

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended **March 31, 2021**

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: **001-34705**

Codexis, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

71-0872999

(I.R.S. Employer Identification No.)

200 Penobscot Drive, Redwood City, California
(Address of principal executive offices)

94063
(Zip Code)

Registrant's telephone number, including area code: (650) 421-8100

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value \$0.0001 per share	CDXS	The Nasdaq Global Select Market

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, a 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the 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 April 30, 2021, there were 64,489,793 shares of the registrant's Common Stock, par value \$0.0001 per share, outstanding.

Codexis, Inc.
Quarterly Report on Form 10-Q
For the Quarter Ended March 31, 2021

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>	
PART I. FINANCIAL INFORMATION		
ITEM 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Operations	4
	Condensed Consolidated Statements of Stockholders' Equity	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	8
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
ITEM 3.	Quantitative and Qualitative Disclosures about Market Risk	43
ITEM 4.	Controls and Procedures	44
PART II. OTHER INFORMATION		
ITEM 1.	Legal Proceedings	45
ITEM 1A.	Risk Factors	45
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	45
ITEM 3.	Default Upon Senior Securities	45
ITEM 4.	Mine Safety Disclosures	45
ITEM 5.	Other Information	45
ITEM 6.	Exhibits	46
Signatures		47

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Codexis, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(In Thousands, Except Per Share Amounts)

	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 139,748	\$ 149,117
Restricted cash, current	594	638
Investment in non-marketable debt security	1,067	1,000
Financial assets:		
Accounts receivable	11,368	13,894
Contract assets	5,143	4,526
Unbilled receivables	11,298	10,942
Total financial assets	27,809	29,362
Less: allowances	(74)	(74)
Total financial assets, net	27,735	29,288
Inventories	1,029	964
Prepaid expenses and other current assets	3,390	3,416
Total current assets	173,563	184,423
Restricted cash	1,519	1,062
Investment in non-marketable equity securities	2,350	1,450
Right-of-use assets - Operating leases, net	20,758	21,382
Right-of-use assets - Finance leases, net	94	119
Property and equipment, net	10,396	9,675
Goodwill	3,241	3,241
Other non-current assets	249	294
Total assets	<u>\$ 212,170</u>	<u>\$ 221,646</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,569	\$ 2,970
Accrued compensation	4,953	7,288
Other accrued liabilities	9,516	10,272
Current portion of lease obligations - Operating leases	2,618	2,627
Deferred revenue	1,897	1,824
Total current liabilities	22,553	24,981
Deferred revenue, net of current portion	2,900	2,967
Long-term lease obligations - Operating leases	21,701	22,324
Other long-term liabilities	1,277	1,271
Total liabilities	48,431	51,543
Commitments and Contingencies (Note 11)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value per share; 5,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.0001 par value per share; 100,000 shares authorized; 64,488 shares and 64,283 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	6	6
Additional paid-in capital	539,220	536,516
Accumulated deficit	(375,487)	(366,419)
Total stockholders' equity	163,739	170,103
Total liabilities and stockholders' equity	<u>\$ 212,170</u>	<u>\$ 221,646</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

Codexis, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended March 31,	
	2021	2020
Revenues:		
Product revenue	\$ 10,226	\$ 5,100
Research and development revenue	7,806	9,570
Total revenues	18,032	14,670
Costs and operating expenses:		
Cost of product revenue	4,218	2,541
Research and development	11,571	10,967
Selling, general and administrative	11,398	8,989
Total costs and operating expenses	27,187	22,497
Loss from operations	(9,155)	(7,827)
Interest income	177	266
Other expenses, net	(88)	(86)
Loss before income taxes	(9,066)	(7,647)
Provision for income taxes	2	5
Net loss	\$ (9,068)	\$ (7,652)
Net loss per share, basic and diluted	\$ (0.14)	\$ (0.13)
Weighted average common stock shares used in computing net loss per share, basic and diluted	64,290	58,888

See accompanying notes to the unaudited condensed consolidated financial statements

Codexis, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In Thousands)

Three months ended March 31, 2021	Common Stock		Additional paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 1, 2021	64,283	\$ 6	\$ 536,516	\$ (366,419)	\$ 170,103
Exercise of stock options	118	—	1,223	—	1,223
Release of stock awards	139	—	—	—	—
Employee stock-based compensation	—	—	2,626	—	2,626
Non-employee stock-based compensation	—	—	61	—	61
Taxes paid related to net share settlement of equity awards	(52)	—	(1,206)	—	(1,206)
Net loss	—	—	—	(9,068)	(9,068)
Balance as of March 31, 2021	<u>64,488</u>	<u>\$ 6</u>	<u>\$ 539,220</u>	<u>\$ (375,487)</u>	<u>\$ 163,739</u>

Three months ended March 31, 2020	Common Stock		Additional paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance as of January 1, 2020	58,877	\$ 6	\$ 447,920	\$ (342,409)	\$ 105,517
Exercise of stock options	5	—	39	—	39
Release of stock awards	219	—	—	—	—
Employee stock-based compensation	—	—	2,169	—	2,169
Taxes paid related to net share settlement of equity awards	(84)	—	(1,007)	—	(1,007)
Net loss	—	—	—	(7,652)	(7,652)
Balance as of March 31, 2020	<u>59,017</u>	<u>\$ 6</u>	<u>\$ 449,121</u>	<u>\$ (350,061)</u>	<u>\$ 99,066</u>

See accompanying notes to the unaudited condensed consolidated financial statements

Codexis, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in Thousands)

	Three Months Ended March 31,	
	2021	2020
Operating activities:		
Net loss	\$ (9,068)	\$ (7,652)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	659	438
Amortization expense - right-of-use assets - operating and finance leases	649	692
Stock-based compensation	2,687	2,169
Equity securities earned from research and development activities	(132)	—
Other non-cash items	(84)	—
Changes in operating assets and liabilities:		
Financial assets, net	1,103	(2,763)
Inventories	(65)	(330)
Prepaid expenses and other assets	70	(838)
Accounts payable	400	(246)
Accrued compensation and other accrued liabilities	(1,731)	1,237
Other long-term liabilities	(617)	(624)
Deferred revenue	(311)	6,492
Net cash used in operating activities	<u>(6,440)</u>	<u>(1,425)</u>
Investing activities:		
Purchase of property and equipment	(2,550)	(761)
Proceeds from sale of property and equipment	17	—
Net cash used in investing activities	<u>(2,533)</u>	<u>(761)</u>
Financing activities:		
Proceeds from exercises of stock options	1,223	39
Payments of lease obligations - Finance leases	—	(51)
Taxes paid related to net share settlement of equity awards	(1,206)	(1,007)
Net cash provided by (used in) financing activities	<u>17</u>	<u>(1,019)</u>
Net decrease in cash, cash equivalents and restricted cash	(8,956)	(3,205)
Cash, cash equivalents and restricted cash at the beginning of the period	150,817	92,221
Cash, cash equivalents and restricted cash at the end of the period	<u>\$ 141,861</u>	<u>\$ 89,016</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 3	\$ 4
Supplemental non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	\$ 579	\$ 182
Assets received for research and development revenue earned	\$ 900	\$ —

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the unaudited condensed consolidated balance sheets as of March 31, 2021 and 2020 to the total of the same such amounts shown above:

	March 31,	
	2021	2020
Cash and cash equivalents	\$ 139,748	\$ 87,327
Restricted cash, current and non-current	2,113	1,689
Total cash, cash equivalents and restricted cash	<u>\$ 141,861</u>	<u>\$ 89,016</u>

See accompanying notes to the unaudited condensed consolidated financial statements

**Notes to Condensed Consolidated Financial Statements
(Unaudited)**

Note 1. Description of Business

In these notes to the unaudited condensed consolidated financial statements, the “Company,” “we,” “us,” and “our” refers to Codexis, Inc. and its subsidiaries on a consolidated basis.

We discover, develop and sell enzymes and other proteins that deliver value to our clients in a growing set of industries. We view proteins as a vast, largely untapped source of value-creating products, and we are using our proven technologies, which we have been continuously improving since our inception in 2002, to commercialize an increasing number of novel enzymes, both as proprietary Codexis products and in partnership with our customers.

We are a pioneer in harnessing computational technologies to drive biology advancements. Since 2002, we have made substantial investments in the development of our CodeEvolver[®] protein engineering technology platform, the primary source of our competitive advantage. Our technology platform is powered by proprietary, artificial intelligence-based, computational algorithms that rapidly mine the structural and performance attributes of our large and continuously growing library of protein variants. These computational outputs enable increasingly reliable predictions for next generation protein variants to be engineered, enabling time- and cost-efficient delivery of the targeted performance enhancements. In addition to its computational prowess, our CodeEvolver[®] protein engineering technology platform integrates additional modular competencies, including robotic high-throughput screening and genomic sequencing, organic chemistry and bioprocess development which are all coordinated to rapidly innovate novel, fit-for-purpose products.

The core historical application of the technology has been in developing commercially viable biocatalytic manufacturing processes for more sustainable production of complex chemicals. This begins by conceptually designing the most cost-effective and practical process for a targeted product. We then develop optimized biocatalysts to enable the designed process, using our CodeEvolver[®] platform. Engineered biocatalyst candidates, numbering many thousands for each project, are then rapidly screened and validated using high throughput methods under process-relevant operating conditions. This approach results in an optimized biocatalyst that enables cost-efficient processes that are relatively simple to run in conventional manufacturing equipment. This also allows for efficient technical transfer of our processes to our manufacturing partners.

The successful embodiment of our CodeEvolver[®] protein engineering technology platform in commercial manufacturing processes requires well-integrated expertise in a number of technical disciplines. In addition to those competencies directly integrated in our CodeEvolver[®] protein engineering platform, such as molecular biology, enzymology, microbiology, cellular engineering, metabolic engineering, bioinformatics, biochemistry and high throughput analytical chemistry, our process development projects also involve integrated expertise in organic chemistry, chemical process development, chemical engineering, bioprocess development and fermentation engineering. Our integrated, multi-disciplinary approach to product and process development is a critical success factor for the Company.

We initially commercialized our CodeEvolver[®] protein engineering technology platform and products in the manufacture of small molecule pharmaceuticals, which remains a primary business focus. Our customers, which include many large, global pharmaceutical companies, use our technology, products and services in their process development and in manufacturing. Additionally, we have licensed our proprietary CodeEvolver[®] protein engineering technology platform to global pharmaceutical companies enabling them to use this technology, in house, to engineer enzymes for their own businesses. Most recently, in May 2019, we entered into a Platform Technology Transfer and License Agreement (the “Novartis CodeEvolver[®] Agreement”) with Novartis. The Novartis CodeEvolver[®] Agreement (our third such agreement with large pharma companies) allows Novartis to use our proprietary CodeEvolver[®] protein engineering platform technology in the field of human healthcare.

As evidence of our strategy to extend our technology beyond pharmaceutical manufacturing, we have also used the technology to develop biocatalysts and enzyme products for use in a broader set of industrial markets, including several large verticals, such as food, feed, consumer care and fine chemicals. In addition, we are using our technology to develop enzymes for various life science related applications, such as next generation sequencing (“NGS”) and polymerase chain reaction (“PCR/qPCR”) for in vitro molecular diagnostic and genomic research applications. In December 2019, we entered into a license agreement to provide Roche Sequencing Solutions, Inc. with our first enzyme for this target market: the Company’s EvoT4[™] DNA ligase. In June 2020, we entered into a co-marketing and enzyme supply collaboration agreement with Alphazyme LLC for the production and co-marketing of enzymes for life science applications including, initially, high-fidelity DNA polymerase, T7 RNA polymerase and reverse transcriptase enzymes.

We have been using the CodeEvolver[®] protein engineering technology platform to develop early stage, novel biotherapeutic product candidates, both in partnership with customers and for our own proprietary Codexis drug candidates. Our first program was for the potential treatment of phenylketonuria ("PKU") in humans. PKU is an inherited metabolic disorder in which the enzyme that converts the essential amino acid phenylalanine into tyrosine is deficient. In October 2017, we entered into a Global Development, Option and License Agreement (the "Nestlé License Agreement") with Société des Produits Nestlé S.A., formerly known as Nestec Ltd. ("Nestlé Health Science") to advance CDX-6114, our enzyme biotherapeutic product candidate for the potential treatment of PKU. In February 2019, Nestlé Health Science exercised its option to obtain an exclusive license to develop and commercialize CDX-6114. Also in October 2017, we entered into a strategic collaboration agreement with Nestlé Health Science ("Nestlé SCA") pursuant to which we and Nestlé Health Science are collaborating to leverage the CodeEvolver[®] platform technology to develop other novel enzymes for Nestlé Health Science's established Consumer Care and Medical Nutrition business areas. In January 2020, we entered into a development agreement with Nestlé Health Science to advance a new lead candidate discovered under the Nestlé SCA, CDX-7108, into preclinical development and early clinical studies as a potential treatment for a gastro-intestinal disorder. In parallel, the Nestlé SCA was extended through December 2021 to support the discovery of therapeutic candidates for additional disorders. In March 2020, we entered into a Strategic Collaboration and License Agreement ("Takeda Agreement") with Shire Human Genetic Therapies, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Company Limited ("Takeda"), for the research and development of novel gene therapies for certain disease indications, including the treatment of lysosomal storage disorders and a blood factor deficiency.

In June 2020, we also entered into a Master Collaboration and Research Agreement (the "MAI Agreement") with Molecular Assemblies, Inc ("MAI") pursuant to which we are leveraging our CodeEvolver[®] platform technology to improve the DNA polymerase enzymes that are critical for enzymatic DNA synthesis. Concurrently with the MAI Agreement, we entered into a Stock Purchase Agreement with MAI pursuant to which we purchased 1,587,050 shares of MAI's Series A preferred stock for \$1.0 million and, in connection with the transaction, John Nicols, our President and Chief Executive Officer, also joined MAI's board of directors. See Note 14, "Subsequent Event" for additional information.

Below are brief descriptions of our business segments:

Performance Enzymes

We initially commercialized our CodeEvolver[®] protein engineering technology platform and products in the manufacture of small molecule pharmaceuticals and, to date, this continues to be our largest market served. Our customers, which include many large global pharmaceutical companies, use our technology, products and services in their manufacturing processes and process development. We have also used the technology to develop customized enzymes for use in other industrial markets. These markets consist of several large industrial verticals, including food, feed, consumer care, and fine chemicals. We also use our technology in the life sciences markets to develop enzymes for customers using NGS and PCR/qPCR for in vitro molecular diagnostic and molecular biology research applications, as well DNA/RNA synthesis and health monitoring applications.

Novel Biotherapeutics

We are also targeting new opportunities in the pharmaceutical industry to discover, improve, and/or develop biotherapeutic drug candidates. We believe that our CodeEvolver[®] protein engineering platform technology can be used to discover novel biotherapeutic drug candidates that will target human diseases that are in need of improved therapeutic interventions. Similarly, we believe that we can deploy our platform technology to improve specific characteristics of a customer's pre-existing biotherapeutic drug candidate, such as its activity, stability or immunogenicity.

Our first lead program was for the potential treatment of hyperphenylalaninemia ("HPA") (also referred to as PKU) in humans. PKU is an inherited metabolic disorder in which the enzyme that converts the essential amino acid phenylalanine into tyrosine is deficient. In October 2017, we announced a global development, option and license agreement with Nestlé Health Science to advance CDX-6114, our own novel orally administrable enzyme therapeutic candidate for the potential treatment of PKU. In February 2019, Nestlé Health Science exercised its option to obtain an exclusive, worldwide, royalty-bearing, sub-licensable license for the global development and commercialization of CDX-6114 for the management of PKU. As a result of the option exercise, we earned a milestone and recognized \$3.0 million in revenues in the first quarter of 2019. Upon exercising its option, Nestlé Health Science assumed all responsibilities for future clinical development and commercialization of CDX-6114.

In October 2017, we entered into the Nestlé SCA pursuant to which we and Nestlé Health Science are collaborating to leverage the CodeEvolver[®] platform technology to develop other novel enzymes for Nestlé Health Science's established Consumer Care and Medical Nutrition business areas. In January 2020, we and Nestlé Health Science entered into a development agreement pursuant to which we and Nestlé Health Science are collaborating to advance into pre-clinical and early

clinical studies a lead candidate targeting a gastro-intestinal disorder, CDX-7108, discovered through the Nestlé SCA. The Nestlé SCA was extended through December 2021. During 2020, we, together with Nestlé Health Science, continued to advance CDX-7108 towards initiation of a Phase 1 clinical trial which we anticipate will begin in 2021. Additionally, the parties initiated two new programs under the Nestlé SCA targeting a gastro-intestinal disorder.

In March 2020, we entered into the Takeda Agreement pursuant to which we are collaborating to research and develop protein sequences for use in gene therapy products for certain disease indications in accordance with the respective program plans for Fabry Disease, Pompe Disease, and an undisclosed blood factor deficiency. In March 2020, we received a one-time, non-refundable cash payment of \$8.5 million. Of these programs, the Fabry disease program is the most advanced, with multiple sequences, including CDX-6311, having been provided to Takeda.

Business Update Regarding COVID-19

We are subject to risks and uncertainties as a result of the current COVID-19 pandemic. The COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting our employees, communities and business operations, as well as the U.S. economy and other economies worldwide. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain and may not be accurately predicted, including the duration and severity of the pandemic and the extent and severity of the impact on our customers, new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets.

To date, we and our collaboration partners have been able to continue to supply our enzymes to our customers worldwide. However, we are dependent on our manufacturing and logistics partners and consequently, disruptions in operations of our partners and customers may affect our ability to supply enzymes to our customers. Furthermore, our ability to provide future research and development ("R&D") services will continue to be impacted as a result of governmental orders and any disruptions in operations of our customers with whom we collaborate. We believe that these disruptions have had a minimal impact on revenue for the three months ended March 31, 2021. The extent to which the pandemic may impact our business operations and operating results will continue to remain highly dependent on future developments, which are uncertain and cannot be predicted with confidence.

In the U.S., the impact of COVID-19, including governmental orders ("Orders") governing the operation of businesses during the pandemic, caused the temporary closure of our Redwood City, California facilities and has disrupted our R&D operations. R&D operations for several projects were temporarily suspended from mid-March 2020 through the end of April 2020 in accordance with these Orders. In May 2020, we initiated limited R&D operations and have ramped up operations such that we are currently utilizing the majority of our normal R&D capacity while following county, state and federal COVID-19 guidance for the protection of our employees. Additionally, we resumed small scale manufacturing at our Redwood City pilot plant in May 2020.

Our future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, and the impact of any initiatives or programs that we may undertake to address financial and operations challenges faced by our customers. The extent to which the COVID-19 pandemic may materially impact our financial condition, liquidity, or results of operations in the future is uncertain. For additional information on the various risks posed by the COVID-19 pandemic, please read Item 1A. Risk Factors included in this Quarterly Report on Form 10-Q.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information and include all the information and notes required by GAAP for complete financial statements. These interim Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2020. The condensed consolidated balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements at that date, but does not include all disclosures, including notes, required by GAAP for complete financial statements. The significant accounting policies used in preparation of the Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2021 and 2020, are consistent with those discussed in Note 2 to the audited consolidated financial statements in the Company's 2020 Annual Report on Form 10-K and are updated below as necessary. There have been no significant changes in our significant accounting policies or

critical accounting estimates since December 31, 2020.

The Unaudited Condensed Consolidated Financial Statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments of a normal recurring nature considered necessary to present fairly our financial position as of March 31, 2021, results of our operations for the three months ended March 31, 2021 and 2020, changes in stockholders' equity for the three months ended March 31, 2021 and 2020, and cash flows for the three months ended March 31, 2021 and 2020. The interim results are not necessarily indicative of the results for any future interim period or for the entire year.

The Unaudited Condensed Consolidated Financial Statements include the accounts of Codexis, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of our unaudited condensed consolidated financial statements in conformity with GAAP requires us to make estimates, judgments and assumptions that may affect the reported amounts of assets, liabilities, equity, revenues and expenses and related disclosure of contingent assets and liabilities. We regularly assess these estimates which primarily affect revenue recognition, inventories, goodwill arising out of business acquisitions, accrued liabilities, stock awards, and the valuation allowances associated with deferred tax assets. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, including sales, expenses, reserves and allowances, manufacturing, research and development costs and employee-related amounts, will depend on future developments that are highly uncertain, and may not be accurately predicted, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain or treat COVID-19, as well as the economic impact on local, regional, national and international customers, markets and economies.

Financial Statement Exclusion

The total net loss in the Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2021 and 2020, is not different from the Unaudited Condensed Consolidated Statements of Comprehensive Loss for the same periods. Accordingly, the Unaudited Condensed Consolidated Financial Statements exclude the Unaudited Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2021 and 2020.

Accounting Pronouncements

Recently adopted accounting pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* which is intended to simplify various aspects related to accounting for income taxes. We adopted the standard on January 1, 2021 on a modified retrospective basis. The adoption of this standard had no impact on our Unaudited Condensed Consolidated Financial Statements.

In October 2020, the FASB issued ASU No. 2020-10, *Codification Improvements*. ASU 2020-10 provides amendments to a wide variety of topics in the FASB's Accounting Standards Codification, which applies to all reporting entities within the scope of the affected accounting guidance. We adopted the standard on January 1, 2021 on a retrospective basis. The adoption of this standard had no impact on our Unaudited Condensed Consolidated Financial Statements

Recently issued accounting pronouncements not yet adopted

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our Unaudited Condensed Consolidated Financial Statements upon adoption.

In August 2020, FASB issued ASU No 2020-06 *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40) No. 2020-06 August 2020 Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, to reduce the complexity and to simplify the accounting for convertible debt instruments and convertible preferred stock, and the derivatives scope exception for contracts in an entity's own equity. In addition, the guidance on calculating diluted earnings per share has been simplified and made more internally consistent. The standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years with early adoption permitted for fiscal years beginning December 15, 2020. The standard may be adopted on a

modified retrospective or fully retrospective method of transition and on adoption, entities may irrevocably elect the fair value option in accordance with Subtopic 825-10, *Financial Instruments—Overall*, for any financial instrument that is a convertible security. We believe that the effect of the adoption of ASU 2020-06 will have no impact on our Unaudited Condensed Consolidated Financial Statements and related disclosures.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The standard provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions in which the reference LIBOR or another reference rate are expected to be discontinued as a result of the Reference Rate Reform. The standard is effective for all entities and can be adopted no later than December 1, 2022, with early adoption permitted. The standard may be adopted on a prospective basis. We will evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to elect optional expedients for contract modification; however, we believe that effects of the adoption of ASU 2020-04 will have no impact on our Unaudited Condensed Consolidated Financial Statements and related disclosures.

There have been no other recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2021, as compared to the recent accounting pronouncements described in herein, that are of significance or potential significance to us.

Note 3. Revenue Recognition

Disaggregation of Revenue

The following table provides information about disaggregated revenue from contracts with customers into the nature of the products and services, and geographic regions, and includes a reconciliation of the disaggregated revenue with reportable segments. The geographic regions that are tracked are the Americas (United States, Canada, and Latin America), EMEA (Europe, Middle East, and Africa), and APAC (Australia, New Zealand, Southeast Asia, and China).

