditions set forth in this Lease, except as modified by the terms, covenants and conditions as set forth below:

(a) If Tenant elects to exercise the Extension Option, then Tenant shall provide Landlord with written notice no earlier than the date which is [*] days prior to the expiration of the Original Term but no later than the date which is [*] days prior to the expiration of the Original Term. If Tenant fails to provide such notice, Tenant shall have no further or additional right to extend or renew the Original Term. The Base Rent in effect at the expiration of the Original Term shall be adjusted to reflect the Prevailing Market (defined below) rate. Landlord shall advise Tenant of the new Base Rent for the Premises no later than [*] days after receipt of Tenant's written request therefor. Said request may be made prior to Tenant exercising the

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Extension Option but shall not be made earlier than [*] days prior to the first date on which Tenant may exercise its Extension Option under this Section 41.2.

(b)If Tenant and Landlord are unable to agree on a mutually acceptable rental rate for the Extension Term not later than [*] days prior to the expiration of the initial Term, then Landlord and Tenant, within [*] days after such date, shall each simultaneously submit to the other, in a sealed envelope, its good faith estimate of the Prevailing Market rate for the Premises during the Extension Term (collectively referred to as the "**Estimates**"). If the higher of such Estimates is not more than [*]% of the lower of such Estimates, then the Prevailing Market rate shall be the average of the two Estimates. If the Prevailing Market rate is not established by the exchange of Estimates, then, within [*] days after the exchange of Estimates, Landlord and Tenant shall each select an appraiser to determine which of the two Estimates most closely reflects the Prevailing Market rate for the Premises during the Extension Term. Each appraiser so selected shall be certified as an MAI appraiser or as an ASA appraiser and shall have had at least [*] years' experience within the previous [*] years as a real estate appraiser working in Fremont, California, with working knowledge of current rental rates and practices. For purposes hereof, an "MAI" appraiser means an individual who holds an MAI designation conferred by, and is an independent member of, the American Institute of Real Estate Appraisers (or its successor organization, or in the event there is no successor organization, the organization and designation most similar), and an "ASA" appraiser means an individual who holds the Senior Member designation conferred by, and is an independent member of, the American Society of Appraisers (or its successor organization, or, in the event there is no successor organization, the organization and designation most similar).

(c) Upon selection, Landlord's and Tenant's appraisers shall work together in good faith to agree upon which of the two (2) Estimates most closely reflects the Prevailing Market rate for the Premises. The Estimate chosen by such appraisers shall be binding on both Landlord and Tenant. If either Landlord or Tenant fails to appoint an appraiser within the [*] day period referred to above, the appraiser appointed by the other party shall be the sole appraiser for the purposes hereof. If the two (2) appraisers cannot agree upon which of the two (2) Estimates most closely reflects the Prevailing Market rate within [*] days after their appointment, then, within [*] days after the expiration of such [*] day period, the two (2) appraisers shall select a third appraiser meeting the aforementioned criteria. Once the third appraiser (i.e., the arbitrator) has been selected as provided for above, then, as soon thereafter as practicable but in any case within [*] days, the arbitrator shall make his or her determination of which of the two Estimates most closely reflects the Prevailing Market rate and such Estimate shall be binding on both Landlord and Tenant as the Prevailing Market rate for the Premises. If the arbitrator believes that expert advice would materially assist him or her, he or she may retain one or more qualified persons to provide such expert advice. The parties shall share equally in the costs of the arbitrator and of any experts retained by the arbitrator. Any fees of any appraiser, counsel or experts engaged directly by Landlord or Tenant, however, shall be borne by the party retaining such appraiser, counsel or expert.

(d) If the Prevailing Market rate has not been determined by the commencement date of the Extension Term, Tenant shall pay Base Rent upon the terms and conditions in effect during the last month of the initial Term until such time as the Prevailing Market rate has been determined. Upon such determination, the Base Rent for the Premises shall be retroactively adjusted to the commencement of such Extension Term for the Premises.