Segment information is as follows (in thousands):

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Performance Enzymes	Novel Biotherapeutics	Total	Performance Enzymes	Novel Biotherapeutics	Total
Major products and service:						
Product Revenue	\$ 10,226	\$ —	\$ 10,226	\$ 5,100	\$ —	\$ 5,100
Research and development revenue	4,003	3,803	7,806	5,774	3,796	9,570
Total revenues	<u>\$ 14,229</u>	<u>\$ 3,803</u>	<u>\$ 18,032</u>	<u>\$ 10,874</u>	<u>\$ 3,796</u>	<u>\$ 14,670</u>
Primary geographical markets:						
Americas	\$ 2,871	\$ 2,058	\$ 4,929	\$ 2,999	\$ 2,226	\$ 5,225
EMEA	4,537	1,745	6,282	4,401	1,570	5,971
APAC	6,821	—	6,821	3,474	—	3,474
Total revenues	<u>\$ 14,229</u>	<u>\$ 3,803</u>	<u>\$ 18,032</u>	<u>\$ 10,874</u>	<u>\$ 3,796</u>	<u>\$ 14,670</u>

Contract Balances

The following table presents balances of contract assets, unbilled receivables, contract costs, and contract liabilities (in thousands):

	March 31, 2021	December 31, 2020
Contract assets	\$ 5,143	\$ 4,526
Unbilled receivables	\$ 11,298	\$ 10,942
Contract costs	\$ 58	\$ 90
Contract liabilities: deferred revenue	\$ 4,797	\$ 4,791

We had no asset impairment charges related to contract assets in the three months ended March 31, 2021 and 2020.

During the three months ended March 31, 2021, the increase in contract assets was primarily due to increases in product revenue from contracts subject to over time revenue recognition. The increase in unbilled receivables were primarily due to the timing of billings. The increase in deferred revenue was nominal compared to prior period. During the three months ended March 31, 2020, decreases in contract assets were primarily due to contract assets that were subsequently invoiced as our right to consideration for goods and services became unconditional. Increases in unbilled receivables were primarily due to the timing of billings. The increase in deferred revenue were primarily due to cash advances received in excess of revenue recognized.

We recognized the following revenues (in thousands):

	Three months ended March 31,	
	2021	2020
Revenue recognized in the period for:		
Amounts included in contract liabilities at the beginning of the period:		
Performance obligations satisfied	\$ 862	\$ 57
Changes in the period:		
Changes in the estimated transaction price allocated to performance obligations satisfied in prior periods	\$ 24	\$ (643)
Performance obligations satisfied from new activities in the period - contract revenue	17,146	15,256
Total revenues	<u>\$ 18,032</u>	<u>\$ 14,670</u>

Performance Obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting periods. The estimated revenue does not include contracts with original durations of one year or less, amounts of variable consideration attributable to royalties, or contract renewals that are unexercised as of March 31, 2021.

The balances in the table below are partially based on judgments involved in estimating future orders from customers subject to the exercise of material rights pursuant to respective contracts as of March 31, 2021 (in thousands):

	Remainder of 2021	2022	2023	2024 and Thereafter	Total
Product Revenue	\$ 400	\$ 67	\$ 431	\$ 1,923	\$ 2,821
Research and development revenue	1,430	—	546	—	1,976
Total revenues	<u>\$ 1,830</u>	<u>\$ 67</u>	<u>\$ 977</u>	<u>\$ 1,923</u>	<u>\$ 4,797</u>

Note 4. Net Loss per Share

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding, less restricted stock awards (“RSAs”) subject to forfeiture. Diluted net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock shares outstanding, less RSAs subject to forfeiture, plus all additional common shares that would have been outstanding, assuming dilutive potential common stock shares had been issued for other dilutive securities.

Anti-Dilutive Securities

In periods of net loss, the weighted average number of shares outstanding, prior to the application of the treasury stock method, excludes potentially dilutive securities from the computation of diluted net loss per common share because including such shares would have an anti-dilutive effect.

The following shares were not considered in the computation of diluted net loss per share because their effect was anti-dilutive (in thousands):

	Three months ended March 31,	
	2021	2020
Shares issuable under the Equity Incentive Plan	5,497	5,071

Note 5. Investments in Non-Marketable Securities

Non-Marketable Debt Securities

We classify non-marketable debt securities, which are accounted for as available-for-sale, within Level 3 in the fair value hierarchy because we estimate the fair value based on a qualitative analysis using the most recent observable transaction price and other significant unobservable inputs including volatility, rights, and obligations of the securities we hold.

We determine gains or losses on the sale or extinguishment of non-marketable debt securities using a specific identification method. Unrealized gains and losses from bifurcated embedded derivatives, which represent share-settled redemption features, are recorded as other expense, net, in the unaudited condensed consolidated statements of operations. Unrealized gains and losses on non-marketable debt securities are recorded as a component of other comprehensive loss until realized. Realized gains or losses are recorded as a component of other expenses, net.

In the three months ended March 31, 2021, we recognized \$0.1 million in interest income from amortization of debt discount and interest earned on our investment in non-marketable debt security, and \$68 thousand in other expenses, net, on the change in the fair value of an embedded bifurcated derivative. We recognized no unrealized or realized gains or losses during the three months ended March 31, 2021. We recognized no interest income, other expenses, and unrealized or realized gains or losses during the three months ended March 31, 2020.

The following table presents balances of the adjusted cost and carrying value and fair value of non-marketable debt security by contractual maturity (in thousands):

	March 31, 2021	
	Adjusted Cost and Carrying Value	Fair Value
Non-marketable debt security due in 1 year or less	\$ 1,067	\$ 1,067

	December 31, 2020	
	Adjusted Cost and Carrying Value	Fair value
Non-marketable debt security due in 1 year or less	\$ 1,000	\$ 1,000

Non-Marketable Equity Securities

Non-marketable equity securities are investments in privately held companies without readily determinable market values. We measure investments in non-marketable equity securities without a readily determinable fair value using a measurement alternative that measures these securities at the cost method minus impairment, if any, plus or minus changes resulting from observable price changes on a non-recurring basis. The fair value of non-marketable equity securities that have been remeasured due to impairment are classified within Level 3. We adjust the carrying value of non-marketable equity securities which have been remeasured during the period and recognize resulting gains or losses as a component of other expenses, net. We recognized no unrealized or realized gain or losses during the three months ended March 31, 2021 and 2020.

The following table presents balances of the carrying value of non-marketable equity securities (in thousands):

	March 31, 2021	December 31, 2020
Non-marketable equity securities	\$ 2,350	\$ 1,450

Note 6. Fair Value Measurements

The following tables present the financial instruments that were measured at fair value on a recurring basis within the fair value hierarchy (in thousands):

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 122,075	\$ —	\$ —	\$ 122,075
Non-marketable debt security	—	—	1,067	1,067
Total	\$ 122,075	\$ —	\$ 1,067	\$ 123,142

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 127,567	\$ —	\$ —	\$ 127,567
Non-marketable debt security	—	—	1,000	1,000
Total	\$ 127,567	\$ —	\$ 1,000	\$ 128,567

The fair value of non-marketable securities remeasured due to impairment would be classified within level 3. During the three months ended March 31, 2021 and 2020, we did not recognize any significant credit losses nor other-than-temporary impairment losses on non-marketable securities. The carrying value of our non-marketable securities approximated fair value.

Note 7. Balance Sheets Details

Cash Equivalents

Cash equivalents as of March 31, 2021 and December 31, 2020, consisted of the following (in thousands):

	March 31, 2021		December 31, 2020	
	Adjusted Cost	Estimated Fair Value	Adjusted Cost	Estimated Fair Value
Money market funds ⁽¹⁾	\$ 122,075	\$ 122,075	\$ 127,567	\$ 127,567

⁽¹⁾ Money market funds are classified in cash and cash equivalents on our consolidated balance sheets. Average Contractual Maturities (in days) is not applicable.

As of March 31, 2021, the total cash and cash equivalents balance of \$139.7 million was comprised of money market funds of \$122.1 million and cash of \$17.6 million held with major financial institutions. As of December 31, 2020, the total cash and cash equivalents balance of \$149.1 million was comprised of money market funds of \$127.6 million and cash of \$21.5 million held with major financial institutions.

Inventories

Inventories consisted of the following (in thousands):

	March 31, 2021	December 31, 2020
Raw materials	\$ 77	\$ 77
Work-in-process	107	82
Finished goods	845	805
Inventories	<u>\$ 1,029</u>	<u>\$ 964</u>

Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	March 31, 2021	December 31, 2020
Laboratory equipment	\$ 27,491	\$ 25,468
Leasehold improvements	10,785	10,785
Computer equipment and software	3,236	3,192
Office equipment and furniture	1,246	1,246
Construction in progress	1,375	2,357
Property and equipment	44,133	43,048
Less: accumulated depreciation and amortization	(33,737)	(33,373)
Property and equipment, net	<u>\$ 10,396</u>	<u>\$ 9,675</u>

Depreciation expense included in the Unaudited Condensed Consolidated Statements of Operations was follows (in thousands):

	Three months ended March 31,	
	2021	2020
Depreciation Expense	<u>\$ 659</u>	<u>\$ 438</u>

Goodwill

Goodwill had a carrying value of \$3.2 million as of March 31, 2021 and December 31, 2020.

Other Accrued Liabilities

Other accrued liabilities consisted of the following (in thousands):

	March 31, 2021	December 31, 2020
Accrued purchases	\$ 5,749	\$ 7,170
Accrued professional and outside service fees	3,527	2,589
Other	240	513
Total	<u>\$ 9,516</u>	<u>\$ 10,272</u>

Note 8. Stock-based Compensation

Equity Incentive Plans

In 2019, our board of directors (the "Board") and stockholders approved the 2019 Incentive Award Plan (the "2019 Plan"). The 2019 Plan superseded and replaced in its entirety our 2010 Equity Incentive Plan (the "2010 Plan") which was effective in March 2010, and no further awards will be granted under the 2010 Plan; however, the terms and conditions of the 2010 Plan will continue to govern any outstanding awards thereunder.

The 2019 Plan provides for the grant of stock options, including incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance-contingent restricted stock units ("PSUs"), performance based options ("PBOs"), other stock or cash based awards and dividend equivalents to eligible employees and consultants of the Company or any parent or subsidiary, as well as members of the Board.

The number of shares of our common stock available for issuance under the 2019 Plan is equal to the sum of (i) 7,897,144 shares, and (ii) any shares subject to awards granted under the 2010 Plan that were outstanding as of April 22, 2019 and thereafter terminate, expire, lapse or are forfeited; provided that no more than 14,000,000 shares may be issued upon the exercise of incentive stock options ("ISOs"). In June 2019, 8.1 million shares authorized for issuance under the 2019 Plan were registered under the Securities Act of 1933, as amended (the "Securities Act").

The 2010 Plan provided for the grant of incentive stock options, non-statutory stock options, RSUs, RSAs, PSUs, PBOs, stock appreciation rights, and stock purchase rights to our employees, non-employee directors and consultants.

Stock Options

The option exercise price for incentive stock options must be at least 100% of the fair value of our common stock on the date of grant and the option exercise price for non-statutory stock options is 85% of the fair value of our common stock on the date of grant, as determined by the Board. If, at the time of a grant, the optionee directly or by attribution owns stock possessing more than 10% of the total combined voting power of all of our outstanding capital stock, the exercise price for these options must be at least 110% of the fair value of the underlying common stock. Stock options granted to employees generally have a maximum term of ten years and vest over four years from the date of grant, of which 25% vest at the end of one year, and 75% vest monthly over the remaining three years. We may grant options with different vesting terms from time to time. Unless an employee's termination of service is due to disability or death, upon termination of service, any unexercised vested options will be forfeited at the end of three months or the expiration of the option, whichever is earlier.

Restricted Stock Units (RSUs)

We also grant employees RSUs, which generally vest over either a three year period with one-third of the shares subject to the RSUs vesting on each yearly anniversary of the vesting commencement date or over a four year period with 25% of the shares subject to the RSU vesting on each yearly anniversary of the vesting commencement date, in each case contingent upon such employee's continued service on such vesting date. RSUs are generally subject to forfeiture if employment terminates prior to the release of vesting restrictions. We may grant RSUs with different vesting terms from time to time.

Performance-contingent Restricted Stock Units (PSUs) and Performance Based Options (PBOs)

The compensation committee of the Board approved, solely in respect of non-executive employees, delegated to our Chief Executive Officer the authority to approve grants of PSUs. The compensation committee of the Board also approved grants of PBOs and PSUs to our executives. The PSUs and PBOs vest based upon both the successful achievement of certain corporate operating milestones in specified timelines and continued employment through the applicable vesting date. When the performance goals are deemed to be probable of achievement for these types of awards, recognition of stock-based compensation expense commences. Once the number of shares eligible to vest is determined, those shares vest in two equal installments with 50% vesting upon achievement and the remaining 50% vesting on the first anniversary of achievement, in each case, subject to the recipient's continued service through the applicable vesting date. If the performance goals are achieved at the threshold level, the number of shares eligible to vest in respect of the PSUs and PBOs would be equal to half the number of PSUs granted and one-quarter the number of shares underlying the PBOs granted. If the performance goals are achieved at the target level, the number of shares eligible to vest in respect of the PSUs and PBOs would be equal to the number of PSUs granted and half of the shares underlying the PBOs granted. If the performance goals are achieved at the superior level, the number of shares eligible to vest in respect of the PSUs would be equal to two times the number of PSUs granted and equal to the number of PBOs granted. The number of shares issuable upon achievement of the performance goals at the levels between the threshold and target levels for the PSUs and PBOs or between the target level and superior levels for the PSUs would be

determined using linear interpolation. Achievement below the threshold level would result inno shares being eligible to vest in respect of the PSUs and PBOs.

In the first quarter of 2021, we awarded PSUs ("2021 PSUs") and PBOs ("2021 PBOs"), each of which commence vesting based upon the achievement of various weighted performance goals, including corporate revenue, performance enzyme segment gross margin, major new biotherapeutics publicity events, strategic performance enzyme and biotherapeutics deliverables, safety, and technology and strategic plan development. As of March 31, 2021, we estimated that the 2021 PSUs and 2021 PBOs performance goals would be achieved at 100% of the target level, and recognized expenses accordingly.

In 2020, we awarded PSUs ("2020 PSUs") and PBOs ("2020 PBOs"), each of which commenced vesting based upon the achievement of various weighted performance goals, including corporate revenue, performance enzyme segment gross margin, major new biotherapeutics publicity events, strategic performance enzyme and biotherapeutics deliverables, and strategic plan development. In the first quarter of 2021, we determined that the 2020 PSUs and 2020 PBOs performance goals had been achieved at 88% of the target level, and recognized expenses accordingly. Accordingly, 50% of the shares underlying the 2020 PSUs and PBOs vested in the first quarter of 2021 and 50% of the shares underlying the 2020 PSUs and PBOs will vest in the first quarter of 2022, in each case subject to the recipient's continued service on each vesting date.

In 2019, we awarded PSUs ("2019 PSUs") and PBOs ("2019 PBOs"), each of which commenced vesting based upon the achievement of various weighted performance goals, including sustained revenue and performance enzyme growth, strategic advancement of biotherapeutics, cash balance and strategic plan development. In the first quarter of 2020, we determined that the 2019 PSUs and 2019 PBOs performance goals had been achieved at 84% of the target level, and recognized expenses accordingly. Accordingly, 50% of the shares underlying the 2019 PSUs and PBOs vested in the first quarter of 2020 and 50% of the shares underlying the 2019 PSUs and PBOs vested in the first quarter of 2021, in each case subject to the recipient's continued service on each vesting date.

Stock-Based Compensation Expense

Stock-based compensation expense is included in the unaudited condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Research and development	\$ 477	\$ 424
Selling, general and administrative	2,210	1,745
Total	\$ 2,687	\$ 2,169

The following table presents total stock-based compensation expense by security type included in the unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2021	2020
Stock options	\$ 665	\$ 541
RSUs and RSAs	542	599
PSUs	470	331
PBOs	1,010	698
Total	\$ 2,687	\$ 2,169

As of March 31, 2021, unrecognized stock-based compensation expense, net of expected forfeitures, was \$5.3 million related to unvested stock options, \$4.7 million related to unvested RSUs and RSAs, \$2.0 million related to unvested PSUs, and \$3.3 million related to unvested PBOs based on current estimates of the level of achievement. Stock-based compensation expense for these awards will be recognized through the year of 2025.

Note 9. Capital Stock

Exercise of Options

For the three months ended March 31, 2021 and March 31, 2020, we issued 18,437 and 5,333 shares, respectively, upon option exercises at a weighted-average exercise price of \$10.33 and \$7.31 per share, respectively, with net cash proceeds of \$1.2 million and \$39 thousand, respectively.

Note 10. Commitments and Contingencies

Operating Leases

Our headquarters are located in Redwood City, California, where we occupy approximately 77,300 square feet of office and laboratory space in multiple buildings within the same business park of Metropolitan Life Insurance Company ("MetLife"). Our lease agreement with MetLife ("RWC Lease") includes approximately 28,200 square feet of space located at 200 and 220 Penobscot Drive, Redwood City, California (the "200/220 Penobscot Space") and approximately 37,900 square feet of space located at 400 Penobscot Drive, Redwood City, California (the "400 Penobscot Space") (the 200/220 Penobscot Space and the 400 Penobscot Space are collectively referred to as the "Penobscot Space"), and approximately 11,200 square feet of space located at 501 Chesapeake Drive, Redwood City, California (the "501 Chesapeake Space").

Until the end of January 2020, we also leased approximately 29,900 square feet of space located at 101 Saginaw Drive, Redwood City, California (the "Saginaw Space"). During January 2020, we subleased approximately 26,500 square feet of the Saginaw Space to Minerva Surgical, Inc. The lease and sublease for the Saginaw Space both expired at the end of January 2020. During the period from February 1, 2020 through April 30, 2020, we subleased approximately 3,400 square feet at 101 Saginaw Drive from Minerva Surgical, Inc. The sublease expired at the end of April 2020.

We entered into the initial lease with MetLife for our facilities in Redwood City in 2004 and the RWC Lease has been amended multiple times since then to adjust the leased space and terms of the Lease. In February 2019, we entered into an Eighth Amendment to the Lease (the "Eighth Amendment") with MetLife with respect to the Penobscot Space and the 501 Chesapeake Space to extend the term of the Lease for additional periods. Pursuant to the Eighth Amendment, the term of the lease of the Penobscot Space has been extended through May 2027. The lease term for the 501 Chesapeake Space has been extended to May 2029. We have one (1) option to extend the term of the lease for the Penobscot Space for five (5) years, and one (1) separate option to extend the term of the lease for the 501 Chesapeake Space for five (5) years.

We are required to restore certain areas of the Redwood City facilities that we are renting to their original form. We are expensing the asset retirement obligation over the terms of the respective leases. We review the estimated obligation each reporting period and make adjustments if our estimates change. We recorded asset retirement obligations of \$0.2 million as of March 31, 2021 and December 31, 2020, which are included in other liabilities on the unaudited condensed consolidated balance sheets. Accretion expense related to our asset retirement obligations was nominal in the three months ended March 31, 2021 and 2020.

Pursuant to the terms of the RWC Lease, we exercised our right to deliver a letter of credit in lieu of a security deposit. The letter of credit is collateralized by deposit balances held by the bank in the amount of \$1.1 million as of March 31, 2021 and December 31, 2020, and are recorded as non-current restricted cash on the unaudited condensed consolidated balance sheets.

Finance Leases

In December 2016, we entered into a three-year financing lease agreement with a third party supplier for the purchase of laboratory equipment that was partially financed through a finance lease of approximately \$0.4 million. The lease became effective upon delivery of the equipment in February 2017, and term of the three-year lease was from February 2017 and expired in February 2020. This financing agreement was accounted for as a finance lease due to bargain purchase options at the end of the lease. In April 2017, we entered into a three-year financing lease agreement with a third-party supplier for the purchase of information technology equipment for approximately \$0.3 million. The effective term of the three-year lease was from May 2017 and expired in April 2020.

Lease and other information

Lease costs, amounts included in measurement of lease obligations and other information related to non-cancellable operating leases and finance leases were as follows (in thousands):

	Three months ended March 31,	
	2021	2020
Finance lease amortization of right-of-use assets	\$ 26	\$ 54
Operating lease cost	1,032	1,068
Short-term lease costs ⁽¹⁾	—	31
Sublease income	—	(55)
Total lease cost ⁽²⁾	\$ 1,058	\$ 1,098

⁽¹⁾ Short-term lease costs on leases with terms of over one month and less than one year.

⁽²⁾ The Company had no variable lease costs.

Other information:

	Operating Leases
Weighted-average remaining lease term (in years)	5.2 years
Weighted-average discount rate	6.6 %

Cash paid:	Three months ended March 31,	
	2021	2020
Operating cash flows from operating leases	\$ 1,042	\$ 354
Financing cash flows from finance leases	\$ —	\$ 51

As of March 31, 2021, our maturity analysis of annual undiscounted cash flows of the non-cancellable operating leases are as follows (in thousands):

Years ending December 31,	Operating Leases
2021 (remaining 9 months)	\$ 3,156
2022	4,285
2023	4,589
2024	4,726
2025	4,868
Thereafter	8,627
Total minimum lease payments	30,251
Less: imputed interest	(5,932)
Lease obligations	\$ 24,319

Future Lease Commitment

In the first quarter of 2021, we entered into a lease agreement with ARE-San Francisco No. 63, LLC (“ARE”) to lease a portion of a facility comprising approximately 36,593 rentable square feet in San Carlos, California to serve as additional office and research and development laboratory space (the “San Carlos Space”). We expect to commence occupancy of the San Carlos Space in November 2021 once tenant improvements are substantially completed by ARE in accordance with the construction plan. The budget provides a net tenant improvement allowance of \$6.3 million and an additional allowance of up to \$2.7 million, which we expect to use. ARE will have an enforceable right to payment by us in the form of equal monthly additional rent payments at a certain interest rate through the lease term for the additional allowance. The terms include an initial annualized base rent of approximately \$2.5 million, subject to scheduled 3% annual rent increases, an annualized additional allowance payment of approximately \$0.4 million, plus certain operating expenses. The lease has a 10-year term with one option to extend the term for an additional period of 5 years. We have provided ARE with an approximately \$0.5 million security deposit in the form of a letter of credit. We have the right to sublease the facility, subject to landlord consent. We

determined that the lease commencement date is in November 2021 at which point we will record a right of use asset and a corresponding lease liability.

An estimated maturity analysis of the annual undiscounted cash flows of the lease is as follows (in thousands):

Years ending December 31,	Operating Lease
2021 (remaining 9 months)	\$ 34
2022	2,925
2023	3,001
2024	3,079
2025	3,159
2026 and thereafter	19,525
Total minimum lease payments	\$ 31,723

Other Commitments

We enter into supply and service arrangements in the normal course of business. Supply arrangements are primarily for fixed-price manufacture and supply. Service agreements are primarily for the development of manufacturing processes and certain studies. Commitments under service agreements are subject to cancellation at our discretion which may require payment of certain cancellation fees. The timing of completion of service arrangements is subject to variability in estimates of the time required to complete the work.

The following table provides quantitative data regarding our other commitments. Future minimum payments reflect amounts that we expect to pay including potential obligations under services agreements subject to risk of cancellation by us (in thousands):

Other Commitment Agreement Type	Agreement Date	Future Minimum Payment
Manufacture and supply agreement with expected future payment date of December 2022	April 2016	\$ 55
Development and manufacturing services agreements	September 2019	2,374
Total other commitments		\$ 2,429

Credit Facility

In June 30, 2017, we entered into a credit facility (the "Credit Facility") with Western Alliance Bank consisting of term loans ("Term Debt") up to \$0.0 million, and advances ("Advances") under a revolving line of credit ("Revolving Line of Credit") up to \$5.0 million with an accounts receivable borrowing base of 80% of eligible accounts receivable. As of March 31, 2021 and December 31, 2020, we have not drawn from the Credit Facility. We may draw on the Term Debt and the Revolving Line of Credit at any time prior to October 1, 2021 and October 1, 2024, respectively. On October 1, 2024 loans drawn under the Term Debt mature and the Revolving Line of Credit terminate. Loans made under the Term Debt bear interest through maturity equal to the greater of (i) 3.75% or (ii) the sum of (A) Index Rate (prime rate published in the Money Rates section of the Western Edition of The Wall Street Journal plus (B) 0.50%. Advances made under the Revolving Line of Credit bear interest at a variable annual rate equal to the equal to the greater of (i) 4.25% or (ii) the sum of (A) the prime rate plus (B) 1.00%.

Our obligations under the Credit Facility are secured by a lien on substantially all of our personal property other than our intellectual property. The Credit Facility includes a number of customary covenants and restrictive financial covenants including meeting minimum product revenue levels and maintaining certain minimum cash levels with the lender. The Credit Facility's financial covenants restrict the ability of the Company to transfer collateral, incur additional indebtedness, engage in mergers or acquisitions, pay dividends or make other distributions, make investments, create liens, sell assets, or sell certain assets held at foreign subsidiaries. A failure to comply with these covenants could permit the lender to exercise remedies against us and the collateral securing the Credit Facility, including foreclosure of our properties securing the Credit Facilities and our cash. As of March 31, 2021, we were in compliance with the covenants for the Credit Facility.

The Credit Facility allows for interest-only payments on the Term Debt through November 1, 2022. Monthly payments of principal and interest on the Term Debt are required following the applicable amortization date. We may elect to prepay in full the Term Debt and Advances under the Revolving Line of Credit at any time.

Legal Proceedings

We are not currently a party to any material pending litigation or other material legal proceedings.

Indemnifications

We are required to recognize a liability for the fair value of any obligations we assume upon the issuance of a guarantee. We have certain agreements with licensors, licensees and collaborators that contain indemnification provisions. In such provisions, we typically agree to indemnify the licensor, licensee and collaborator against certain types of third party claims. The maximum amount of the indemnifications is not limited. We accrue for known indemnification issues when a loss is probable and can be reasonably estimated. There were no accruals for expenses related to indemnification issues for any periods presented.

Note 11. Related Party Transactions

Molecular Assemblies, Inc.

In June 2020, we entered into a Stock Purchase Agreement with MAI pursuant to which we purchased 1,587,050 shares of MAI's Series A preferred stock for \$1.0 million. In connection with the transaction, John Nicols, our President and Chief Executive Officer, also joined MAI's board of directors. Concurrently with our initial equity investment, we entered into the MAI Agreement with MAI, pursuant to which we are performing services utilizing our CodeEvolver[®] protein engineering platform technology to improve DNA polymerase enzymes in exchange for compensation in the form of additional shares of MAI's Series A preferred stock.

We recognized \$0.1 million and nil in research and development revenue from transactions with MAI in the three months ended March 31, 2021 and 2020, respectively. We received 1,428,342 shares and nil of MAI's Series A preferred stock from research and development services we provided to MAI in the three months ended March 31, 2021 and 2020, respectively. We have 3,729,563 shares of MAI's Series A preferred stock from the inception to date. The carrying value of our investment in MAI Series A preferred stock was \$2.4 million and \$1.5 million at March 31, 2021 and December 31, 2020, respectively. We had nil and \$0.5 million in contract asset due from MAI for services rendered as of March 31, 2021 and December 31, 2020, respectively. Payment for the services rendered was subsequently received in the form of additional MAI Series A preferred stock in the subsequent quarter.

AstraZeneca PLC

Pam P. Cheng, who served as a member of our board of directors until June 2020, joined AstraZeneca PLC as Executive Vice President, Operations and Information Technology in June 2015. We sold biocatalyst products to AstraZeneca PLC and its controlled purchasing agents and contract manufacturers. We recognized \$0.1 million of revenue from transactions with AstraZeneca and its controlled purchasing agents and contract manufacturers for the three months ended March 31, 2020 and through the date of Ms. Cheng's departure from our board of director. As of March 31, 2021 and December 31, 2020, we had nominal and no receivables from AstraZeneca PLC and its controlled purchasing agents and contract manufacturers from related party transactions, respectively.

Note 12. Segment, Geographical and Other Revenue Information

Segment Information

We manage our business as two business segments: Performance Enzymes and Novel Biotherapeutics. Our chief operating decision maker ("CODM") is our Chief Executive Officer. Our business segments are primarily based on our organizational structure and our operating results as used by our CODM in assessing performance and allocating resources for the Company.

We report corporate-related expenses such as legal, accounting, information technology, and other costs that are not otherwise included in our reportable business segments as "Corporate costs." All items not included in income (loss) from operations are excluded from the business segments.

We manage our assets on a total company basis, not by business segment, as the majority of our operating assets are shared or commingled. Our CODM does not review asset information by business segment in assessing performance or allocating resources, and accordingly, we do not report asset information by business segment.

Performance Enzymes

We initially commercialized our CodeEvolver® protein engineering technology platform and products in the pharmaceuticals market, and to date this continues to be our largest market served. Our customers, which include many large global pharmaceutical companies, use our technology, products and services in their manufacturing processes and process development. We have also used the technology to develop customized enzymes for use in other industrial markets. These markets consist of several large industrial verticals, including food and food ingredients, animal feed, flavors, fragrances, and agricultural chemicals. We also use our technology to develop enzymes for customers using NGS and PCR/qPCR for in vitro molecular diagnostic and molecular biology research applications.

Novel Biotherapeutics

We are also targeting new opportunities in the pharmaceutical industry to discover, improve, and/or develop biotherapeutic drug candidates. We believe that our CodeEvolver® protein engineering platform technology can be used to discover novel biotherapeutic drug candidates that will target human diseases that are in need of improved therapeutic interventions. Similarly, we believe that we can deploy our platform technology to improve specific characteristics of a customer's pre-existing biotherapeutic drug candidate, such as its activity, stability or immunogenicity. Most notable is our lead program for the potential treatment of PKU in humans. PKU is an inherited metabolic disorder in which the enzyme that converts the essential amino acid phenylalanine into tyrosine is deficient.

We have also developed a pipeline of other biotherapeutic drug candidates, which are in preclinical development, and in which we expect to continue to make additional investments with the aim of advancing additional product candidates targeting other therapeutic areas. In March 2020 we entered into the Takeda Agreement with Takeda under which we will research and develop protein sequences for use in gene therapy products for certain diseases.

Factors considered in determining the two reportable segments of the Company include the nature of business activities, the management structure directly accountable to our CODM for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors. Our CODM regularly reviews our segments and the approach provided by management for performance evaluation and resource allocation.

Operating expenses that directly support the segment activity are allocated based on segment headcount, revenue contribution or activity of the business units within the segments, based on the corporate activity type provided to the segment. The expense allocation excludes certain corporate costs that are separately managed from the segments. This provides the CODM with more meaningful segment profitability reporting to support operating decisions and allocate resources.

The following table provides financial information by our reportable business segments along with a reconciliation to consolidated income (loss) before income taxes (in thousands):

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Performance Enzymes	Novel Biotherapeutics	Total	Performance Enzymes	Novel Biotherapeutics	Total
Revenues:						
Product revenue	\$ 10,226	\$ —	\$ 10,226	\$ 5,100	\$ —	\$ 5,100
Research and development revenue	4,003	3,803	7,806	5,774	3,796	9,570
Total revenues	14,229	3,803	18,032	10,874	3,796	14,670
Costs and operating expenses:						
Cost of product revenue	4,218	—	4,218	2,541	—	2,541
Research and development ⁽¹⁾	6,444	4,605	11,049	5,696	4,925	10,621
Selling, general and administrative ⁽¹⁾	2,818	600	3,418	2,345	591	2,936
Total segment costs and operating expenses	13,480	5,205	18,685	10,582	5,516	16,098
Income (loss) from operations	\$ 749	\$ (1,402)	(653)	\$ 292	\$ (1,720)	(1,428)
Corporate costs ⁽²⁾			(7,728)			(5,727)
Unallocated depreciation and amortization			(685)			(492)
Loss before income taxes			\$ (9,066)			\$ (7,647)

⁽¹⁾ Research and development expenses and selling, general and administrative expenses exclude depreciation and amortization of finance leases.

⁽²⁾ Corporate costs include unallocated selling, general and administrative expense, interest income, and other income and expenses.

The following table provides stock-based compensation expense included in income (loss) from operations (in thousands):

	Three months ended March 31,				Three months ended March 31,			
	2021				2020			
	Performance Enzymes	Novel Biotherapeutics	Corporate cost	Total	Performance Enzymes	Novel Biotherapeutics	Corporate cost	Total
Stock-based compensation	\$ 994	\$ 238	\$ 1,455	\$ 2,687	\$ 756	\$ 241	\$ 1,172	\$ 2,169

Significant Customers

Customers that each accounted for 10% or more of our total revenues were as follows:

	Percentage of Total Revenues for the Three Months Ended March 31,	
	2021	2020
Customer A	28 %	24 %
Customer B	*	19 %
Customer C	11 %	15 %
Customer D	10 %	11 %
Customer E	14 %	*

* Percentage was less than 10%

Customers that each accounted for 10% or more of accounts receivable balances as of the periods presented as follows:

	Percentage of Accounts Receivables as of	
	March 31, 2021	December 31, 2020
Customer A	41 %	32 %
Customer B	*	25 %
Customer D	11 %	13 %
Customer F	12 %	*
Customer G	11 %	*

* Percentage was less than 10%

Geographical Information

Geographic revenues are identified by the location of the customer and consist of the following (in thousands):

	Three Months Ended March 31,	
	2021	2020
Revenues		
Americas	\$ 4,929	\$ 5,225
EMEA	6,282	5,971
APAC	6,821	3,474
Total revenues	<u>\$ 18,032</u>	<u>\$ 14,670</u>

Identifiable long-lived assets by location was as follows (in thousands):

	March 31, 2021	December 31, 2020
United States	<u>\$ 31,248</u>	<u>\$ 31,176</u>

Identifiable goodwill by reporting unit was as follows (in thousands):

	As of March 31, 2021 and December 31, 2020		
	Performance Enzymes	Novel Biotherapeutics	Total
Goodwill	<u>\$ 2,463</u>	<u>\$ 778</u>	<u>\$ 3,241</u>

Note 13. Allowance for Credit Losses

The following table summarizes the financial assets allowance for credit losses (in thousands):

	Three months ended March 31,	
	2021	2020
Allowance for credit losses	\$ 74	\$ 34

The following tables summarize accounts receivable by aging category (in thousands):

	March 31, 2021				Total balance
	Current	31-60 Days	61-90 Days	91 Days and over	
Accounts receivable	\$ 11,329	\$ 35	\$ —	\$ 4	\$ 11,368

	December 31, 2020				Total balance
	Current	31-60 Days	61-90 Days	91 Days and over	
Accounts receivable	\$ 13,172	\$ 688	\$ 7	\$ 27	\$ 13,894

Note 14. Subsequent Event

In April 2021, we purchased an additional 1.0 million shares of MAI's Series A preferred stock for \$0.6 million. For additional information, Note 5, "Investments in Non-Marketable Securities" and Note 11, "Related Party Transactions."

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

The following management's discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2020 included in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 1, 2021 (the "Annual Report"). This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements include, but are not limited to, expectations regarding our strategy, business plans, financial performance and developments relating to our industry. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "should," "estimate," or "continue," and similar expressions or variations. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in Part II, Item 1A: "Risk Factors" of this Quarterly Report on Form 10-Q and Part I, Item 1A: "Risk Factors" of our Annual Report, as incorporated herein and referenced in Part II, Item 1A: "Risk Factors" of this Quarterly Report on Form 10-Q and elsewhere in this report. The forward-looking statements in this Quarterly Report on Form 10-Q represent our views as of the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

Business Overview

We discover, develop and sell enzymes and other proteins that deliver value to our clients in a growing set of industries. We view proteins as a vast, largely untapped source of value-creating products, and we are using our proven technologies, which we have been continuously improving since our inception in 2002, to commercialize an increasing number of novel enzymes, both as proprietary Codexis products and in partnership with our customers.

We are a pioneer in harnessing computational technologies to drive biology advancements. Since 2002, we have made substantial investments in the development of our CodeEvolver[®] protein engineering technology platform, the primary source of our competitive advantage. Our technology platform is powered by proprietary, artificial intelligence-based, computational algorithms that rapidly mine the structural and performance attributes of our large and continuously growing library of protein variants. These computational outputs enable increasingly reliable predictions for next generation protein variants to be engineered, enabling time- and cost-efficient delivery of the targeted performance enhancements. In addition to its computational prowess, our CodeEvolver[®] protein engineering technology platform integrates additional modular competencies, including robotic high-throughput screening and genomic sequencing, organic chemistry and bioprocess development which are all coordinated to rapidly innovate novel, fit-for-purpose products.

The core historical application of the technology has been in developing commercially viable biocatalytic manufacturing processes for more sustainable production of complex chemicals. This begins by conceptually designing the most cost-effective and practical process for a targeted product. We then develop optimized biocatalysts to enable the designed process, using our CodeEvolver[®] platform. Engineered biocatalyst candidates, numbering many thousands for each project, are then rapidly screened and validated using high throughput methods under process-relevant operating conditions. This approach results in an optimized biocatalyst that enables cost-efficient processes that are relatively simple to run in conventional manufacturing equipment. This also allows for efficient technical transfer of our processes to our manufacturing partners.

The successful embodiment of our CodeEvolver[®] protein engineering technology platform in commercial manufacturing processes requires well-integrated expertise in a number of technical disciplines. In addition to those competencies directly integrated in our CodeEvolver[®] protein engineering platform, such as molecular biology, enzymology, microbiology, cellular engineering, metabolic engineering, bioinformatics, biochemistry and high throughput analytical chemistry, our process development projects also involve integrated expertise in organic chemistry, chemical process development, chemical engineering, bioprocess development and fermentation engineering. Our integrated, multi-disciplinary approach to product and process development is a critical success factor for the Company.

We initially commercialized our CodeEvolver[®] protein engineering technology platform and products in the manufacture of small molecule pharmaceuticals, which remains a primary business focus. Our customers, which include many large, global pharmaceutical companies, use our technology, products and services in their process development and in manufacturing. Additionally, we have licensed our proprietary CodeEvolver[®] protein engineering technology platform to global pharmaceutical companies enabling them to use this technology, in house, to engineer enzymes for their own businesses. Most recently, in May 2019, we entered into the Novartis CodeEvolver[®] Agreement with Novartis. The Novartis CodeEvolver[®] Agreement (our third such agreement with large pharma companies) allows Novartis to use our proprietary CodeEvolver[®] protein engineering platform technology in the field of human healthcare.

As evidence of our strategy to extend our technology beyond pharmaceutical manufacturing, we have also used the technology to develop biocatalysts and enzyme products for use in a broader set of industrial markets, including several large verticals, such as food, feed, consumer care and fine chemicals. In addition, we are using our technology to develop enzymes for various life science related applications, such as next generation sequencing (“NGS”) and polymerase chain reaction (“PCR/qPCR”) for in vitro molecular diagnostic and genomic research applications. In December 2019, we entered into a license agreement to provide Roche Sequencing Solutions, Inc. with our first enzyme for this target market: the Company’s EvoT4™ DNA ligase. In June 2020, we entered into a co-marketing and enzyme supply collaboration agreement with Alphazyme LLC for the production and co-marketing of enzymes for life science applications including, initially, high-fidelity DNA polymerase, T7 RNA polymerase and reverse transcriptase enzymes.

We have been using the CodeEvolver[®] protein engineering technology platform to develop early stage, novel biotherapeutic product candidates, both in partnership with customers and for our own proprietary Codexis drug candidates. Our first program was for the potential treatment of phenylketonuria (“PKU”) in humans. PKU is an inherited metabolic disorder in which the enzyme that converts the essential amino acid phenylalanine into tyrosine is deficient. In October 2017, we entered into Nestlé License Agreement with Nestlé Health Science to advance CDX-6114, our enzyme biotherapeutic product candidate for the potential treatment of PKU. In February 2019, Nestlé Health Science exercised its option to obtain an exclusive license to develop and commercialize CDX-6114. Also in October 2017, we entered into the Nestlé SCA pursuant to which we and Nestlé Health Science are collaborating to leverage the CodeEvolver[®] platform technology to develop other novel enzymes for Nestlé Health Science’s established Consumer Care and Medical Nutrition business areas. In January 2020, we entered into a development agreement with Nestlé Health Science to advance a new lead candidate discovered under the Nestlé SCA, CDX-7108, into preclinical development and early clinical studies as a potential treatment for a gastro-intestinal disorder. In parallel, the Nestlé SCA was extended through December 2021 to support the discovery of therapeutic candidates for additional disorders. In March 2020, we entered into Takeda Agreement with Shire Human Genetic Therapies, Inc., a wholly-owned subsidiary of Takeda, for the research and development of novel gene therapies for certain disease indications, including the treatment of lysosomal storage disorders and a blood factor deficiency.

In June 2020, we also entered into the MAI Agreement with MAI pursuant to which we are leveraging our CodeEvolver[®] platform technology to improve the DNA polymerase enzymes that are critical for enzymatic DNA synthesis. Concurrently with the MAI Agreement, we entered into a Stock Purchase Agreement with MAI pursuant to which we purchased 1,587,050 shares of MAI’s Series A preferred stock for \$1.0 million and, in connection with the transaction, John Nicols, our President and Chief Executive Officer, also joined MAI’s board of directors. In April 2021, we purchased an additional 1,000,000 shares of MAI’s Series A preferred stock for \$0.6 million.

Business Segments

We manage our business as two business segments: Performance Enzymes and Novel Biotherapeutics. See Note 12, “Segment, Geographical and Other Revenue Information” in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Performance Enzymes

We initially commercialized our CodeEvolver[®] protein engineering technology platform and products in the manufacture of small molecule pharmaceuticals and, to date, this continues to be our largest market served. Our customers, which include many large global pharmaceutical companies, use our technology, products and services in their manufacturing processes and process development. We have also used the technology to develop customized enzymes for use in other industrial markets. These markets consist of several large industrial verticals, including food, feed, consumer care, and fine chemicals. We also use our technology in the life sciences markets to develop enzymes for customers using NGS and PCR/qPCR for in vitro molecular diagnostic and molecular biology research applications, as well DNA/RNA synthesis and health monitoring applications.

Novel Biotherapeutics

We are also targeting new opportunities in the pharmaceutical industry to discover, improve, and/or develop biotherapeutic drug candidates. We believe that our CodeEvolver[®] protein engineering platform technology can be used to discover novel biotherapeutic drug candidates that will target human diseases that are in need of improved therapeutic interventions. Similarly, we believe that we can deploy our platform technology to improve specific characteristics of a customer's pre-existing biotherapeutic drug candidate, such as its activity, stability or immunogenicity. Our first lead program was for the potential treatment of hyperphenylalaninemia ("HPA") (also referred to as PKU) in humans. PKU is an inherited metabolic disorder in which the enzyme that converts the essential amino acid phenylalanine into tyrosine is deficient. In October 2017, we announced a global development, option and license agreement with Nestlé Health Science to advance CDX-6114, our own novel orally administrable enzyme therapeutic candidate for the potential treatment of PKU. In February 2019, Nestlé Health Science exercised its option to obtain an exclusive, worldwide, royalty-bearing, sub-licensable license for the global development and commercialization of CDX-6114 for the management of PKU. As a result of the option exercise, we earned a milestone and recognized \$3.0 million in revenues in the first quarter of 2019. Upon exercising its option, Nestlé Health Science assumed all responsibilities for future clinical development and commercialization of CDX-6114. During 2020, Nestlé Health Science completed a safety, tolerability and PK/PD study of CDX-6114 in PKU patients that demonstrated CDX-6114 was well tolerated and safe at all doses tested. In addition, an increase in blood levels of cinnamic acid, a biomarker of enzyme activity, was observed which is consistent with the intended mode of action for CDX-6114.

In October 2017, we separately entered into the Nestlé SCA with Nestlé Health Science pursuant to which we and Nestlé Health Science are collaborating to leverage the CodeEvolver[®] platform technology to develop other novel enzymes for Nestlé Health Science's established Consumer Care and Medical Nutrition business areas. In January 2020, we and Nestlé Health Science entered into a development agreement pursuant to which we and Nestlé Health Science are collaborating to advance into pre-clinical and early clinical studies a lead candidate targeting a gastro-intestinal disorder, CDX-7108, discovered through the Nestlé SCA. The Nestlé SCA was extended through December 2021. We, together with Nestlé Health Science, continued to advance CDX-7108 towards initiation of a Phase 1 clinical trial which we anticipate will begin in 2021. Additionally, the parties initiated two new programs under the Nestlé SCA targeting a gastro-intestinal disorder.

In March 2020, we entered into the Takeda Agreement pursuant to which we are collaborating to research and develop protein sequences for use in gene therapy products for certain disease indications in accordance with the respective program plans for Fabry Disease, Pompe Disease, and an undisclosed blood factor deficiency. In March 2020, we received a one-time, non-refundable cash payment of \$8.5 million. Of these programs, the Fabry disease program is the most advanced, with multiple sequences, including CDX-6311, having been provided to Takeda.

For further description of our business segments, see Note 12, "Segment, Geographical and Other Revenue Information" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Business Update Regarding COVID-19

We are subject to risks and uncertainties as a result of the current COVID-19 pandemic. The COVID-19 pandemic has presented a substantial public health and economic challenge around the world and is affecting our employees, communities and business operations, as well as the U.S. economy and other economies worldwide. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain and may not be accurately predicted, including the duration and severity of the pandemic and the extent and severity of the impact on our customers, new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets.

To date, we and our collaboration partners have been able to continue to supply our enzymes to our customers worldwide. However, we are dependent on our manufacturing and logistics partners and consequently, disruptions in operations of our partners and customers may affect our ability to supply enzymes to our customers. Furthermore, our ability to provide future research and development ("R&D") services will continue to be impacted as a result of governmental orders and any disruptions in operations of our customers with whom we collaborate. We believe that these disruptions have had a minimal impact on revenue for the three months ended March 31, 2021. The extent to which the pandemic may impact our business operations and operating results will continue to remain highly dependent on future developments, which are uncertain and cannot be predicted with confidence.

In the U.S., the impact of COVID-19, including governmental orders ("Orders") governing the operation of businesses during the pandemic, caused the temporary closure of our Redwood City, California facilities and has disrupted our R&D operations. R&D operations for several projects were temporarily suspended from mid-March 2020 through the end of April 2020 in accordance with these Orders. In May 2020, we re-initiated limited R&D operations and have ramped up operations

such that we are currently utilizing the majority of our normal R&D capacity while following county, state and federal COVID-19 guidance for the protection of our employees. Additionally, we resumed small scale manufacturing at our Redwood City pilot plant in May 2020.