(e) If Tenant is entitled to and properly exercises its Extension Option, Landlord shall prepare an amendment (the "**Extension Amendment**") to reflect changes in the Base Rent, Term, Expiration Date and other appropriate terms. Tenant shall execute and return the Extension Amendment to Landlord within [*] days after Tenant's receipt of same, but an otherwise valid exercise of the Extension Option shall be fully effective whether or not the Extension Amendment is executed.

(f) The Extension Option is not transferable except to a Permitted Transferee in connection with a Permitted Transfer; the parties hereto acknowledge and agree that they intend that the Extension Option shall be "personal" to Tenant and any Permitted Transferee as set forth above and that in no event will any other assignee or subtenant have any rights to exercise the Extension Option. If the Extension Option is validly exercised or if Tenant fails to validly exercise the Extension Option, Tenant shall have no further right to extend the Original Term.

(g) For purposes of this Extension Option, "Prevailing Market" shall mean the arms-length fair market annual rental rate per rentable square foot under new and extension leases and amendments entered into on or about the date on which the Prevailing Market is being determined hereunder for space comparable to the Premises in the Building and buildings comparable to the Building in the same rental market in the Fremont, California, area as of the date the Extension Term is to commence, taking into account the specific provisions of this Lease which will remain constant. The determination of Prevailing Market shall take into account any material economic differences between the terms of this Lease and any comparison lease or amendment, such as rent abatements, construction costs and other concessions and the manner, if any, in which the landlord under any such lease is reimbursed for operating expenses and taxes. The determination of Prevailing Market shall also take into consideration any reasonably anticipated changes in the Prevailing Market rate from the time such Prevailing Market rate is being determined and the time such Prevailing Market rate will become effective under this Lease.

41.3 **Landlord's Lien.** Notwithstanding anything in this Lease to the contrary, Landlord agrees to waive any statutory lien Landlord may have on any of Tenant's equipment, trade fixtures, furniture and other personal property located at the Premises; provided, however, that the foregoing waiver shall not apply to any lien obtained by Landlord pursuant to a judgment of a court of competent jurisdiction. If requested by Tenant, Landlord shall execute a subordination of Landlord's lien on Landlord's standard form, provided that Tenant shall pay to Landlord, as additional rent hereunder, an amount equal to Landlord's costs (including, but not limited to, reasonable legal fees) incurred by Landlord in connection with such subordination. Such amount shall be due and payable upon Landlord's written demand therefor. No such subordination shall relieve Tenant from its obligations under this Lease nor permit any public or private sale of such personal property at or from the Premises or Project.

[SIGNATURE PAGE FOLLOWS]

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the Lease Reference Date set forth in the Reference Pages of this Lease.

LANDLORD:	TENANT:
BKM SOUTH BAY 240, LLC, **a Delaware limited liability company**	**RANI THERAPEUTICS, LLC**, **a California limited liability company**
By: BKM Management Company, L.P., its property manager	
By: /s/ William Martin	By: /s/ Svai Sanford
Name: William Martin	Name: Svai Sanford
Title: Associate Director, Asset Management	Title: Chief Financial Officer
Nov 1, 2023	10/27/2023
	[*]
	Federal ID No:

Portions of this exhibit have been omitted as the Registrant has determined that (i) the omitted information is not material and (ii) the omitted material is of the type that the Registrant treats as private or confidential. Omitted portions are indicated by [*].

Exhibit 31.1

CERTIFICATION

I, Talat Imran, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rani Therapeutics Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

/s/ Talat Imran

Talat Imran

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Svai Sanford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rani Therapeutics Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2023

/s/ Svai Sanford

Svai Sanford

Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Talat Imran, Chief Executive Officer of Rani Therapeutics Holdings, Inc. (the "Company"), and Svai Sanford, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2023, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2023

In Witness Whereof, the undersigned have set their hands hereto as of the 8th day of November, 2023.

/s/ Talat Imran	/s/ Svai Sanford
Talat Imran	Svai Sanford
Chief Executive Officer	Chief Financial Officer
(Principal Executive Officer)	*(Principal Financial and Accounting Officer)*

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Rani Therapeutics Holdings, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.