Our future results of operations and liquidity could be adversely impacted by delays in payments of outstanding receivable amounts beyond normal payment terms, supply chain disruptions and uncertain demand, and the impact of any initiatives or programs that we may undertake to address financial and operations challenges faced by our customers. The extent to which the COVID-19 pandemic may materially impact our financial condition, liquidity, or results of operations in the future is uncertain. For additional information on the various risks posed by the COVID-19 pandemic, please read Item 1A. Risk Factors included in this Quarterly Report on Form 10-Q.

Results of Operations Overview

Revenues were \$18.0 million in the first quarter of 2021, a 23% increase from \$14.7 million in the first quarter of 2020. Product revenue, which consists primarily of sales of biocatalysts, pharmaceutical intermediates, and Codex® biocatalyst panels and kits, was \$10.2 million in the first quarter of 2021, an increase of 101% from \$5.1 million in the first quarter of 2020.

The increase in product revenue was primarily due to an increase in customer demand for branded pharmaceutical products. Research and development revenues, which include license, technology access and exclusivity fees, research service fees, milestone payments, royalties, and optimization and screening fees, totaled \$7.8 million in the first quarter of 2021, a 18% decrease compared with \$9.6 million in the first quarter of 2020.

The decrease in research and development revenue was primarily due to lower revenues from Novartis under the Novartis CodeEvolve® Agreement as we approach completion of the technology transfer to Novartis and prior year license fees from Takeda under the Takeda Agreement.

Our products' profitability is affected by many factors including the margin of profit on the products we sell. Our profit margins are affected by many factors including the costs of internal and third-party fixed and variable costs, including materials and supplies, labor, facilities and other overhead costs. Profit margin data is used as a management performance measure to provide additional information regarding our results of operations on a consolidated basis. Product gross margins increased to 59% in the first quarter of 2021, compared to 50% in the first quarter of 2020, due to improved product mix resulting from an increase in customer demand for branded products.

Research and development expenses were \$11.6 million in the first quarter of 2021, an increase of 6% from \$11.0 million in the first quarter of 2020. The increase was primarily due to increases in expenses associated with a higher headcount, an increase in outside services costs, higher depreciation expense and higher lab supplies costs, partially offset by a reduction in outside services related to Chemistry, Manufacturing and Controls ("CMC") and regulatory expenses and a decrease in allocable expenses.

Selling, general and administrative expenses were \$11.4 million in the first quarter of 2021, an increase of 27%, compared to \$9.0 million in the first quarter of 2020. The increase was primarily due to increases in expenses associated with a higher headcount, legal expenses, stock-based compensation partially offset by lower travel and allocable expenses.

Net loss was \$9.1 million, or a net loss of \$0.14 per basic and diluted share in the first quarter of 2021 compared to a net loss of \$7.7 million, or a net loss of \$0.13 per basic and diluted share for the first quarter of 2020. The increase in net loss is primarily related to increases in operating expenses and a reduction in research and development revenue, partially offset by an increase in product revenues and margins.

Cash and cash equivalents decreased to \$139.7 million of March 31, 2021 compared to \$149.1 million as of December 31, 2020. In addition, net cash used in operations was \$6.4 million in the three months ended March 31, 2021 compared to \$1.4 million in the three months ended March 31, 2020. We believe that based on our current level of operations, our existing cash and cash equivalents will provide adequate funds for ongoing operations, planned capital expenditures and working capital requirements for at least the next 12 months.

In June 2017, we entered into a loan and security agreement with Western Alliance Bank that allows us to borrow up to \$10.0 million under a term loan, and up to \$5.0 million under a revolving credit facility with 80% of certain eligible accounts receivable as a borrowing base (the "Credit Facility"). Obligations under the Credit Facility are secured by a lien on substantially all of our personal property other than our intellectual property. In September 2020, we entered into an Eighth Amendment to the Credit Facility whereby we may draw on the term debt and the Revolving Line of Credit at any time prior to October 1, 2021 and October 1, 2024, respectively. Draws on the term debt are subject to customary conditions for funding including, among others, that no event of default exists. As of March 31, 2021, no amounts were borrowed under the Credit

Facility and we were in compliance with the covenants for the Credit Facility. See Note 10, "Commitments and Contingencies" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Below is an overview of our results of operations by business segments:

Performance Enzymes

Revenues increased by \$3.4 million, or 31%, to \$14.2 million in the first quarter of 2021, compared to \$10.9 million in the first quarter of 2020. The increase in product revenue of \$5.1 million, or 101%, to \$10.2 million in the first quarter of 2021, compared to \$5.1 million in the first quarter of 2020 was primarily due to higher customer demand for enzymes for the manufacture of branded pharmaceuticals products. The decrease in research and development revenue of \$1.8 million, or 31%, to \$4.0 million in the first quarter of 2021, compared to \$5.8 million in first quarter of 2020 was primarily due to lower revenues from the Novartis CodeEvolver[®] Agreement as we approach completion of the technology transfer to Novartis.

Product gross margins were 59% in the first quarter of 2021, compared to 50% in the first quarter of 2020.

The increase in product gross margins was primarily due to improved product mix due to higher demand for enzymes for the manufacture of branded pharmaceutical products.

Research and development expense increased by \$0.7 million, or 13%, to \$6.4 million for the first quarter of 2021, compared to the first quarter of 2020. The increase was primarily due to an increase in costs associated with higher headcount, higher outside services expenses, and higher lab supplies, partially offset by lower allocable expenses.

Selling, general and administrative expense increased by \$0.5 million, or 20%, to \$2.8 million for the first quarter of 2021, compared to the first quarter of 2020. The increase was primarily due to an increase in costs associated with headcount, and higher allocable expenses, partially offset by lower outside services expenses.

Novel Biotherapeutics

Research and development revenues remained unchanged at approximately \$3.8 million for the first quarter of 2021 and 2020. Revenue in the first quarter of 2021 as compared to the first quarter of 2020 increased from higher license and research and development fees from Takeda under the Takeda Agreement, and were mostly offset by decreases in research and development revenue from Nestlé Health Science.

Research and development expense decreased by \$0.3 million, or 6%, to \$4.6 million for the first quarter of 2021, compared to \$4.9 million in the first quarter of 2020. The decrease was primarily due to lower costs associated with outside services relating to CMC and regulatory expenses for CDX-7108 which we are developing pursuant to our development agreement with Nestlé Health Science, lower outside services costs, and lower lab supply expenses, which were partially offset by higher allocable expenses and an increase in costs associated with higher headcount.

Selling, general and administrative expense remained unchanged at approximately \$0.6 million for the first quarter of 2021 and 2020. An increase in costs associated with higher headcount were mostly, offset by lower allocable expenses.

Merck Sitagliptin Catalyst Supply Agreement

In February 2012, we entered into a five-year Sitagliptin Catalyst Supply Agreement ("Sitagliptin Catalyst Supply Agreement") with Merck whereby Merck may obtain commercial scale enzyme for use in the manufacture of Januvia[®], its product based on the active ingredient sitagliptin. In December 2015, Merck exercised its option under the terms of the Sitagliptin Catalyst Supply Agreement to extend the agreement for an additional five years through February 2022.

Effective as of January 2016, we and Merck amended the Sitagliptin Catalyst Supply Agreement to prospectively provide for variable pricing based on the cumulative volume of sitagliptin catalyst purchased by Merck and to allow Merck to purchase a percentage of its requirements for sitagliptin catalyst from a specified third-party supplier. Merck received a distinct, functional license to manufacture a portion of its demand beginning January 1, 2018, which we recognized as research and development revenue.

We have determined that the variable pricing, which provides a discount based on the cumulative volume of sitagliptin catalyst purchased by Merck, provides Merck material rights and we are recognizing product revenues using the alternative method. Under the alternative approach, we estimate the total expected consideration and allocate it proportionately with the expected sales.

The Sitagliptin Catalyst Supply Agreement requires Merck to pay an annual fee for the rights to the sitagliptin technology each year for the term of the Sitagliptin Catalyst Supply Agreement. Amounts of annual license fees are based on contractually agreed prices and are on a declining scale over the term of the contract.

Pursuant to the terms of the Sitagliptin Catalyst Supply Agreement, Merck may purchase supply from us for a fee based on contractually stated prices. We recognized revenue of \$3.3 million and \$1.8 million for the three months ended March 31, 2021 and 2020, respectively, in product revenue under this agreement. Revenues recognized by us under the Sitagliptin Catalyst Supply Agreement comprised 18% and 12% of our total revenues for the three months ended March 31, 2021 and 2020, respectively.

The Sitagliptin Catalyst Supply Agreement will expire in February 2022. We are in process of negotiating an extension at this time.

As of March 31, 2021 and March 31, 2020, we recorded revenue of \$3.1 million and \$2.2 million, respectively, from sitagliptin products that were recognized over time based on the progress of the manufacturing process. These products will be shipped within the six month period following the end of the quarter. The contract asset balances were partially offset by contract liabilities as they are under the same contract.

Global Development, Option and License Agreement and Strategic Collaboration Agreement

In October 2017, we entered into the Nestlé License Agreement with Nestlé Health Science and, solely for the purpose of the integration and the dispute resolution clauses of the Nestlé License Agreement, Nestlé Health Science S.A., to advance CDX-6114, our enzyme biotherapeutic product candidate for the potential treatment of PKU.

We received an upfront cash payment upon the execution of the Nestlé License Agreement and milestone payments after dosing the first subjects in a first-in-human Phase 1a dose-escalation trial with CDX-6114, and upon achievement of a milestone relating to formulation of CDX-6114.

In January 2019, we received notice from the FDA that it had completed its review of our IND for CDX-6114 and concluded that we may proceed with the proposed Phase 1b multiple ascending dose study in healthy volunteers in the United States. In February 2019, Nestlé Health Science exercised its option to obtain an exclusive, worldwide, royalty-bearing, sub-licensable license for the global development and commercialization of CDX-6114 for the management of PKU. Upon exercising its option, Nestlé Health Science made an option payment and assumed all responsibilities for future clinical development and commercialization of CDX-6114. We are also eligible to receive payments from Nestlé Health Science under the Nestlé License Agreement that include (i) development and approval milestones of up to \$85.0 million, (ii) sales-based milestones of up to \$250.0 million in the aggregate, which aggregate amount is achievable if net sales exceed \$1.0 billion in a single year, and (iii) tiered royalties, at percentages ranging from the middle single digits to low double-digits, of net sales of product.

In October 2017, we entered into the Nestlé SCA pursuant to which we and Nestlé Health Science are collaborating to leverage the CodeEvolve® protein engineering technology platform to develop novel enzymes for Nestlé Health Science's established Consumer Care and Medical Nutrition business areas.

In January 2020, we entered into a development agreement with Nestlé Health Science pursuant to which we and Nestlé Health Science are collaborating to advance a lead candidate, CDX-7108, targeting a gastro-intestinal disorder discovered through our Nestlé SCA into pre-clinical and early clinical studies.

Under the Nestlé SCA and the development agreement, we recognized research and development fees of \$1.8 million and \$1.6 million for the three months ended March 31, 2021 and 2020, respectively.

Platform Technology Transfer and License Agreement

In May 2019, we entered into the Novartis CodeEvolve® Agreement with Novartis. The Agreement allows Novartis to use our proprietary CodeEvolve® protein engineering platform technology in the field of human healthcare. Under the Novartis CodeEvolve® Agreement, we are transferring our proprietary CodeEvolve® protein engineering platform technology to Novartis over approximately 25 months, starting with the date on which we commenced the technology transfer (the "Technology Transfer Period"). As a part of this technology transfer, the Company provided to Novartis our proprietary enzymes, proprietary protein engineering protocols and methods, and proprietary software algorithms. In addition, teams of the Company and Novartis scientists participated in technology training sessions and collaborative research projects at our

laboratories in Redwood City, California and at a designated Novartis laboratory in Basel, Switzerland. Upon completion of technology transfer, Novartis will have the CodeEvolver[®] protein engineering platform technology installed at its designated laboratory.

Pursuant to the agreement, we received an upfront payment of \$5.0 million shortly after the effective date of the Novartis CodeEvolver[®] Agreement. In the second quarter of 2020 we completed the second technology milestone transfer under the agreement and became eligible to receive a milestone payment of \$4.0 million, which we subsequently received in July 2020. We have also received \$3.4 million in March 2021 for partial completion of the third technology milestone. In addition to this payment, we are eligible for an additional payment of \$1.6 million for completion of the third technology milestone transfer, which would bring total cash payment for this milestone to \$5 million as specified in the Novartis CodeEvolver[®] Agreement. In consideration for the continued disclosure and license of improvements to the technology and materials during a multi-year period that begins on the conclusion of the Technology Transfer Period (“Improvements Term”), Novartis will pay Codexis annual payments which amount to an additional \$8.0 million in aggregate. The Company also has the potential to receive quantity-dependent, usage payments for each API that is manufactured by Novartis using one or more enzymes that have been developed or are in development using the CodeEvolver[®] protein engineering platform technology during the period that begins on the conclusion of the Technology Transfer Period and ends on the expiration date of the last to expire licensed patent. These product-related usage payments, if any, will be paid by Novartis to the Company for each quarter that Novartis manufactures API using a CodeEvolver[®]-developed enzyme. The usage payments will be based on the total volume of API produced using the CodeEvolver[®]-developed enzyme. These usage payments can begin in the clinical stage and will extend throughout the commercial life of each API. Revenue for the combined initial license and technology transfer performance obligation, which is expected to occur over twenty-five months, is being recognized using a single measure of progress that depicts our performance in transferring control of the services, which is based on the ratio of level of effort incurred to date compared to the total estimated level of effort required to complete the performance obligation relating to the combined initial license and technology transfer. Revenue allocated to future improvements will be recognized during the Improvement Term. We recognized \$0.8 million and \$2.4 million in research and development revenue for the three months ended March 31, 2021 and 2020, respectively, from the Novartis CodeEvolver[®] Agreement.

Strategic Collaboration and License Agreement

In March 2020, we entered into the Takeda Agreement with Shire Human Genetic Therapies, Inc., a wholly-owned subsidiary of Takeda Pharmaceutical Co. Ltd. (“Takeda”), under which we are collaborating to research and develop protein sequences for use in gene therapy products for certain diseases. On execution of the Takeda Agreement, we received an upfront non-refundable cash payment of \$8.5 million. Revenue relating to the functional licenses provided to Takeda was recognized at a point in time when the control of the license transferred to the customer.

Other potential payments from Takeda include (i) reimbursement of research and development fees and pre-clinical development milestones for the three initial programs of \$15.4 million, in aggregate (ii) clinical development and commercialization-based milestones, per target gene, of up to \$100.0 million, and (iii) tiered royalties based on net sales of applicable products at percentages ranging from the middle-single digits to low single-digits. We recognized research and development revenue related to the Takeda Agreement of \$2.1 million and \$2.2 million in the three months ended March 31, 2021 and 2020, respectively.

Results of Operations

The following table shows the amounts from our unaudited condensed consolidated statements of operations for the periods presented (in thousands, except percentages):

	Three months ended March 31,		Change	
	2021	2020	\$	%
Revenues:				
Product revenue	\$ 10,226	\$ 5,100	\$ 5,126	101%
Research and development revenue	7,806	9,570	(1,764)	(18)%
Total revenues	18,032	14,670	3,362	23%
Costs and operating expenses:				
Cost of product revenue	4,218	2,541	1,677	66%
Research and development	11,571	10,967	604	6%
Selling, general and administrative	11,398	8,989	2,409	27%
Total costs and operating expenses	27,187	22,497	4,690	21%
Loss from operations	(9,155)	(7,827)	(1,328)	(17)%
Interest income	177	266	(89)	(33)%
Other expenses, net	(88)	(86)	(2)	(2)%
Loss before income taxes	(9,066)	(7,647)	(1,419)	(19)%
Provision for income taxes	2	5	(3)	(60)%
Net loss	\$ (9,068)	\$ (7,652)	\$ (1,416)	(19)%

Revenues

Our revenues comprise of product revenue and research and development revenue as follows:

- Product revenue consist of sales of biocatalysts, pharmaceutical intermediates, and Codex[®] biocatalyst panels and kits.
- Research and development revenue includes license, technology access and exclusivity fees, research services fees, milestone payments, royalties, optimization and screening fees.

Revenues are as follows (in thousands, except percentages):

	Three months ended March 31,		Change	
	2021	2020	\$	%
Product revenue	\$ 10,226	\$ 5,100	\$ 5,126	101%
Research and development revenue	7,806	9,570	(1,764)	(18)%
Total revenues	\$ 18,032	\$ 14,670	\$ 3,362	23%

Revenues typically fluctuate on a quarterly basis due to the variability in our customers' manufacturing schedules and the timing of our customers' clinical trials. In addition, we have limited internal capacity to manufacture enzymes. As a result, we are dependent upon the performance and capacity of third-party manufacturers for the commercial scale manufacturing of the enzymes used in our pharmaceutical and fine chemicals business.

We accept purchase orders for deliveries covering periods from one day up to approximately 14 months from the date on which the order is placed. However, a majority of the purchase orders can be revised or cancelled by the customer without penalty. Considering these industry practices and our experience, we do not believe the total of customer purchase orders outstanding (backlog) provides meaningful information that can be relied on to predict actual sales for future periods.

Total revenues increased by \$3.4 million to \$18.0 million in the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily due higher product revenue partially offset by lower research and development revenue.

Product revenue, increased by \$5.1 million to \$10.2 million in the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily due to an increase in customer demand for branded pharmaceutical products.

Research and development revenue decreased by \$1.8 million to \$7.8 million in the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease was primarily due to lower revenues from Novartis under the Novartis CodeEvolver[®] Agreement.

Cost and Operating Expenses

Our cost and operating expenses comprise cost of product revenue, research and development expense, and selling, general and administrative expense. The following table shows the amounts of our cost of product revenue, research and development expense, and selling, general and administrative expense from our unaudited condensed consolidated statements of operations for the periods presented (in thousands, except percentages):

	Three months ended March 31,		Change	
	2021	2020	\$	%
Cost of product revenue	\$ 4,218	\$ 2,541	\$ 1,677	66%
Research and development	11,571	10,967	604	6%
Selling, general and administrative	11,398	8,989	2,409	27%
Total costs and operating expenses	\$ 27,187	\$ 22,497	\$ 4,690	21%

Cost of Product Revenue and Product Gross Margin

Our product revenues are derived entirely from our Performance Enzymes segment. Revenues from the Novel Biotherapeutics segment are from collaborative research and development activities and not from product revenue.

The following table shows the amounts of our product revenue, cost of product revenue, product gross profit and product gross margin from our unaudited condensed consolidated statements of operations for the periods presented (in thousands, except percentages):

	Three months ended March 31,		Change	
	2021	2020	\$	%
Product revenue	\$ 10,226	\$ 5,100	\$ 5,126	101%
Cost of product revenue ⁽¹⁾	4,218	2,541	1,677	66%
Product gross profit	\$ 6,008	\$ 2,559	\$ 3,449	135%
Product gross margin (%) ⁽²⁾	59 %	50 %		

⁽¹⁾ Cost of product revenue comprises both internal and third-party fixed and variable costs, including materials and supplies, labor, facilities and other overhead costs associated with our product revenue.

⁽²⁾ Product gross margin is used as a performance measure to provide additional information regarding our results of operations on a consolidated basis.

Cost of product revenue increased by \$1.7 million in the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily due to a higher volume of product sales and variations in product mix. The product gross margin increased to 59% in the three months ended March 31, 2021 compared to 50% in the three months ended March 31, 2020 is primarily due to the sale of higher margin branded products.

Research and Development Expenses

Research and development expenses consist of costs incurred for internal projects as well as collaborative research and development activities. These costs primarily consist of (i) employee-related costs, which include salaries and other personnel-related expenses (including stock-based compensation), (ii) various allocable expenses, which include occupancy-related costs, supplies, depreciation of facilities and laboratory equipment, and (iii) external costs. Research and development expenses are expensed when incurred.

Research and development expenses were \$11.6 million in the three months ended March 31, 2021 compared to \$11.0 million in the three months ended March 31, 2020, an increase of \$0.6 million, or 6%. The increase was primarily due to costs

associated with higher headcount, higher lab supplies, depreciation and other outside services, which was partially offset by a decrease in costs associated with outside services relating to CMC and regulatory expenses. We expect research and development expenses for the rest of the year to be higher than the comparative periods in the prior year as we invest more in our business in order to pursue on future growth opportunities.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of employee-related costs, which include salaries and other personnel-related expenses (including stock-based compensation), hiring and training costs, consulting and outside services expenses (including audit and legal counsel related costs), marketing costs, building lease costs, and depreciation expenses and amortization expense.

Selling, general and administrative expenses were \$11.4 million in the three months ended March 31, 2021 compared to \$9.0 million in the three months ended March 31, 2020, an increase of \$2.4 million, or 27%. The increase was primarily due to costs associated with a higher headcount, an increase in legal fees, and higher share-based compensation costs, partially offset by lower travel and allocable expenses. We expect selling, general and administrative expenses for the rest of the year to be higher than the comparative periods in the prior year as we invest more in our business in order to pursue on future growth opportunities.

Interest Income and Other Expense(in thousands, except percentages):

	Three months ended March 31,		Change	
	2021	2020	\$	%
Interest income	\$ 177	\$ 266	\$ (89)	(33)%
Other expenses, net	(88)	(86)	(2)	(2)%
Total other income	\$ 89	\$ 180	\$ (91)	(51)%

Interest Income

Interest income decreased by \$0.1 million in the three months ended March 31, 2021 compared to the three months ended March 31, 2020 primarily due to earned interest income and amortization of debt discount on non-marketable debt security, partially offset by a reduction in interest income from lower average interest rates on declining average cash balances.

Other Expenses

Other expenses increased by \$2.0 thousand in three months ended March 31, 2021 compared to the three months ended March 31, 2020 primarily due to interest expense charges recognized on the amortization of an embedded bifurcated derivative of a share-settled redemption feature on non-marketable securities, partially offset by prior year write-down of \$0.4 million of our investment in CO₂ Solutions and fluctuations in foreign currency.

Provision for Income Taxes (in thousands, except percentages):

	Three months ended March 31,		Change	
	2021	2020	\$	%
Provision for income taxes	\$ 2	\$ 5	\$ (3)	(60)%

The provision for income taxes for the three months ended March 31, 2021 and 2020, were primarily due to the accrual of interest and penalties on historic uncertain tax positions.

Net Loss

Net loss for the three months ended March 31, 2021 was \$9.1 million, or a net loss per basic and diluted share of \$0.14. This compared to a net loss of \$7.7 million, or a net loss per basic and diluted share of \$0.13 for the three months ended March 31, 2020. The increase in net loss was primarily related to higher operating expenses and lower in research and development revenues, partially offset by increased in product revenue and related margins from the sale of products.

Results of Operations by Segment (in thousands, except percentages):

Revenues by segment

	Three months ended March 31,						Change			
	2021			2020			Performance Enzymes		Novel Biotherapeutics	
	Performance Enzymes	Novel Biotherapeutics	Total	Performance Enzymes	Novel Biotherapeutics	Total	\$	%	\$	%
Revenues:										
Product revenue	\$ 10,226	\$ —	\$ 10,226	\$ 5,100	\$ —	\$ 5,100	\$ 5,126	101 %	\$ —	— %
Research and development revenue	4,003	3,803	7,806	5,774	3,796	9,570	(1,771)	(31)%	7	— %
Total revenues	<u>\$ 14,229</u>	<u>\$ 3,803</u>	<u>\$ 18,032</u>	<u>\$ 10,874</u>	<u>\$ 3,796</u>	<u>\$ 14,670</u>	<u>\$ 3,355</u>	31 %	<u>\$ 7</u>	— %

Revenues from the Performance Enzymes segment increased by \$3.4 million, or 31%, to \$14.2 million for the three months ended March 31, 2021, compared to \$10.9 million for the three months ended March 31, 2020. The increase in product revenue of \$5.1 million, or 101%, to \$10.2 million in the three months ended March 31, 2021 compared to \$5.1 million in the three months ended March 31, 2020 was primarily due to higher customer demand for enzymes for the manufacture of branded pharmaceuticals products. The decrease in research and development revenue of \$1.8 million, or 31%, to \$4.0 million in three months ended March 31, 2020, compared to \$5.8 million in the three months ended March 31, 2020 was primarily due to lower revenues from Novartis under the Novartis CodeEvolver® Agreement.

Revenues from the Novel Biotherapeutics segment was approximately \$3.8 million for the three months ended March 31, 2021 and 2020. Revenue in three months ended March 31, 2021 as compared to three months ended March 31, 2020 increased from higher license and research and development fees from Takeda under the Takeda Agreement, and were partially offset by decreases in research and development revenue from Nestlé Health Science.

Costs and operating expenses by segment

	Three months ended March 31,						Change			
	2021			2020			Performance Enzymes		Novel Biotherapeutics	
	Performance Enzymes	Novel Biotherapeutics	Total	Performance Enzymes	Novel Biotherapeutics	Total	\$	%	\$	%
Cost of product revenue	\$ 4,218	\$ —	\$ 4,218	\$ 2,541	\$ —	\$ 2,541	\$ 1,677	66 %	\$ —	— %
Research and development ⁽¹⁾	6,444	4,605	11,049	5,696	4,925	10,621	748	13 %	(320)	(6) %
Selling, general and administrative ⁽¹⁾	2,818	600	3,418	2,345	591	2,936	473	20 %	9	2 %
Total segment costs and operating expenses	<u>\$ 13,480</u>	<u>\$ 5,205</u>	<u>18,685</u>	<u>\$ 10,582</u>	<u>\$ 5,516</u>	<u>16,098</u>	<u>\$ 2,898</u>	27 %	<u>\$ (311)</u>	(6) %
Corporate costs			7,817			5,907				
Unallocated depreciation and amortization			685			492				
Total costs and operating expenses			<u>\$ 27,187</u>			<u>\$ 22,497</u>				

⁽¹⁾ Research and development expenses and selling, general and administrative expenses exclude depreciation and amortization of finance leases.

For a discussion of product cost of revenue, see "Results of Operations".

Research and development expense in the Performance Enzymes segment increased by \$0.7 million, or 13%, to \$6.4 million in the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase was primarily due to an increase in costs associated with outside services, lab supplies and higher headcount.

Selling, general and administrative expense in the Performance Enzymes segment increased by \$0.5 million, or 20%, to \$2.8 million in the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase was primarily due to an increase in costs associated with headcount.

Research and development expense in the Novel Biotherapeutics segment decreased by \$0.3 million, or 6%, to \$4.6 million in the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease was primarily due to lower outside services including lower costs relating to CMC regulatory expenses, partially offset by an increase in costs associated with higher headcount.

Selling, general and administrative expense in the Novel Biotherapeutics segment remained unchanged for the three months ended March 31, 2021, compared to the three months ended March 31, 2020.

Liquidity and Capital Resources

Liquidity is the measurement of our ability to meet working capital needs and to fund capital expenditures. We have historically funded our operations primarily through cash generated from operations, stock option exercises and public and private offerings of our common stock. We also have the ability to borrow up to \$15.0 million under our Credit Facility. We actively manage our cash usage and investment of liquid cash to ensure the maintenance of sufficient funds to meet our working capital needs. The majority of our cash and cash equivalents are held in U.S. banks, and our foreign subsidiaries maintain a limited amount of cash in their local banks to cover their short-term operating expenses.

The following summarizes our cash and cash equivalents balance and working capital as of March 31, 2021 and December 31, 2020 (in thousands):

	March 31, 2021		December 31, 2020	
Cash and cash equivalents	\$	139,748	\$	149,117
Working capital	\$	151,010	\$	159,442

In addition to our existing cash and cash equivalents, we are eligible to earn milestone and other contingent payments for the achievement of defined collaboration objectives and certain royalty payments under our collaboration agreements. Our ability to earn these milestone and contingent payments and the timing of achieving these milestones is primarily dependent upon the outcome of our collaborators' research and development activities and is uncertain at this time. In 2016, we completed the final phase in the transfer of CodeEvolver[®] technology to Merck under the Merck CodeEvolver[®] Agreement. Following the completion of the technology transfer to Merck, we are now eligible to receive payments of up to \$15.0 million for each commercial API that is manufactured by Merck using one or more novel enzymes developed by Merck using the CodeEvolver[®] technology. In addition, depending upon GSK's successful application of the licensed technology, we have the potential to receive additional contingent payments that range from \$5.75 million to \$38.5 million per project.

In May 2019, we entered into the Novartis CodeEvolver[®] Agreement with Novartis. The Novartis CodeEvolver[®] Agreement allows Novartis to use Codexis' proprietary CodeEvolver[®] protein engineering platform technology in the field of human healthcare. Pursuant to the agreement, we received an upfront payment of \$5.0 million shortly after the effective date of the Novartis CodeEvolver[®] Agreement. In the second quarter of 2020, we completed the second technology milestone transfer under the agreement and became eligible to receive a milestone payment of \$4.0 million, which we subsequently received in July 2020. In the first quarter of 2021, we also received \$3.4 million for partial completion of the third technology milestone. Additionally, we are eligible to receive an additional \$1.6 million upon satisfactory completion of the third technology transfer milestone. In consideration for the continued disclosure and license of improvements to our technology and materials during a multi-year period that begins on the conclusion of the Technology Transfer Period ("Improvements Term"), Novartis will pay Codexis annual payments which amount to an additional \$8 million in aggregate.

We are actively collaborating with new and existing customers in the pharmaceutical and food industries. We believe that we can utilize our current products and services, and develop new products and services, to increase our revenues and gross margins in future periods.

We have historically experienced negative cash flows from operations as we continue to invest in key technology development projects and improvements to our CodeEvolver® protein engineering technology platform and expand our business development and collaboration with new customers. Our cash flows from operations will continue to be affected principally by sales from licensing our technology to major pharmaceutical companies, product sales and product gross margins, and collaborative research and development services provided to customers, as well as our headcount costs, primarily in research and development. Our primary source of cash flows from operating activities is cash receipts from our customers for purchases of products, collaborative research and development services, and licensing our technology to major pharmaceutical companies. Our largest uses of cash from operating activities are for employee-related expenditures, rent payments, inventory purchases to support our product sales and non-payroll research and development costs

In December 2020, we completed an underwritten public offering of approximately 4,928,572 shares of our common stock, par value \$0.0001 per share, at a public offering price of \$17.50 per share. The net proceeds to us were approximately \$80.8 million after deducting offering costs and the underwriting discounts and commissions and other offering expenses of \$5.5 million.

In June 30, 2017, we entered into the Credit Facility with Western Alliance Bank which consists of term debt for loans that allow us to borrow up to \$10.0 million, and under a revolving facility that allows us to borrow up to \$5.0 million with a certain eligible accounts receivable borrowing base of 80% of eligible accounts receivable. In September 2020, we entered into an Eighth Amendment to the Credit Facility whereby we may draw on the Term Debt and the Revolving Line of Credit at any time prior to October 1, 2021 and October 1, 2024, respectively, subject to customary conditions for funding including, among others, that no event of default exists. Draws on the Credit Facility are secured by a lien on substantially all of our personal property other than our intellectual property. On October 1, 2024 loans drawn under the Term Debt mature and the Revolving Line of Credit terminate. No amounts were drawn under the credit facility as of March 31, 2021 and December 31, 2020. At March 31, 2021 we were in compliance with the covenants for the Credit Facility. The Credit Facility requires us to maintain compliance with certain financial covenants including attainment of certain lender-approved projections or maintenance of certain minimum cash levels. Restrictive covenants in the Credit Facility restrict the payment of dividends or other distributions. For additional information about our contractual obligations, see Note 10, "Commitments and Contingencies" in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

In October 2017, we entered into the Nestlé License Agreement with Nestlé Health Science. Pursuant to the Nestlé License Agreement, Nestlé Health Science paid us an upfront cash payment and milestone payments after dosing the first subjects in a first-in-human Phase 1a dose-escalation trial with CDX-6114 and achievement of a formulation relating to CDX-6114. In January 2019, we received notice from the FDA that it had completed its review of our IND for CDX-6114 and concluded that we may proceed with the proposed Phase 1b multiple ascending dose study in healthy volunteers in the United States. In February 2019, Nestlé Health Science exercised its option to obtain an exclusive, worldwide, royalty-bearing, sub-licensable license for the global development and commercialization of CDX-6114 for the management of PKU. Upon exercising its option, Nestlé Health Science made an option payment and assumed all responsibilities for future clinical development and commercialization of CDX-6114, with the exception of the completion of an extension study, CDX-6114-004, which was substantially completed in the fourth quarter of 2019. Other potential payments from Nestlé Health Science to us under the Nestlé License Agreement include (i) development and approval milestones of up to \$85.0 million, (ii) sales-based milestones of up to \$250.0 million in the aggregate, which aggregate amount is achievable if net sales exceed \$1.0 billion in a single year, and (iii) tiered royalties, at percentages ranging from the middle single digits to low double-digits, of net sales of Product.

As of March 31, 2021, we had cash and cash equivalents of \$139.7 million and \$15.0 million available to borrow under our Credit Facility. Our liquidity is dependent upon our cash and cash equivalents, cash flows provided by operating activities and the continued availability of borrowings under our Credit Facility.

We believe that, based on our current level of operations, our existing cash and cash equivalents will provide adequate funds for ongoing operations, planned capital expenditures and working capital requirements for at least the next 12 months.

However, we may need additional capital if our current plans and assumptions change. In addition, we may choose to seek other sources of capital even if we believe we have generated sufficient cash flows to support our operating needs. Our need for additional capital will depend on many factors, including the financial success of our business, the spending required to develop and commercialize new and existing products, the effect of any acquisitions of other businesses, technologies or facilities that we may make or develop in the future, our spending on new market opportunities, and the potential costs for the filing, prosecution, enforcement and defense of patent claims, if necessary. If our capital resources are insufficient to meet our capital requirements, and we are unable to enter into or maintain collaborations with partners that are able or willing to fund our development efforts or commercialize any products that we develop or enable, we will have to raise additional funds to continue the development of our technology and products and complete the commercialization of products, if any, resulting from our technologies. If future financings involve the issuance of equity securities, our existing stockholders would suffer

dilution. If we raise debt financing or enter into credit facilities, we may be subject to restrictive covenants that limit our ability to conduct our business. We may not be able to raise sufficient additional funds on terms that are favorable to us, if at all. If we fail to raise sufficient funds and fail to generate sufficient revenues to achieve planned gross margins and to control operating costs, our ability to fund our operations, take advantage of strategic opportunities, develop products or technologies, or otherwise respond to competitive pressures could be significantly limited. If this happens, we may be forced to delay or terminate research or development programs or the commercialization of products resulting from our technologies, curtail or cease operations or obtain funds through collaborative and licensing arrangements that may require us to relinquish commercial rights, or grant licenses on terms that are not favorable to us. If adequate funds are not available, we will not be able to successfully execute our business plan or continue our business.

Cash Flows

The following is a summary of cash flows for three months ended March 31, 2021 and 2020 (in thousands):

	Three months ended March 31,	
	2021	2020
Net cash used in operating activities	\$ (6,440)	\$ (1,425)
Net cash used in investing activities	(2,533)	(761)
Net cash provided by (used in) financing activities	17	(1,019)
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (8,956)</u>	<u>\$ (3,205)</u>

Cash Flows from Operating Activities

Cash used in operating activities was \$6.4 million net for the three months ended March 31, 2021, which resulted from a net loss of \$9.1 million for the three months ended March 31, 2021 adjusted for non-cash charges for depreciation of \$0.7 million, ROU lease asset amortization expense of \$0.6 million, stock-based compensation of \$2.7 million, partially offset by equity securities earned from research and development activities of \$0.1 million. Additional cash used by changes in operating assets and liabilities was \$1.2 million. Changes in operating assets and liabilities included a decrease of \$0.6 million in other long-term liabilities, a decrease of \$1.7 million in accrued compensation and other accrued liabilities, a decrease of \$0.3 million in deferred revenue, partially offset by a decrease of \$1.1 million in financial assets and an increase of \$0.4 million in accounts payable.

Cash used in operating activities was \$1.4 million net for the three months ended March 31, 2020, which resulted from a net loss of \$7.7 million for the three months ended March 31, 2020 adjusted for non-cash charges for depreciation of \$0.4 million, ROU lease asset amortization expense of \$0.7 million and stock-based compensation of \$2.2 million. Additional cash used by changes in operating assets and liabilities was \$2.9 million. Changes in operating assets and liabilities included an increase of \$6.5 million in deferred revenue and \$3.1 million in other accrued liabilities, partially offset by a \$3.9 million increase in unbilled receivables and a \$1.9 million decrease accrued compensation.

Cash Flows from Investing Activities

Cash used in investing activities was \$2.5 million for the three months ended March 31, 2021 and 2020. Cash used in investing activities for the three months ended March 31, 2021 and 2020, was primarily attributable to \$2.6 million for purchases of property and equipment.

Cash Flows from Financing Activities

Cash used in financing activities was nominal for the three months ended March 31, 2021. Cash used in financing included \$1.2 million for taxes paid related to net share settlement of equity awards offset by \$1.2 million of proceeds from exercises of stock options.

Cash used in financing activities was \$1.0 million for the three months ended March 31, 2020 and primarily included taxes paid related to net share settlement of equity awards.

Credit Facility

In June 2017, we entered into the Credit Facility financing arrangement with Western Alliance Bank consisting of term loans (“Term Debt”) up to \$10.0 million, and advances (“Advances”) under a revolving line of credit (“Revolving Line of Credit”) up to \$5.0 million with an accounts receivable borrowing base of 80% of eligible accounts receivable. As of March 31, 2021, we have not drawn from the Credit Facility. For additional information about our credit facility, see Note 10, “Commitments and Contingencies” in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Material Cash Requirements

The following table summarizes our material cash requirements as of March 31, 2021 (in thousands):

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years
Operating leases obligations (1)	\$ 30,251	\$ 4,144	\$ 9,058	\$ 9,666	\$ 7,383
Operating leases obligations (2)	31,723	276	5,939	6,252	19,256
Total	\$ 61,974	\$ 4,420	\$ 14,997	\$ 15,918	\$ 26,639

⁽¹⁾ Represents future minimum lease payments under non-cancellable operating leases in effect as of March 31, 2021 for our facilities in Redwood City, California. The minimum lease payments above do not include common area maintenance charges or real estate taxes. In February 2019, we have entered into an Eighth Amendment to the Lease (the “Eighth Amendment”) with MetLife for our facilities, extending the lease terms from May 2027 to May 2029.

⁽²⁾ Represents future minimum lease payments under non-cancellable operating lease entered into in the first quarter of 2021 for facilities in San Carlos, California. The estimated minimum lease payments above do not include common area maintenance charges or real estate taxes.

For additional information see Note 10, “Commitments and Contingencies” in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Other Material Cash Requirements

We have other material cash requirements related to supply and service arrangements entered in the normal course of business. For additional information about other material cash requirements, see Note 10, “Commitments and Contingencies” in the Notes to Unaudited Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. Future minimum payments reflect amounts those obligations are expected to have on our liquidity and cash flows in future period and include obligations subject to risk of cancellation by us (in thousands):

Other Material Cash Requirements by Agreement Type	Agreement Date	Future Minimum Payment
Manufacture and supply agreement with expected future payment date of December 2022	April 2016	\$ 55
Development and manufacturing services agreements	September 2019	2,374
Total other commitments		\$ 2,429

We are contingently committed to an aggregate \$2.7 million of potential future research and development milestone payments to third parties for patents, licensing and development programs achieved in clinical application and the regulatory approval process. Payments generally are due and payable only upon achievement of certain developmental and regulatory milestones for which the specific timing cannot be predicted. Certain agreements also provide for sales-based milestones aggregating to \$0.6 million that we are contingently obligated to pay to upon achievement of certain sales levels in addition to royalties.

We do not utilize special-purpose financing vehicles or have undisclosed off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions in the preparation of our consolidated financial statements and accompanying notes. Actual results could differ from those estimates. There have been no material changes to our critical accounting policies or estimates during the three months ended March 31, 2021 from those discussed in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 1, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Management

Our cash flows and earnings are subject to fluctuations due to changes in foreign currency exchange rates, interest rates and other factors. These market risk exposures are disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 1, 2021.

Interest Rate Sensitivity

Our unrestricted cash and cash equivalents total \$139.7 million at March 31, 2021. We primarily invest these amounts in money market funds which are held for working capital purposes. We do not enter into investments for trading or speculative purposes. As of March 31, 2021, the effect of a hypothetical 10% decrease in market interest rates would have an immaterial impact on a potential loss in future interest income and cash flows.

In June 2017, we entered into a Credit Facility with Western Alliance Bank consisting of term loans up to \$10.0 million, and advances under a revolving line of credit up to \$5.0 million. Term loans made under the Term Debt bear interest at variable rate through maturity at the greater of (i) 3.75% or (ii) the sum of (A) Index Rate (prime rate published in the Money Rates section of the Western Edition of The Wall Street Journal plus (B) 0.50%. Advances made under the Revolving Line of Credit bear interest at a variable annual rate equal to the greater of (i) 4.25% or (ii) the sum of (A) the prime rate plus (B) 1.00%. Increases in these variable interest rates will increase our future interest expense and decrease our results of operations and cash flows. No amounts were drawn under the Credit Facility as of March 31, 2021. Our exposure to interest rates risk relates to our 2017 Credit Facility with variable interest rates, where an increase in interest rates may result in higher borrowing costs. Since we have no outstanding borrowings under our 2017 Credit Facility as of March 31, 2021, the effect of a hypothetical 10% change in interest rates would not have any impact on our interest expense.

Foreign Currency Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. Although substantially all of our sales are denominated in United States dollars, future fluctuations in the value of the USD may affect the price competitiveness of our products outside the United States. The impact of changes in foreign currency exchange rates on our operations and cash flows may be difficult or impossible to quantify.

Investment in Non-Marketable Debt and Equity Securities

We own investments in non-marketable available-for-sale debt security and non-marketable equity securities without readily determinable fair values. To analyze the fair value measurement of these debt securities, we perform a qualitative analysis using significant unobservable inputs. Significant changes to the unobservable inputs may result in a significantly higher or lower fair value estimate.

We may value these equity securities based on significant recent arms-length equity transactions with sophisticated non-strategic unrelated investors, providing the terms of these security transactions are substantially similar to the security transactions terms between the investors and us. The impact of the difference in transaction terms on the market value of the portfolio company may be difficult or impossible to quantify.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures and internal controls that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports 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 our principal executive officer and our principal financial and accounting officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, including our principal executive officer and our principal financial and accounting officer, evaluated the effectiveness of our disclosure controls and procedures as defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on this review, our principal executive officer and our principal financial and accounting officer concluded that these disclosure controls and procedures were effective as of March 31, 2021 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. There were no significant changes to our internal control over financial reporting due to the adoption of new standards.

Inherent Limitations on Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, even if determined effective and no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives to prevent or detect misstatements. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II. OTHER INFORMATION

LEGAL PROCEEDINGS

ITEM 1.

We are not currently a party to any material pending litigation or other material legal proceedings.

RISK FACTORS

ITEM 1A.

We have included in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020, a description of certain risks and uncertainties that could affect our business, future performance or financial condition (the "Risk Factors"). During the three months ended March 31, 2021, there were no material changes from the disclosure provided in the Form 10-K for the year ended December 31, 2020 with respect to the Risk Factors. Investors should consider the Risk Factors prior to making an investment decision with respect to our stock.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ITEM 2.

None.

DEFAULTS UPON SENIOR SECURITIES

ITEM 3.

None.

MINE SAFETY DISCLOSURES

ITEM 4.

Not applicable.

OTHER INFORMATION

ITEM 5.

Not applicable.

ITEM 6. EXHIBITS

- 3.1 Amended and Restated Certificate of Incorporation of Codexis, Inc. filed with the Secretary of the State of Delaware on April 27, 2010 and effective as of April 27, 2010 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed on May 28, 2010).
 - 3.2 Certificate of Designations of Series A Junior Participating Preferred Stock of Codexis, Inc., filed with the Secretary of State of the State of Delaware on September 4, 2012 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on September 4, 2012).
 - 3.3 Amended and Restated Bylaws of Codexis, Inc. effective as of April 27, 2010 (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed on May 28, 2010).
 - 4.1 Reference is made to Exhibits 3.1 through 3.3.
 - 10.1 * Lease Agreement by and between the Company and ARE-San Francisco No. 63, LLC. dated as of January 29, 2021.
 - 31.1 Certification of Principal Executive Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
 - 31.2 Certification of Principal Financial Officer Required Under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended.
 - 32.1 Certification of Principal Executive Officer and Principal Financial Officer Required Under Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. §1350.
 - 101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline Extensible Business Reporting Language (iXBRL) includes: (i) Unaudited Condensed Consolidated Balance Sheets at March 31, 2021 and December 31, 2020 (ii) Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2021 and 2020, (iii) Unaudited Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2021 and 2020, (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2021 and 2020 and (v) Notes to Unaudited Condensed Consolidated Financial Statements.
 - 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 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline XBRL and contained in Exhibit 101.
- * Portions of the exhibit, marked by brackets, have been omitted because the omitted information is (i) not material and (ii) would be competitively harmful if publicly disclosed.

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.

Codexis, Inc.

Date: May 7, 2021

By: /s/ John J. Nicols

John J. Nicols
President and Chief Executive Officer
(principal executive officer)

Date: May 7, 2021

By: /s/ Ross Taylor

Ross Taylor
Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "**Lease**") is made this 29th day of January, 2021, between **ARE-SAN FRANCISCO NO. 63, LLC**, a Delaware limited liability company ("**Landlord**"), and **CODEXIS, INC.**, a Delaware corporation ("**Tenant**").

Building: That certain 6-story building to be known as 825 Industrial Road, San Carlos, California.

Premises: That portion of the Building containing approximately 36,593 rentable square feet, consisting of (i) Suite 100A located on the ground floor of the Building, containing approximately 18,817 rentable square feet and (ii) Suite 200B located on the second floor of the Building, containing approximately 17,776 rentable square feet, as shown on **Exhibit A**.

Project: The real property on which the Building in which the Premises are located, together with all improvements thereon and appurtenances thereto as described on **Exhibit B**.

Base Rent: \$5.68 per rentable square foot of the Premises per month, subject to adjustment pursuant to Section 4 hereof.

Rentable Area of Premises: 36,593 sq. ft.

Rentable Area of Building: 277,056 sq. ft.

Rentable Area of Project: 524,437 sq. ft.

Tenant's Share of Operating Expenses of Building: 13.21%

Building's Share of Project: 52.83% sq. ft.

Security Deposit: \$415,696.48

Target Commencement Date: November 1, 2021, provided that in the event the permit package for the Tenant Improvements is not completed by January 15, 2021, the Target Commencement Date shall be extended one day for each day after January 15, 2021 until such permit package is completed.

Rent Adjustment Percentage: 3%

Base Term: Beginning on the Commencement Date and ending 120 months from the first day of the first full month after the Commencement Date (as defined in Section 2) hereof. For clarity, if the Commencement Date occurs on the first day of a month, the expiration of the Base Term shall be measured from that date. If the Commencement Date occurs on a day other than the first day of a month, the expiration of the Base Term shall be measured from the first day of the following month.

Permitted Use: Research and development laboratory, office and other related uses consistent with the character of the Project and otherwise in compliance with the provisions of Section 7 hereof.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Address for Rent Payment: Landlord's Notice Address:

P.O. Box 975383 26 North Euclid Avenue
Dallas, TX 75397-5383 Pasadena, CA 91101
Attention: Corporate Secretary

Tenant's Notice Address:

200 Penobscot Drive
Redwood City, California 94063
Attention: Legal Department

The following Exhibits and Addenda are attached hereto and incorporated herein by this reference:

EXHIBIT A - PREMISES DESCRIPTION **EXHIBIT B** - DESCRIPTION OF PROJECT
 EXHIBIT C - WORK LETTER **EXHIBIT D** - COMMENCEMENT DATE
 EXHIBIT E - RULES AND REGULATIONS **EXHIBIT F** - TENANT'S PERSONAL PROPERTY
 EXHIBIT G - ORDER

1. **Lease of Premises.** Upon and subject to all of the terms and conditions hereof, Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. The portions of the Project which are for the non-exclusive use of tenants of the Project are collectively referred to herein as the "**Common Areas**." Landlord reserves the right to modify Common Areas, provided that such modifications do not materially adversely affect Tenant's access to or use of the Premises for the Permitted Use. From and after the Commencement Date through the expiration of the Term, Tenant shall have access to the Building and the Premises 24 hours a day, 7 days a week, 365 days per year, except in the case of emergencies, as the result of Legal Requirements, the performance by Landlord of any installation, maintenance or repairs, or any other temporary interruptions, and otherwise subject to the terms of this Lease.

2. **Delivery; Acceptance of Premises; Commencement Date.** Landlord shall use reasonable efforts to deliver the Premises to Tenant on or before the Target Commencement Date, with the Tenant Improvements in the Premises Substantially Completed ("**Delivery**" or "**Deliver**"). If Landlord fails to timely Deliver the Premises, Landlord shall not be liable to Tenant for any loss or damage resulting therefrom, and this Lease shall not be void or voidable except as provided herein. Notwithstanding anything to the contrary contained herein, if Landlord fails to Deliver the Premises to Tenant on or before the date that is 90 days after the Target Commencement Date (as such date may be extended for Force Majeure (as defined in Section 34) and Tenant Delays, the "**Abatement Date**"), then, commencing immediately following the Abatement Period (as defined below), Base Rent shall be abated 1 day for each day from and including the Abatement Date (as such date may be extended for Force Majeure and Tenant Delays) that Landlord fails to Deliver the Premises to Tenant. If Landlord does not Deliver the Premises within 150 days of the Target Commencement Date for any reason other than Force Majeure delays or Tenant Delays, this Lease may be terminated by Tenant by written notice to Landlord, and if so terminated by Tenant: (a) the Security Deposit, or any balance thereof (i.e., after deducting therefrom all amounts to which Landlord is entitled under the provisions of this Lease), shall be returned to Tenant, and (b) neither Landlord nor Tenant shall have any further rights, duties or obligations under this Lease, except with respect to provisions which expressly survive termination of this Lease. As used herein, the terms "**Tenant Improvements**," "**Tenant Delays**" and "**Substantially Completed**" shall have the meanings set forth for such terms in the Work Letter. If Tenant does not elect to void this Lease within 10 business days of the lapse of such 150 day period, such right to void this Lease shall be waived and this Lease shall remain in full force and effect.

Notwithstanding the foregoing, Landlord and Tenant agree that if any Governmental Authority having jurisdiction of the Project, as a result of the COVID-19 outbreak in the United States declares or implements any order or mandate that restricts construction activities in San Mateo county (any such order or mandate, a "**Government Mandate**"), then, to the extent such Government Mandate precludes



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

construction of Landlord's Work, the Target Commencement Date shall be delayed 1 day for each day that such a Government Mandate remains in effect and continues to preclude such construction of Landlord's Work.

Landlord and Tenant further acknowledge and agree that (i) as of the date of this Lease, the City of San Carlos (the "City") is routinely taking longer to issue the permits and approvals (collectively, "Permits") required for the design and construction of Landlord's Work than the timeframes contemplated by Landlord in the development of the schedule for the completion of Landlord's Work as reflected in the Schedule attached to the Work Letter as Schedule 3 (the "Standard Issuance Period"), and (ii) to the extent the issuance of any Permits required for the design and/or construction of Landlord's Work is delayed beyond the Standard Issuance Period (except for delays due to Landlord's failure to timely provide the City with information requested from Landlord by the City (except to the extent that such delays arise due to Tenant's failure to provide Landlord information requested from Tenant by Landlord)), then the Target Commencement Date shall be delayed 1 day for each day following the expiration of the Standard Issuance Period that the City fails to issue any such Permits (through and including the date that such Permits are issued by the City).

The "Commencement Date" shall be the earlier of: (i) the date Landlord Delivers the Premises to Tenant with the Tenant Improvements Substantially Completed; or (ii) the date Landlord would have Delivered the Premises to Tenant with the Tenant Improvements Substantially Completed but for Tenant Delays. The "Rent Commencement Date" shall occur on the date that is 90 days after the Commencement Date. Base Rent shall be abated for the period commencing on the Commencement Date and ending on the day immediately preceding the Rent Commencement Date (the "Abatement Period"). Upon written request of Landlord, Tenant shall execute and deliver a written acknowledgment of the Commencement Date, the Rent Commencement Date and the expiration date of the Term when such are established in the form of the "Acknowledgement of Commencement Date" attached to this Lease as **Exhibit D**; provided, however, failure to execute and deliver such acknowledgment shall not affect either party's rights hereunder. The "Term" of this Lease shall be the Base Term, as defined above on the first page of this Lease and the Extension Term which Tenant may elect pursuant to Section 40.

Except as set forth in the Work Letter or as otherwise expressly set forth in this Lease: (i) Tenant shall accept the Premises in their condition as of the Commencement Date; (ii) Landlord shall have no obligation for any defects in the Premises; and (iii) Tenant's taking possession of the Premises shall be conclusive evidence that Tenant accepts the Premises. Any occupancy of the Premises by Tenant before the Commencement Date shall be subject to all of the terms and conditions of this Lease, excluding the obligation to pay Base Rent and Operating Expenses. Notwithstanding anything to the contrary contained herein, nothing in this paragraph shall limit Landlord's obligations with respect to the performance of Landlord's Work (as defined in the Work Letter), Landlord's obligations under the second paragraph of Section 7 of this Lease, or Landlord's maintenance and repair obligations under Section 13 of this Lease.

For the period of 365 consecutive days after the Commencement Date, Landlord shall, at its sole cost and expense (which shall not constitute an Operating Expense), be responsible for any repairs that are required to be made to the Building Systems (as defined in Section 13) serving the Premises, unless Tenant or any Tenant Party was responsible for the cause of such repair, in which case Tenant shall pay the cost. Tenant shall have the benefit of any warranties issued to Landlord in connection with Landlord's Work.

Tenant agrees and acknowledges that, except as otherwise expressly provided in this Lease, neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the condition of all or any portion of the Premises or the Project, and/or the suitability of the Premises or the Project for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises or the Project are suitable for the Permitted Use. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof and supersedes any and all prior representations, inducements, promises, agreements, understandings and negotiations which are not



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

contained herein. Landlord in executing this Lease does so in reliance upon Tenant's representations, warranties, acknowledgments and agreements contained herein.

3. **Rent.**

(a) **Base Rent.** Base Rent for the month in which the Rent Commencement Date occurs and the Security Deposit shall be due and payable on delivery of an executed copy of this Lease to Landlord. Tenant shall pay to Landlord in advance, without demand, abatement, deduction or set-off (except for any abatement, reduction or set-off as may be expressly provided in this Lease), monthly installments of Base Rent on or before the first day of each calendar month during the Term hereof after the Rent Commencement Date, in lawful money of the United States of America, at the office of Landlord for payment of Rent set forth above, or to such other person or at such other place as Landlord may from time to time designate in writing. Payments of Base Rent for any fractional calendar month shall be prorated. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any Rent (as defined in Section 5) due hereunder except for any abatement, reduction or set-off as may be expressly provided in this Lease.

(b) **Additional Rent.** In addition to Base Rent, Tenant agrees to pay to Landlord as additional rent ("**Additional Rent**"): (i) commencing on the Commencement Date, Tenant's Share of "Operating Expenses" (as defined in Section 5), and (ii) any and all other amounts Tenant assumes or agrees to pay under the provisions of this Lease, including, without limitation, any and all other sums that may become due by reason of any default of Tenant or failure to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant, after any applicable notice and cure period.

4. **Base Rent Adjustments.**

(a) **Annual Adjustments.** Base Rent shall be increased on each annual anniversary of the Commencement Date (or, if the Commencement Date occurs on a date other than the first day of a calendar month, then on each annual anniversary of the first day of the full calendar month immediately following the Commencement Date) (each an "**Adjustment Date**") by multiplying the Base Rent payable immediately before such Adjustment Date by the Rent Adjustment Percentage and adding the resulting amount to the Base Rent payable immediately before such Adjustment Date. Base Rent, as so adjusted, shall thereafter be due as provided herein. Base Rent adjustments for any fractional calendar month shall be prorated.

(b) **Additional TI Allowance.** In addition to the Tenant Improvement Allowance (as defined in the Work Letter), Landlord shall, subject to the terms of the Work Letter, make available to Tenant the Additional Tenant Improvement Allowance (as defined in the Work Letter). Commencing on the Rent Commencement Date and continuing thereafter on the first day of each month during the Base Term, Tenant shall pay the amount necessary to fully amortize the portion of the Additional Tenant Improvement Allowance actually funded by Landlord, if any, in equal monthly payments with interest at a rate of 8% per annum over the Base Term, which interest shall begin to accrue on the date that Landlord first disburses such Additional Tenant Improvement Allowance or any portion(s) thereof ("**TI Rent**"). TI Rent shall not be subject to increases applicable to Base Rent. Any TI Rent (including applicable interest) remaining unpaid as of the expiration or earlier termination of this Lease shall be paid to Landlord in a lump sum at the expiration or earlier termination of this Lease.

5. **Operating Expense Payments.** Following the Commencement Date, Landlord shall, prior to the beginning of each calendar year, deliver to Tenant a written estimate of Operating Expenses for each calendar year during the Term (the "**Annual Estimate**"), which may be revised by Landlord from time to time during such calendar year. Commencing on the Commencement Date and continuing thereafter on the first day of each month during the Term, Tenant shall pay Landlord an amount equal to



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

1/12th of Tenant's Share of the Annual Estimate. Payments for any fractional calendar month shall be prorated.

The term "**Operating Expenses**" means all costs and expenses of any kind or description whatsoever incurred or accrued each calendar year by Landlord with respect to the Building (including the Building's Share of Project of all costs and expenses of any kind or description incurred or accrued by Landlord with respect to the Project which are not specific to the Building) (including, without duplication, (u) Taxes (as defined in Section 9), (v) the cost of upgrades to the Building or Project or enhanced services provided at the Building and/or Project which are intended to promote and protect health and physical well-being (collectively, "**Infectious Conditions**"), (w) Permitted Capital Improvements (as defined below) amortized over the useful life of such Permitted Capital Improvements as reasonably determined by Landlord taking into account all relevant factors, including the 24x7 operation of the Building, (x) the actual costs and expenses incurred by Landlord (including, without limitation, any subsidies which Landlord may provide in connection with the common area amenities (the "**Common Area Amenities**")) of the Common Area Amenities now or hereafter located at the Project, (y) the costs related to any parking structure or parking areas serving the Project and costs for transportation services (including costs associated with Landlord's operation of or participation in a shuttle service), and (z) the costs of Landlord's third party property manager (not to exceed 3% of the then-current Base Rent) or, if there is no third party property manager, administration rent in the amount of 3% of the then-current Base Rent (provided that during the Abatement Period, Tenant shall nonetheless be required to pay administration rent each month equal to the amount of the administration rent that Tenant would have been required to pay in the absence of there being an Abatement Period)), excluding only:

- (a) the original construction costs of the Project (including the Building) and renovation prior to the Commencement Date and costs of correcting defects in such original construction or renovation;
- (b) capital expenditures other than those capital repairs improvements and replacements that: (1) are required in order to comply with Legal Requirements (other than compliance with those Legal Requirements for which Landlord is, at Landlord's sole cost and expense, responsible for compliance with pursuant the provisions of the first sentence of the second paragraph of Section 7 below); (2) actually reduce Operating Expenses, (3) maintain or improve the utility, efficiency or capacity of the Building, any Building Systems or the Common Areas of the Project, (4) are incurred in connection with repairs that extend the life of any capital items and/or (5) are triggered by Tenant's particular use of the Premises or Tenant's Alterations (collectively, "**Permitted Capital Improvements**"); provided, that, notwithstanding the foregoing with respect to those Permitted Capital Improvements incurred by Landlord which are solely intended to reduce Operating Expenses, Landlord shall be limited to passing through as part of Operating Expenses each year no more than the annual savings reasonably anticipated in connection with such Permitted Capital Improvements;
- (c) interest, principal payments of Mortgage (as defined in Section 27) debts of Landlord, financing costs and amortization of funds borrowed by Landlord, whether secured or unsecured, and all payments of base rent (but not taxes or operating expenses) under any ground lease or other underlying lease of all or any portion of the Project;
- (d) depreciation of the Project (except for capital improvements, the cost of which are includable in Operating Expenses);
- (e) advertising, legal and space planning expenses and leasing commissions and other costs and expenses incurred in procuring and leasing space to tenants for the Project, including any leasing office maintained in the Project, free rent and construction allowances for tenants;
- (f) legal and other expenses incurred in the negotiation or enforcement of leases;



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(g) completing, fixturing, improving, renovating, painting, redecorating or other work, which Landlord pays for or performs for other tenants within their premises, and costs of correcting defects in such work;

(h) costs to be reimbursed by other tenants of the Project or Taxes to be paid directly by Tenant or other tenants of the Project, whether or not actually paid;

(i) salaries, wages, benefits and other compensation paid to (i) personnel of Landlord or its agents or contractors above the position of the person, regardless of title, who has day-to-day management responsibility for the Project or (ii) officers and employees of Landlord or its affiliates who are not assigned in whole or in part to the operation, management, maintenance or repair of the Project; provided, however, that with respect to any such person who does not devote substantially all of his or her employed time to the Project, the salaries, wages, benefits and other compensation of such person shall be prorated to reflect time spent on matters related to operating, managing, maintaining or repairing the Project in comparison to the time spent on matters unrelated to operating, managing, maintaining or repairing the Project;

(j) general organizational, administrative and overhead costs relating to maintaining Landlord's existence, either as a corporation, partnership, or other entity, including general corporate, legal and accounting expenses;

(k) costs (including reasonable attorneys' fees and costs of settlement, judgments and payments in lieu thereof) incurred in connection with disputes with tenants, other occupants, or prospective tenants, and costs and expenses, including legal fees, incurred in connection with negotiations or disputes with employees, consultants, management agents, leasing agents, purchasers or mortgagees of the Building;

(l) costs incurred by Landlord due to the violation by Landlord, its employees, agents or contractors or any tenant of the terms and conditions of any lease of space in the Project or any Legal Requirement (as defined in [Section 7](#));

(m) penalties, fines or interest incurred as a result of Landlord's inability or failure to make payment of Taxes and/or to file any tax or informational returns when due, or from Landlord's failure to make any payment of Taxes required to be made by Landlord hereunder before delinquency;

(n) overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Project to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis;

(o) costs of Landlord's charitable or political contributions, or of fine art maintained at the Project;

(p) costs in connection with services (including electricity), items or other benefits of a type which are not standard for the Project and which are not available to Tenant without specific charges therefor, but which are provided to another tenant or occupant of the Project, whether or not such other tenant or occupant is specifically charged therefor by Landlord;

(q) costs incurred in the sale or refinancing of the Project;

(r) net income taxes of Landlord or the owner of any interest in the Project, franchise, capital stock, gift, estate or inheritance taxes or any federal, state or local documentary taxes imposed against the Project or any portion thereof or interest therein;



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(s) costs of repairs or other work necessitated by fire, windstorm or other casualty; provided such costs of repairs or other work shall be paid by the parties in accordance with the provisions of Section 18;

(t) costs or expenses occasioned by condemnation;

(u) costs which are covered by and reimbursed under any contractor, manufacturer or supplier warranty (not including the reasonable, out-of-pocket costs of enforcement of such warranties);

(v) any expenses otherwise includable within Operating Expenses to the extent actually reimbursed by persons other than tenants of the Project under leases for space in the Project;

(w) any reserves (other than reserves for Taxes for the then-current year);

(x) (i) insurance deductibles in excess of deductibles that Tenant can demonstrate are in excess of customary deductible amounts carried by institutional owners of Class A laboratory/office buildings in the San Carlos area and (ii) the cost of any uninsured casualty to the extent Tenant's Share thereof exceeds \$750,000 provided, however, Tenant's Share of any insurance deductible or uninsured casualty which Landlord is permitted to include as part of Operating Expenses exceeding \$100,000 shall be amortized over a period of 10 years (with interest not to exceed 8% per annum); and

(y) any costs incurred to remove, study, test or remediate, or otherwise related to the presence of Hazardous Materials in or about the Building or the Project for which Tenant is not responsible under this Lease.

Within 90 days after the end of each calendar year (or such longer period as may be reasonably required), Landlord shall furnish to Tenant a statement (an "**Annual Statement**") showing in reasonable detail: (a) the total and Tenant's Share of actual Operating Expenses for the previous calendar year, and (b) the total of Tenant's payments in respect of Operating Expenses for such year. If Tenant's Share of actual Operating Expenses for such year exceeds Tenant's payments of Operating Expenses for such year, the excess shall be due and payable by Tenant as Rent within 30 days after delivery of such Annual Statement to Tenant. If Tenant's payments of Operating Expenses for such year exceed Tenant's Share of actual Operating Expenses for such year Landlord shall pay the excess to Tenant within 30 days after delivery of such Annual Statement, except that after the expiration, or earlier termination of the Term or if Tenant is delinquent in its obligation to pay Rent, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord. Landlord's and Tenant's obligations to pay any overpayments or deficiencies due pursuant to this paragraph shall survive the expiration or earlier termination of this Lease.

The Annual Statement shall be final and binding upon Tenant unless Tenant, within 120 days after Tenant's receipt thereof, shall contest any item therein by giving written notice to Landlord, specifying each item contested and the reason therefor. If, during such 120 day period, Tenant reasonably and in good faith questions or contests the accuracy of Landlord's statement of Tenant's Share of Operating Expenses, Landlord will provide Tenant with access to Landlord's books and records relating to the operation of the Project (the "**Expense Information**"). If after Tenant's review of such Expense Information, Landlord and Tenant cannot agree upon the amount of Tenant's Share of Operating Expenses, then Tenant shall have the right to have an independent regionally or nationally recognized public accounting firm selected by Tenant and approved by Landlord (which approval shall not be unreasonably withheld, conditioned or delayed), working pursuant to a fee arrangement other than a contingent fee (at Tenant's sole cost and expense except as expressly provided below), audit and/or review the Expense Information for the year in question (the "**Independent Review**"). The results of any such Independent Review shall be binding on Landlord and Tenant. If the Independent Review shows that the payments actually made by Tenant with respect to Operating Expenses for the calendar year in question exceeded Tenant's Share of Operating Expenses for such calendar year, Landlord shall at



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Landlord's option either (i) credit the excess amount to the next succeeding installments of estimated Operating Expenses or (ii) pay the excess to Tenant within 30 days after delivery of such statement, except that after the expiration or earlier termination of this Lease or if Tenant is delinquent in its obligation to pay Rent, Landlord shall pay the excess to Tenant after deducting all other amounts due Landlord. If the Independent Review shows that Tenant's payments with respect to Operating Expenses for such calendar year were less than Tenant's Share of Operating Expenses for the calendar year, Tenant shall pay the deficiency to Landlord within 30 days after delivery of such statement. If the Independent Review shows that Tenant has overpaid with respect to Operating Expenses by more than 5% then Landlord shall reimburse Tenant for all costs incurred by Tenant for the Independent Review. Operating Expenses for the calendar years in which Tenant's obligation to share therein begins and ends shall be prorated. Notwithstanding anything set forth herein to the contrary, if the Project is not at least 95% occupied on average during any year of the Term, Tenant's Share of Operating Expenses for such year shall be computed as though the Project had been 95% occupied on average during such year.

"**Tenant's Share**" shall be the percentage set forth on the first page of this Lease as Tenant's Share as reasonably adjusted by Landlord for changes in the physical size of the Premises or the Project occurring thereafter. Landlord and Tenant hereby stipulate to the rentable square footage of the Premises set forth on page 1 of this Lease for all purposes and the same shall not be subject to re-measurement. Landlord may equitably increase Tenant's Share for any item of expense or cost reimbursable by Tenant that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Project that includes the Premises or that varies with occupancy or use. Base Rent, Tenant's Share of Operating Expenses and all other amounts payable by Tenant to Landlord hereunder are collectively referred to herein as "**Rent**."

6. **Security Deposit.** Tenant shall deposit with Landlord, upon delivery of an executed copy of this Lease to Landlord, a security deposit (the "**Security Deposit**") for the performance of all of Tenant's obligations hereunder in the amount set forth on page 1 of this Lease, which Security Deposit, subject to the immediately following paragraph, shall be in the form of an unconditional and irrevocable letter of credit (the "**Letter of Credit**"): (i) in form and substance reasonably satisfactory to Landlord, (ii) naming Landlord as beneficiary, (iii) expressly allowing Landlord to draw upon it at any time from time to time by delivering to the issuer notice that Landlord is entitled to draw thereunder, (iv) issued by an FDIC-insured financial institution reasonably satisfactory to Landlord, and (v) redeemable by presentation of a sight draft in the State of California. If Tenant does not provide Landlord with a substitute Letter of Credit complying with all of the requirements hereof at least 10 days before the stated expiration date of any then current Letter of Credit, Landlord shall have the right to draw the full amount of the current Letter of Credit and hold the funds drawn in cash without obligation for interest thereon as the Security Deposit. The Security Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of a Default (as defined in Section 20), Landlord may use all or any part of the Security Deposit to pay delinquent payments due under this Lease, future rent damages under California Civil Code Section 1951.2, and the cost of any damage, injury, expense or liability caused by such Default, without prejudice to any other remedy provided herein or provided by law. Landlord's right to use the Security Deposit under this Section 6 includes the right to use the Security Deposit to pay future rent damages following the termination of this Lease pursuant to Section 21(c) below. Upon any use of all or any portion of the Security Deposit, Tenant shall pay Landlord on demand the amount that will restore the Security Deposit to the amount set forth on Page 1 of this Lease. Tenant hereby waives the provisions of any law, now or hereafter in force, including, without limitation, California Civil Code Section 1950.7, which provide that Landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of Rent, to repair damage caused by Tenant or to clean the Premises, it being agreed that Landlord may, in addition, claim those sums reasonably necessary to compensate Landlord for any other loss or damage, foreseeable or unforeseeable, caused by the act or omission of Tenant or any officer, employee, agent or invitee of Tenant. Upon bankruptcy or other debtor-creditor proceedings against Tenant, the Security Deposit shall be deemed to be applied first to the payment of Rent and other charges due Landlord for periods prior to



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

the filing of such proceedings. If Tenant shall fully perform every provision of this Lease to be performed by Tenant, the Security Deposit, or any balance thereof (i.e., after deducting therefrom all amounts to which Landlord is entitled under the provisions of this Lease), shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder) within 90 days after the expiration or earlier termination of this Lease.

Tenant has advised Landlord that Tenant requires additional time to obtain the Letter of Credit. The parties hereto agree that Tenant shall deposit the sum of \$415,696.48 in cash with Landlord as the Security Deposit under the Lease until such time as Tenant delivers to Landlord the Letter of Credit, in a form approved by Landlord, which shall be no later than the date that is 10 days after the date of the Lease. Promptly upon delivery of the approved and effective Letter of Credit to Landlord, Landlord shall return the cash security deposit to Tenant. Tenant's failure to deliver such Letter of Credit to Landlord pursuant to the terms of this paragraph shall constitute a Default under Section 20 of the Lease.

If Landlord transfers its interest in the Project or this Lease, Landlord shall either (a) transfer any Security Deposit then held by Landlord to a person or entity assuming Landlord's obligations under this Section 6, or (b) return to Tenant any Security Deposit then held by Landlord and remaining after the deductions permitted herein. Upon such transfer to such transferee or the return of the Security Deposit to Tenant, Landlord shall have no further obligation with respect to the Security Deposit, and Tenant's right to the return of the Security Deposit shall apply solely against Landlord's transferee. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee, and no interest shall accrue thereon.

If, as of the expiration of the 12th month of the Base Term, Tenant satisfies the requirements listed below (collectively, the "**Reduction Requirements**"), then the Security Deposit shall be reduced to an amount equal to 1 month's then applicable monthly Base Rent (the "**Reduced Security Deposit**"). The Reduction Requirements are: (i) Tenant is not then in default under the Lease, (ii) Tenant has not previously defaulted under the Lease and (iii) either (x) Tenant's stock shall be listed on either the New York Stock Exchange or the NASDAQ stock market, and Tenant shall have a net worth of at least \$300,000,000; or (y) Tenant's revenues exceed \$175,000,000 during the immediately preceding fiscal year, and the amount of Tenant's Liquid Assets (as defined below) equals or exceeds its anticipated expenses for the shorter of (A) the next ensuing 30 months, or (B) the greater of 12 months or the remaining Term of this Lease assuming the exercise of all options to extend the Term of this Lease, unless such options have been waived or are otherwise no longer exercisable, as such net revenues are certified by a nationally recognized, independent public accounting firm or as demonstrated in annual audited financial statements. For purposes of this provision, "**Liquid Assets**" means all cash, cash equivalent investments and liquid short term investments. If Tenant provides Landlord with written evidence reasonably satisfactory to Landlord Tenant has met the Reduction Requirements, then Landlord shall return the unapplied portion of the Security Deposit then held by Landlord, less the Reduced Security Deposit, to Tenant within 60 days of Tenant's delivery of such written evidence. If Landlord returns to Tenant any portion of the Security Deposit in accordance with this Section, then from and after the date such monies are returned to Tenant, the "**Security Deposit**" shall be deemed to be the Reduced Security Deposit for all purposes of this Lease.

The Reduced Security Deposit shall be increased in accordance with the terms of this Section if (i) Tenant is in Default hereunder, or (ii) Tenant fails at any time after reduction of the Security Deposit to continue to meet the Reduction Requirements. Landlord shall have the right (not to be exercised more than 2 times per calendar year) to request written evidence from Tenant that Tenant continues to meet the Reduction Requirements. If Tenant is in Default under this Lease or fails to continue to meet the Reduction Requirements, the Security Deposit shall be increased to an amount equal to 2 times the then applicable monthly Base Rent. Such increased Security Deposit shall be paid to Landlord within 10 days of Landlord's written demand, in the case of Tenant's Default under this Lease, or within 10 days of Landlord's written demand, in the case of Tenant's failure to meet the Reduction



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Requirements. If Tenant is required to increase the Reduced Security Deposit in accordance with this Section, then from and after the date such monies are deposited with Landlord, the "**Security Deposit**" shall be deemed to be the amount then held by Landlord hereunder.

7. **Use.** The Premises shall be used solely for the Permitted Use set forth in the basic lease provisions on page 1 of this Lease, and in compliance with all laws, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises, and to the use and occupancy thereof, including, without limitation, the Americans With Disabilities Act, 42 U.S.C. § 12101, et seq. (together with the regulations promulgated pursuant thereto, "**ADA**") (collectively, "**Legal Requirements**" and each, a "**Legal Requirement**"). Tenant shall, upon 7 days' written notice from Landlord, discontinue any use of the Premises which is declared by any Governmental Authority (as defined in Section 9) having jurisdiction to be a violation of a Legal Requirement. Tenant will not use or permit the Premises to be used for any purpose or in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler or other credits. The Permitted Use as defined in this Lease will not result in the avoidance of or an increased insurance risk or cause the disallowance of any sprinkler or other credits with respect to the insurance currently being maintained by Landlord. Tenant shall not permit any part of the Premises to be used as a "place of public accommodation", as defined in the ADA or any similar legal requirement. Tenant shall reimburse Landlord promptly upon written demand for any additional premium charged for any such insurance policy by reason of Tenant's failure to comply with the provisions of this Section or otherwise caused by Tenant's use and/or occupancy of the Premises. Tenant will use the Premises in a careful, safe and proper manner and will not commit or permit waste, overload the floor or structure of the Premises, subject the Premises to use that would damage the Premises or obstruct or interfere with the rights of Landlord or other tenants or occupants of the Project, including conducting or giving notice of any auction, liquidation, or going out of business sale on the Premises, or using or allowing the Premises to be used for any unlawful purpose. Tenant shall cause any equipment or machinery to be installed in the Premises so as to reasonably prevent sounds or vibrations from the Premises from extending into Common Areas, or other space in the Project. Tenant shall not place any machinery or equipment which would overload the floor in or upon the Premises or transport or move such items through the Common Areas of the Project or in the Project elevators without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. Except as may be provided under the Work Letter, Tenant shall not, without the prior written consent of Landlord (which consent shall not be unreasonably withheld, conditioned or delayed), use the Premises in any manner which will require ventilation, air exchange, heating, gas, steam, electricity or water beyond the existing capacity of the Project as proportionately allocated to the Premises based upon Tenant's Share as usually furnished for the Permitted Use.

Landlord shall (a) subject to the terms of the Work Letter, be responsible for the compliance of the Premises with Legal Requirements as of the Commencement Date, and, (b) at no cost or expense to Tenant, be responsible for the compliance of the Common Areas of the Project with Legal Requirements as of the Commencement Date. Following the Commencement Date, Landlord shall, as an Operating Expense (to the extent such Legal Requirement is generally applicable to similar buildings in the area in which the Project is located) or at Tenant's expense (to the extent such Legal Requirement is triggered by reason of Tenant's, as compared to other tenants of the Project, particular use of the Premises or Tenant's Alterations) make any alterations or modifications to the Common Areas or the exterior of the Building that are required by Legal Requirements. Except as provided in the 2 immediately preceding sentences, Tenant, at its sole expense, shall make any alterations or modifications to the interior or the exterior of the Premises or the Project that are required by Legal Requirements (including, without limitation, compliance of the Premises with the ADA) related to Tenant's particular use of the Premises. Notwithstanding any other provision herein to the contrary, Tenant shall be responsible for any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including, without limitation, reasonable attorneys' fees, charges and disbursements and costs of suit) (collectively, "**Claims**") arising out of or in connection with Legal Requirements related to Tenant's particular use of the Premises or Tenant's



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Alterations, and Tenant shall indemnify, defend, hold and save Landlord harmless from and against any and all Claims arising out of or in connection with any failure of the Premises to comply with any Legal Requirement related to Tenant's particular use of the Premises or Tenant's Alterations.

Tenant acknowledges that Landlord may, but shall not be obligated to, seek to obtain Leadership in Energy and Environmental Design (LEED), WELL Building Standard, or other similar "green" certification with respect to the Project and/or the Premises, and Tenant agrees, at no material cost to Tenant, to reasonably cooperate with Landlord, and to provide such information and/or documentation as Landlord may reasonably request, in connection therewith.

8. **Holding Over.** If, with Landlord's express written consent, Tenant retains possession of the Premises after the termination of the Term, (i) unless otherwise agreed in such written consent, such possession shall be subject to immediate termination by Landlord at any time, (ii) all of the other terms and provisions of this Lease (including, without limitation, the adjustment of Base Rent pursuant to Section 4 hereof) shall remain in full force and effect (excluding any expansion or renewal option or other similar right or option) during such holdover period, (iii) Tenant shall continue to pay Base Rent in the amount payable upon the date of the expiration or earlier termination of this Lease or such other amount as may be agreed upon by Landlord and Tenant in such written consent, and (iv) all other payments shall continue under the terms of this Lease. If Tenant remains in possession of the Premises after the expiration or earlier termination of the Term without the express written consent of Landlord, (A) Tenant shall become a tenant at sufferance upon the terms of this Lease except that the monthly rental shall be equal to 150% of Base Rent in effect during the last 30 days of the Term, plus Operating Expenses and all other amounts due under this Lease, and (B) Tenant shall be responsible for all damages suffered by Landlord resulting from or occasioned by Tenant's holding over, including consequential damages; provided, however, that if Tenant delivers a written inquiry to Landlord within 30 days prior to the expiration or earlier termination of the Term, Landlord will notify Tenant whether the potential exists for consequential damages. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Section 8 shall not be construed as consent for Tenant to retain possession of the Premises. Acceptance by Landlord of Rent after the expiration of the Term or earlier termination of this Lease shall not result in a renewal or reinstatement of this Lease.

9. **Taxes.** Landlord shall pay, as part of Operating Expenses, all taxes, levies, fees, assessments and governmental charges of any kind, existing as of the Commencement Date or thereafter enacted (collectively referred to as "**Taxes**"), imposed by any federal, state, regional, municipal, local or other governmental authority or agency, including, without limitation, quasi-public agencies (collectively, "**Governmental Authority**") during the Term, including, without limitation, all Taxes: (i) imposed on or measured by or based, in whole or in part, on rent payable to (or gross receipts received by) Landlord under this Lease and/or from the rental by Landlord of the Project or any portion thereof, or (ii) based on the square footage, assessed value or other measure or evaluation of any kind of the Premises or the Project, or (iii) assessed or imposed by or on the operation or maintenance of any portion of the Premises or the Project, including parking, or (iv) assessed or imposed by, or at the direction of, or resulting from Legal Requirements, or interpretations thereof, promulgated by any Governmental Authority, or (v) imposed as a license or other fee, charge, tax, or assessment on Landlord's business or occupation of leasing space in the Project. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens securing Taxes. Notwithstanding anything to the contrary herein, Landlord shall only charge Tenant for assessments as if those assessments were paid by Landlord over the longest possible term which Landlord is permitted to pay for the applicable assessments without additional charge other than interest, if any, provided under the terms of the underlying assessments. Taxes shall not include any net income taxes imposed on Landlord except to the extent such net income taxes are in substitution for any Taxes payable hereunder. If any such Tax is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall pay, prior to delinquency, any and all Taxes levied or assessed against any personal property or trade fixtures placed



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

by Tenant in the Premises, whether levied or assessed against Landlord or Tenant. If any Taxes on Tenant's personal property or trade fixtures are levied against Landlord or Landlord's property, or if the assessed valuation of the Project is increased by a value attributable to improvements in or alterations to the Premises, whether owned by Landlord or Tenant and whether or not affixed to the real property so as to become a part thereof, higher than the base valuation on which Landlord from time-to-time allocates Taxes to all tenants in the Project, Landlord shall have the right, but not the obligation, to pay such Taxes. Landlord's determination of any excess assessed valuation shall be binding and conclusive, absent manifest error. The amount of any such payment by Landlord shall constitute Additional Rent due from Tenant to Landlord immediately upon demand.

10. **Parking.** Subject to all applicable Legal Requirements, Force Majeure, a Taking (as defined in Section 19 below) and the exercise by Landlord of its rights hereunder, Tenant shall have the right, at no additional cost during the Term (including any Extension Term), in common with other tenants of the Project pro rata in accordance with the rentable area of the Premises and the rentable areas of the Project occupied by such other tenants, to park in those areas designated for non-reserved parking, subject in each case to Landlord's rules and regulations. Subject to the immediately preceding sentence, Tenant's pro rata share of parking space shall be equal to 2.8 parking spaces per 1,000 rentable square feet of the Premises. Landlord may allocate parking spaces among Tenant and other tenants in the Project pro rata as described above if Landlord determines that such parking facilities are becoming crowded. Landlord shall not oversubscribe parking among tenants leasing space at the Project. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties, including other tenants of the Project.

If applicable to the Project, Tenant shall comply with the requirements of any TDMP (as defined below) which may be required by the City of San Carlos or other Governmental Authority with respect to the parking areas at the Project which are binding on tenants in the Project or tenants using the parking lots or structures available at the Project. A copy of any TDMP in effect from time to time during the Term shall be made available to Tenant. Notwithstanding anything to the contrary contained in this Lease, if applicable to the Project, Tenant shall be required to comply with the requirements of (and Operating Expenses shall expressly include any costs incurred by Landlord to comply with) any transportation demand management plan ("TDMP") and any other permit conditions (e.g. rider sharing and carpooling initiatives) imposed by the City of San Carlos or other Governmental Authority.

11. **Utilities, Services.** Landlord shall provide, subject to the terms of this Section 11, potable water, electricity, HVAC, light, power, sewer, and other utilities (including gas and fire sprinklers to the extent the Project is plumbed for such services), and, with respect to the Common Areas only, refuse and trash collection and janitorial services (collectively, "**Utilities**"). Landlord shall pay, as Operating Expenses or subject to Tenant's reimbursement obligation, for all Utilities used on the Premises, all maintenance charges for Utilities, and any storm sewer charges or other similar charges for Utilities imposed by any Governmental Authority or Utility provider, and any taxes, penalties, surcharges or similar charges thereon. Landlord may cause, at Landlord's expense (except to the extent necessary as a result of Tenant's disproportionate usage of Utilities), any Utilities not otherwise separately metered as part of the Tenant Improvements to be separately metered or charged directly to Tenant by the provider. Tenant shall pay directly to the Utility provider, prior to delinquency, any separately metered Utilities and services which may be furnished to Tenant or the Premises during the Term. Tenant shall pay, as part of Operating Expenses, its share of all charges for jointly metered Utilities based upon consumption, as reasonably determined by Landlord. Landlord's charge(s) for utilities shall not include any markup thereon. No interruption or failure of Utilities, from any cause whatsoever other than Landlord's willful misconduct, shall result in eviction or constructive eviction of Tenant, termination of this Lease or, except as provided in the immediately following paragraph, the abatement of Rent. Tenant agrees to limit use of water and sewer with respect to Common Areas to normal restroom use. Tenant shall be responsible during the Term for obtaining and paying for its own janitorial services for the Premises. Utilities shall be available to the Premises 24 hours per day, 7 days per week, except in the case of emergencies, as the result of Legal Requirements, the failure of any Utility provider to provide such Utilities, the performance by



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Landlord or any Utility provider of any installation, maintenance or repairs, or any other temporary interruptions.

Notwithstanding anything to the contrary set forth herein, if (i) a stoppage of an Essential Service (as defined below) to the Premises shall occur and such stoppage is due solely to the gross negligence or willful misconduct of Landlord and not due in any part to any act or omission on the part of Tenant or any Tenant Party or any matter beyond Landlord's reasonable control (any such stoppage of an Essential Service being hereinafter referred to as a "Service Interruption"), and (ii) such Service Interruption continues for more than 5 consecutive business days after Landlord shall have received written notice thereof from Tenant, and (iii) as a result of such Service Interruption, the conduct of Tenant's normal operations in the Premises are materially and adversely affected, then there shall be an abatement of one day's Base Rent for each day during which such Service Interruption continues after such 5 business day period; provided, however, that if any part of the Premises is reasonably useable for Tenant's normal business operations or if Tenant conducts all or any part of its operations in any portion of the Premises notwithstanding such Service Interruption, then the amount of each daily abatement of Base Rent shall only be proportionate to the nature and extent of the interruption of Tenant's normal operations or ability to use the Premises. The rights granted to Tenant under this paragraph shall be Tenant's sole and exclusive remedy resulting from a failure of Landlord to provide services, and Landlord shall not otherwise be liable for any loss or damage suffered or sustained by Tenant resulting from any failure or cessation of services. For purposes hereof, the term "Essential Services" shall mean the following services: HVAC service, water, sewer and electricity, but in each case only to the extent that Landlord has an obligation to provide same to Tenant under this Lease.

Landlord's sole obligation for either providing an emergency generator or providing emergency back-up power to Tenant shall be: (i) to provide Tenant with its pro rata share of power available to tenants of the Project of the emergency generator serving the Project as of the Commencement Date (which is designed to have a capacity of 1.25 mW), and (ii) to contract with a third party to maintain the emergency generator as per the manufacturer's standard maintenance guidelines. Except as provided in the immediately preceding sentence, Landlord shall have no obligation to provide Tenant with operational an emergency generator or back-up power or to supervise, oversee or confirm that the third party maintaining the emergency generator is maintaining the generator as per the manufacturer's standard guidelines or otherwise. Notwithstanding anything to the contrary contained herein, Landlord shall, on a weekly basis, as part of the maintenance of the Building, run the emergency generator for a period reasonably determined by Landlord for the purpose of determining whether it operates when started. Landlord shall, upon written request from Tenant (not more frequently than once per calendar year), make available for Tenant's inspection the maintenance contracts (including contracts regarding provision of fuel for the emergency generator) and maintenance records for the emergency generators for the 12 month period immediately preceding Landlord's receipt of Tenant's written request. During any period of replacement, repair or maintenance of the emergency generators when the emergency generators are not operational, including any delays thereto due to the inability to obtain parts or replacement equipment, Landlord shall have no obligation to provide Tenant with an alternative back-up generator or generators or alternative sources of back-up power. Tenant expressly acknowledges and agrees that Landlord does not guaranty that such emergency generators will be operational at all times or that emergency power will be available to the Premises when needed.

Tenant agrees to provide Landlord with access to Tenant's water and/or energy usage data on a monthly basis, either by providing Tenant's applicable utility login credentials to Landlord's Measurabl online portal, or by another delivery method reasonably agreed to by Landlord and Tenant. The costs and expenses incurred by Landlord in connection with receiving and analyzing such water and/or energy usage data (including, without limitation, as may be required pursuant to applicable Legal Requirements) shall be included as part of Operating Expenses.

12. **Alterations and Tenant's Property.** Any alterations, additions, or improvements made to the Premises by or on behalf of Tenant, including additional locks or bolts of any kind or nature upon



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

any doors or windows in the Premises, but excluding installation, removal or realignment of furniture systems (other than removal of furniture systems owned or paid for by Landlord) not involving any modifications to the structure or connections (other than by ordinary plugs or jacks) to Building Systems (as defined in Section 13) ("**Alterations**") shall be subject to Landlord's prior written consent, which may be given or withheld in Landlord's sole discretion if any such Alteration affects the structure or Building Systems and shall not be otherwise unreasonably withheld or delayed. Tenant may construct nonstructural Alterations in the Premises without Landlord's prior approval if the cost of the applicable Alteration project exceed \$100,000 (a "**Notice-Only Alteration**"), provided Tenant notifies Landlord in writing of such intended Notice-Only Alteration, and such notice shall be accompanied by plans, specifications, work contracts and such other information concerning the nature and cost of the Notice-Only Alteration as may be reasonably requested by Landlord, which notice and accompanying materials shall be delivered to Landlord not less than 10 business days in advance of any proposed construction. If Landlord approves any Alterations, Landlord may impose reasonable conditions on Tenant in connection with the commencement, performance and completion of such Alterations as Landlord may deem appropriate in Landlord's reasonable discretion. Any request for approval shall be in writing, delivered not less than 15 business days in advance of any proposed construction, and accompanied by plans, specifications, bid proposals, work contracts and such other information concerning the nature and cost of the alterations as may be reasonably requested by Landlord, including the identities and mailing addresses of all persons performing work or supplying materials. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to ensure that such plans and specifications or construction comply with applicable Legal Requirements. Tenant shall cause, at its sole cost and expense, all Alterations to comply with insurance requirements and with Legal Requirements and shall implement at its sole cost and expense any alteration or modification required by Legal Requirements as a result of any Alterations. Tenant shall pay to Landlord, as Additional Rent, on demand, an amount equal to the reasonable third party out-of-pocket costs incurred by Landlord to review Tenant's plans with respect to each Alteration, not to exceed 3% of the charges incurred by Tenant or its contractors or agents in connection such Alteration. Before Tenant begins any Alteration, Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall reimburse Landlord for, and indemnify and hold Landlord harmless from, any expense incurred by Landlord by reason of faulty work done by Tenant or its contractors, delays caused by such work, or inadequate cleanup.

Tenant shall complete all Alterations work free and clear of liens, and shall provide (and cause each contractor or subcontractor to provide) certificates of insurance for workers' compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Alterations, Tenant shall deliver to Landlord: (i) sworn statements setting forth the names of all contractors and subcontractors who did the work and final lien waivers from all such contractors and subcontractors; and (ii) "as built" plans for any such Alteration.

Except for Removable Installations (as hereinafter defined), all Installations (as hereinafter defined) shall be and shall remain the property of Landlord during the Term and following the expiration or earlier termination of the Term, shall not be removed by Tenant at any time during the Term, and shall remain upon and be surrendered with the Premises as a part thereof. Notwithstanding the foregoing, Landlord shall, if requested by Tenant in writing at the time Landlord's approval of any such Installation is requested or at the time it receives notice of a Notice-Only Alteration, notify Tenant at such time whether Landlord requires that Tenant remove such Installation upon the expiration or earlier termination of the Term, in which event Tenant shall remove such Installation in accordance with the immediately succeeding sentence. Upon the expiration or earlier termination of the Term, Tenant shall remove (i) if required by applicable Legal Requirements, all wires, cables or similar equipment which Tenant has installed in the Premises or in the risers or plenums of the Building, (ii) any Installations for which Landlord has given Tenant notice of removal in accordance with the immediately preceding sentence, and (iii) all of Tenant's Property (as hereinafter defined), and Tenant shall restore and repair any damage caused by or occasioned as a result of such removal, including, without limitation, capping off all such



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

connections behind the walls of the Premises and repairing any holes. During any restoration period beyond the expiration or earlier termination of the Term, Tenant shall pay Rent to Landlord as provided herein as if said space were otherwise occupied by Tenant. If Landlord is requested by Tenant or any lender, lessor or other person or entity claiming an interest in any of Tenant's Property to waive any lien Landlord may have against any of Tenant's Property, and Landlord consents to such waiver, then Landlord shall be entitled to be paid as administrative rent a fee of \$1,000 per occurrence for its time and effort in preparing and negotiating such a waiver of lien.

Notwithstanding anything to the contrary contained herein, Tenant shall not be required to remove or restore the Tenant Improvements at the expiration or earlier termination of the Term, nor shall Tenant have the right to remove any of the Tenant Improvements at any time during the Term or upon the expiration or earlier termination of the Term.

For purposes of this Lease, (x) "**Removable Installations**" means any items listed on **Exhibit F** attached hereto and any items agreed by Landlord in writing to be included on **Exhibit F** in the future, (y) "**Tenant's Property**" means Removable Installations and, other than Installations, any personal property or equipment of Tenant that may be removed without material damage to the Premises, and (z) "**Installations**" means all property of any kind paid for with the TI Fund, all Alterations, all fixtures, and all partitions, hardware, built-in machinery, built-in casework and cabinets and other similar additions, equipment, property and improvements built into the Premises so as to become an integral part of the Premises, including, without limitation, fume hoods which penetrate the roof or plenum area, built-in cold rooms, built-in warm rooms, walk-in cold rooms, walk-in warm rooms, deionized water systems, glass washing equipment, autoclaves, chillers, built-in plumbing, electrical and mechanical equipment and systems, and any power generator and transfer switch.

Landlord hereby approves of Tenant's installation within the Premises, at Tenant's sole cost and expense, of a boiler for purposes of steam generation for cleaning and sterilizing Tenant's laboratory equipment. Such boiler installation shall constitute an Alteration subject to the terms of this Section 12.

13. **Landlord's Repairs.** Landlord, as an Operating Expense (except to the extent the cost thereof is excluded from Operating Expenses pursuant to Section 5 hereof), shall maintain all of the structural, exterior, parking and other Common Areas of the Project, including HVAC, electrical, plumbing, fire sprinklers, elevators and all other building systems serving the Premises and other portions of the Project ("**Building Systems**"), in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, or by any of Tenant, or by any of Tenant's assignees, sublessees, licensees, agents, servants, employees, invitees and contractors (or any of Tenant's assignees, sublessees and/or licensees respective agents, servants, employees, invitees and contractors) (collectively, "**Tenant Parties**") excluded. Losses and damages caused by Tenant or any Tenant Party shall be repaired by Landlord, to the extent not covered by insurance, at Tenant's sole cost and expense. Landlord reserves the right to stop Building Systems services when necessary (i) by reason of accident or emergency, or (ii) for planned repairs, alterations or improvements, which are, in the reasonable judgment of Landlord, desirable or necessary to be made, until said repairs, alterations or improvements shall have been completed. Landlord shall have no responsibility or liability for failure to supply Building Systems services during any such period of interruption; provided, however, that Landlord shall, except in case of emergency, give Tenant 48 hours advance notice of any planned stoppage of Building Systems services for routine maintenance, repairs, alterations or improvements. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Section, after which Landlord shall make a commercially reasonable effort to effect such repair. Landlord shall not be liable for any failure to make any repairs or to perform any maintenance unless such failure shall persist for an unreasonable time after Tenant's written notice of the need for such repairs or maintenance. Tenant waives its rights under any state or local law to terminate this Lease or, except as otherwise expressly provided in Section 31 below, to make such repairs at Landlord's expense and agrees that the parties' respective rights with respect to such matters shall be solely as set forth herein. Repairs required as the result of fire, earthquake, flood, vandalism, war, or similar cause of damage or destruction shall be controlled by Section 18.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

14. **Tenant's Repairs.** Subject to Section 13 hereof, Tenant, at its expense, shall repair, replace and maintain in good condition all interior, non-structural portions of the Premises, including, without limitation, entries, doors, ceilings, interior windows, interior walls, and the interior side of demising walls. Should Tenant fail to make any such repair or replacement or fail to maintain the Premises, Landlord shall give Tenant notice of such failure. If Tenant fails to commence cure of such failure within 30 days of Landlord's notice, and thereafter diligently prosecute such cure to completion, Landlord may perform such work and shall be reimbursed by Tenant within 30 days after demand therefor; provided, however, that if such failure by Tenant creates or could create an emergency, Landlord may immediately commence cure of such failure and shall thereafter be entitled to recover the costs of such cure from Tenant. Subject to Sections 17 and 18, Tenant shall bear the full uninsured cost of any repair or replacement to any part of the Project that results from damage caused by Tenant or any Tenant Party.

15. **Mechanic's Liens.** Tenant shall discharge, by bond or otherwise, any mechanic's lien filed against the Premises or against the Project for work claimed to have been done for, or materials claimed to have been furnished to, Tenant within 10 days after Tenant receives written notice of the filing thereof, at Tenant's sole cost and shall otherwise keep the Premises and the Project free from any liens arising out of work performed, materials furnished or obligations incurred by Tenant. Should Tenant fail to discharge any lien described herein, Landlord shall have the right, but not the obligation, to pay such claim or post a bond or otherwise provide security to eliminate the lien as a claim against title to the Project and the cost thereof shall be due from Tenant within 30 days after demand therefor as Additional Rent. If Tenant shall lease or finance the acquisition of office equipment, furnishings, or other personal property of a removable nature utilized by Tenant in the operation of Tenant's business, Tenant warrants that any Uniform Commercial Code Financing Statement filed as a matter of public record by any lessor or creditor of Tenant will upon its face or by exhibit thereto indicate that such Financing Statement is applicable only to removable personal property of Tenant located within the Premises. In no event shall the address of the Project be furnished on the statement without qualifying language as to applicability of the lien only to removable personal property, located in an identified suite held by Tenant.

16. **Indemnification.** Tenant hereby indemnifies and agrees to defend, save and hold Landlord, its officers, directors, employees, managers, agents, sub-agents, constituent entities and lease signators (collectively, "**Landlord Indemnified Parties**") harmless from and against any and all Claims for injury or death to persons or damage to property occurring within or about the Premises or the Project arising directly or indirectly out of the use or occupancy of the Premises or the Project by Tenant or any Tenant Parties (including, without limitation, any act, omission or neglect by Tenant or any Tenant's Parties in or about the Premises or at the Project) or the a breach or default by Tenant in the performance of any of its obligations hereunder, except to the extent caused by the willful misconduct or negligence of Landlord Indemnified Parties. Landlord shall not be liable to Tenant for, and Tenant assumes all risk of damage to, personal property (including, without limitation, loss of records kept within the Premises). Tenant further waives any and all Claims for injury to Tenant's business or loss of income relating to any such damage or destruction of personal property (including, without limitation, any loss of records). Landlord Indemnified Parties shall not be liable for any damages arising from any act, omission or neglect of any tenant in the Project or of any other third party or Tenant Parties.

17. **Insurance.** Landlord shall maintain all risk property and sprinkler damage insurance covering the full replacement cost of the Project. Landlord shall further procure and maintain commercial general liability insurance with a single loss limit of not less than \$2,000,000 for bodily injury and property damage with respect to the Project. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, flood, environmental hazard and earthquake, loss or failure of building equipment, errors and omissions, rental loss during the period of repair or rebuilding, workers' compensation insurance and fidelity bonds for employees employed to perform services and insurance for any improvements installed by Tenant or which are in addition to the standard improvements customarily furnished by Landlord without regard to whether or not such are made a part of the Project. All such insurance shall be included as part of the Operating Expenses. The Project may be included in a blanket policy (in which case the cost of such insurance



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

allocable to the Project will be determined by Landlord based upon the insurer's cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's use of the Premises.

Tenant, at its sole cost and expense, shall maintain during the Term: all risk property insurance with business interruption and extra expense coverage, covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's expense; workers' compensation insurance with no less than the minimum limits required by law; employer's liability insurance with employers liability limits of \$1,000,000 bodily injury by accident – each accident, \$1,000,000 bodily injury by disease – policy limit, and \$1,000,000 bodily injury by disease – each employee; and commercial general liability insurance, with a minimum limit of not less than \$2,000,000 per occurrence for bodily injury and property damage with respect to the Premises; provided, however, such coverage may be satisfied by a combination of primary and umbrella insurance. The commercial general liability insurance maintained by Tenant shall include Alexandria Real Estate Equities, Inc., and Landlord, its officers, directors, employees, managers, agents, sub-agents, constituent entities and lease signators (collectively, "**Landlord Insured Parties**"), as additional insureds; insure on an occurrence and not a claims-made basis; be issued by insurance companies which have a rating of not less than policyholder rating of A- and financial category rating of at least Class IX in "Best's Insurance Guide"; not contain a hostile fire exclusion; contain a contractual liability endorsement; and provide primary coverage to Landlord Insured Parties (any policy issued to Landlord Insured Parties providing duplicate or similar coverage shall be deemed excess over Tenant's policies, regardless of limits). Tenant shall (i) provide Landlord with 30 days advance written notice of cancellation of such commercial general liability policy, and (ii) request Tenant's insurer to endeavor to provide 30 days advance written notice to Landlord of cancellation of such commercial general liability policy (or 10 days in the event of a cancellation due to non-payment of premium). Certificates of insurance showing the limits of coverage required hereunder and showing Landlord as an additional insured, along with reasonable evidence of the payment of premiums for the applicable period, shall be delivered to Landlord by Tenant (i) concurrent with Tenant's delivery of an executed copy of this Lease to Landlord, and (ii) each renewal of said insurance. Tenant's policy may be a "blanket policy" with an aggregate per location endorsement which specifically provides that the amount of insurance shall not be prejudiced by other losses covered by the policy. Tenant shall, at least 5 days prior to the expiration of such policies, furnish Landlord with renewal certificates.

In each instance where insurance is to name Landlord as an additional insured, Tenant shall upon written request of Landlord also designate and furnish certificates so evidencing Landlord as additional insured to: (i) any lender of Landlord holding a security interest in the Project or any portion thereof, (ii) the landlord under any lease wherein Landlord is tenant of the real property on which the Project is located, if the interest of Landlord is or shall become that of a tenant under a ground or other underlying lease rather than that of a fee owner, and/or (iii) any management company retained by Landlord to manage the Project.

The property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, and their respective officers, directors, employees, managers, agents, invitees and contractors ("**Related Parties**"), in connection with any loss or damage thereby insured against. Neither party nor its respective Related Parties shall be liable to the other for loss or damage caused by any risk insured against under property insurance required to be maintained hereunder, and each party waives any claims against the other party, and its respective Related Parties, for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its respective Related Parties shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever. If the foregoing waivers shall contravene any law with respect to exculpatory agreements, the liability of Landlord or Tenant shall be deemed not released but shall be secondary to the other's insurer.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Landlord may require insurance policy limits to be raised to conform with requirements of Landlord's lender and/or to bring coverage limits to levels then being generally required of new tenants within the Project; provided, however, that the increased amount of coverage is reasonably consistent with coverage amounts then being required by Landlord and/or its Affiliates at other projects in the geographical area in which the Project is located.

18. **Restoration.** If, at any time during the Term, the Project or the Premises are damaged or destroyed by a fire or other casualty, Landlord shall notify Tenant within 60 days after discovery of such damage as to the amount of time Landlord reasonably estimates it will take to restore the Project or the Premises, as applicable (the "**Restoration Period**"). If the Restoration Period is estimated to exceed 12 months (the "**Maximum Restoration Period**"), Landlord may, in such notice, elect to terminate this Lease as of the date that is 75 days after the date of discovery of such damage or destruction; provided, however, that notwithstanding Landlord's election to restore, Tenant may elect to terminate this Lease by written notice to Landlord delivered within 10 business days of receipt of a notice from Landlord estimating a Restoration Period for the Premises longer than the Maximum Restoration Period. Unless either Landlord or Tenant so elects to terminate this Lease, Landlord shall, subject to receipt of sufficient insurance proceeds (with any deductible to be treated as a current Operating Expense subject to the terms of Section 5 above), promptly restore the Premises (including the Tenant Improvements, but excluding any other improvements installed by Tenant or by Landlord and paid for by Tenant), subject to delays arising from the collection of insurance proceeds, from Force Majeure events or as needed to obtain any license, clearance or other authorization of any kind required to enter into and restore the Premises issued by any Governmental Authority having jurisdiction over the use, storage, handling, treatment, generation, release, disposal, removal or remediation of Hazardous Materials (as defined in Section 30) in, on or about the Premises (collectively referred to herein as "**Hazardous Materials Clearances**"); provided, however, that if repair or restoration of the Premises is not substantially complete as of the end of the Maximum Restoration Period or, if longer, the Restoration Period, Landlord may, in its sole and absolute discretion, elect not to proceed with such repair and restoration, or Tenant may by written notice to Landlord delivered within 5 business days of the expiration of the Maximum Restoration Period or, if longer, the Restoration Period, elect to terminate this Lease, in which event Landlord shall be relieved of its obligation to make such repairs or restoration and this Lease shall terminate as of the date that is 75 days after the later of: (i) discovery of such damage or destruction, or (ii) the date all required Hazardous Materials Clearances are obtained, but Landlord shall retain any Rent paid and the right to any Rent payable by Tenant prior to such election by Landlord or Tenant.

Promptly following the date that Landlord makes the Premises available to Tenant for Tenant's repairs and restoration, Tenant, at its expense, shall promptly perform, subject to delays arising from the collection of insurance proceeds, from Force Majeure (as defined in Section 34) events or to obtain Hazardous Material Clearances, shall make all repairs or restoration to the improvements in the Premises installed by Tenant or by Landlord paid for by Tenant. Notwithstanding the foregoing, either Landlord or Tenant may terminate this Lease upon written notice to the other if the Premises are damaged during the last year of the Term and Landlord reasonably estimates that it will take more than 2 months to repair such damage; provided, however, that such notice is delivered within 10 business days after the date that Landlord provides Tenant with written notice of the estimated Restoration Period. Notwithstanding anything to the contrary contained herein, Landlord shall also have the right to terminate this Lease if insurance proceeds are not available for such restoration. Rent shall be abated from the date all required Hazardous Material Clearances are obtained until the Premises are repaired and restored, in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises, unless Landlord provides Tenant with other space during the period of repair that is suitable for the temporary conduct of Tenant's business. In the event that no Hazardous Material Clearances are required to be obtained by Tenant with respect to the Premises, rent abatement shall commence on the date of discovery of the damage or destruction. Such abatement shall be the sole remedy of Tenant, and except as provided in this Section 18, Tenant waives any right to terminate this Lease by reason of damage or casualty loss.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

The provisions of this Lease, including this Section 18, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, or any other portion of the Project, and any statute or regulation which is now or may hereafter be in effect shall have no application to this Lease or any damage or destruction to all or any part of the Premises or any other portion of the Project, the parties hereto expressly agreeing that this Section 18 sets forth their entire understanding and agreement with respect to such matters.

19. **Condemnation.** If the whole or any material part of the Premises or the Project is taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "**Taking**" or "**Taken**"), and the Taking would in Landlord's reasonable judgment materially interfere with or impair Landlord's ownership or operation of the Building or Property, or would in the reasonable judgment of Landlord and Tenant either prevent or materially interfere with Tenant's use of the Premises (as resolved, if the parties are unable to agree, by arbitration by a single arbitrator with the qualifications and experience appropriate to resolve the matter and appointed pursuant to and acting in accordance with the rules of the American Arbitration Association), then upon written notice by Landlord or Tenant to the other this Lease shall terminate and Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, Landlord shall promptly restore the Premises and the Project as nearly as is commercially reasonable under the circumstances to their condition prior to such partial Taking and the rentable square footage of the Building, the rentable square footage of the Premises, Tenant's Share of Operating Expenses and the Rent payable hereunder during the unexpired Term shall be reduced to such extent as may be fair and reasonable under the circumstances. Upon any such Taking, Landlord shall be entitled to receive the entire price or award from any such Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to improvements paid for by Tenant and Tenant's trade fixtures, if a separate award for such items is made to Tenant. Tenant hereby waives any and all rights it might otherwise have pursuant to any provision of state law to terminate this Lease upon a partial Taking of the Premises or the Project.

20. **Events of Default.** Each of the following events shall be a default ("**Default**") by Tenant under this Lease:

(a) **Payment Defaults.** Tenant shall fail to pay any installment of Rent or any other payment hereunder when due; provided, however, that Landlord will give Tenant notice and an opportunity to cure any failure to pay Rent within 5 business days of any such notice not more than twice in any 12 month period and Tenant agrees that such notice shall be in lieu of and not in addition to, or shall be deemed to be, any notice required by law.

(b) **Insurance.** Any insurance required to be maintained by Tenant pursuant to this Lease shall be canceled or terminated or shall expire or shall be reduced or materially changed, or Landlord shall receive a notice of nonrenewal of any such insurance and Tenant shall fail to obtain replacement insurance at least 5 days before the expiration of the current coverage.

(c) **Abandonment.** Tenant shall abandon the Premises.

(d) **Improper Transfer.** Tenant shall assign, sublease or otherwise transfer or attempt to transfer all or any portion of Tenant's interest in this Lease or the Premises except as expressly permitted herein, or Tenant's interest in this Lease shall be attached, executed upon, or otherwise judicially seized and such action is not released within 90 days of the action.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(e) **Liens.** Tenant shall fail to discharge or otherwise obtain the release of any lien placed upon the Premises in violation of this Lease within 10 days after Tenant receives written notice that any such lien has been filed against the Premises.

(f) **Insolvency Events.** Tenant or any guarantor or surety of Tenant's obligations hereunder shall: (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "**Proceeding for Relief**"); (C) become the subject of any Proceeding for Relief which is not dismissed within 90 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(g) **Estoppel Certificate or Subordination Agreement.** Tenant fails to execute any document required from Tenant under Sections 23 or 27 within 5 business days after a second notice requesting such document (which second notice may in no event be delivered prior to the expiration of the time period provided in the applicable initial notice to Tenant requesting such documentation).

(h) **Other Defaults.** Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Section 20, and, except as otherwise expressly provided herein, such failure shall continue for a period of 30 days after written notice thereof from Landlord to Tenant.

Any notice given under Section 20(h) hereof shall: (i) specify the alleged default, (ii) demand that Tenant cure such default, (iii) be in lieu of, and not in addition to, or shall be deemed to be, any notice required under any provision of applicable law, and (iv) not be deemed a forfeiture or a termination of this Lease unless Landlord elects otherwise in such notice; provided that if the nature of Tenant's default pursuant to Section 20(h) is such that it cannot be cured by the payment of money and reasonably requires more than 30 days to cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said 30 day period and thereafter diligently prosecutes the same to completion; provided, however, that such cure shall be completed no later than 90 days from the date of Landlord's notice.

21. Landlord's Remedies.

(a) **Payment By Landlord; Interest.** Upon a Default by Tenant hereunder, Landlord may, without waiving or releasing any obligation of Tenant hereunder, make such payment or perform such act. All sums so paid or incurred by Landlord, together with interest thereon, from the date such sums were paid or incurred, at the annual rate equal to 12% per annum or the highest rate permitted by law (the "**Default Rate**"), whichever is less, shall be payable to Landlord on demand as Additional Rent. Nothing herein shall be construed to create or impose a duty on Landlord to mitigate any damages resulting from Tenant's Default hereunder.

(b) **Late Payment Rent.** Late payment by Tenant to Landlord of Rent and other sums due will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult and impracticable to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord under any Mortgage covering the Premises. Therefore, if any installment of Rent due from Tenant is not received by Landlord within 5 business days after the date such payment is due, Tenant shall pay to Landlord an additional sum equal to 6% of the overdue Rent as a late charge. Notwithstanding the foregoing, before assessing a late charge the first time in any calendar year, Landlord shall provide Tenant written notice of the delinquency and will waive the right if Tenant pays such delinquency within 5 business days thereafter. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord will incur by



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

reason of late payment by Tenant. In addition to the late charge, Rent not paid when due shall bear interest at the Default Rate from the 5th day after the date due until paid.

(c) **Remedies.** Upon the occurrence of a Default, Landlord, at its option, without further notice or demand to Tenant, shall have in addition to all other rights and remedies provided in this Lease, at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

(i) Terminate this Lease, or at Landlord's option, Tenant's right to possession only, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof, without being liable for prosecution or any claim or damages therefor;

(ii) Upon any termination of this Lease, whether pursuant to the foregoing Section 21(c)(i) or otherwise, Landlord may recover from Tenant the following:

- (1) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus
- (2) 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 rental loss that Tenant proves could have been reasonably avoided; plus
- (3) 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 rental loss that Tenant proves could have been reasonably avoided; plus
- (4) Any other amount reasonably necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including, but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special commercially reasonable concessions made to obtain a new tenant; and
- (5) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "**rent**" as used in this Section 21 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant pursuant to the terms of this Lease, whether to Landlord or to others. As used in Sections 21(c)(ii)(A) and (B), above, the "**worth at the time of award**" shall be computed by allowing interest at the Default Rate. As used in Section 21(c)(ii)(C) above, the "**worth at the time of award**" 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 1%.

(iii) Landlord may continue this Lease in effect after Tenant's Default and recover rent as it becomes due (Landlord and Tenant hereby agreeing that Tenant has the right to sublet or assign hereunder, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease following a Default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies hereunder, including the right to recover all Rent as it becomes due.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(iv) Whether or not Landlord elects to terminate this Lease following a Default by Tenant, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. Upon Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

(v) Independent of the exercise of any other remedy of Landlord hereunder or under applicable law, Landlord may conduct an environmental test of the Premises as generally described in Section 30(d) hereof, at Tenant's expense.

(d) **Effect of Exercise.** Exercise by Landlord of any remedies hereunder or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, it being understood that such surrender and/or termination can be effected only by the express written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same and shall not be deemed a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of Rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter, re-take or otherwise obtain possession of the Premises as provided in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. Any reletting of the Premises or any portion thereof shall be on such terms and conditions as Landlord in its sole discretion may determine. Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of Tenant's Default.

22. Assignment and Subletting.

(a) **General Prohibition.** Without Landlord's prior written consent subject to and on the conditions described in this Section 22 (including, without limitation, the second sentence of Section 22(b) below), Tenant shall not, directly or indirectly, voluntarily or by operation of law, assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises, and any attempt to do any of the foregoing shall be void and of no effect. If Tenant is a corporation, partnership or limited liability company, the shares or other ownership interests thereof which are not actively traded upon a stock exchange or in the over-the-counter market, a transfer or series of transfers whereby 50% or more of the issued and outstanding shares or other ownership interests of such corporation are, or voting control is, transferred (but excepting transfers upon deaths of individual owners) from a person or persons or entity or entities which were owners thereof at time of execution of this Lease to persons or entities who were not owners of shares or other ownership interests of the corporation, partnership or limited liability company at time of execution of this Lease, shall be deemed an assignment of this Lease requiring the consent of Landlord as provided in this Section 22.

(b) **Permitted Transfers.** If Tenant desires to assign, sublease, hypothecate or otherwise transfer this Lease or sublet the Premises, then at least 15 business days, but not more than 120 days, before the date Tenant desires the assignment or sublease to be effective (the "**Assignment Date**"),



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Tenant shall give Landlord a notice (the “**Assignment Notice**”) containing such information about the proposed assignee or sublessee, including the proposed use of the Premises and any Hazardous Materials proposed to be used, stored handled, treated, generated in or released or disposed of from the Premises, the Assignment Date, any relationship between Tenant and the proposed assignee or sublessee, and all material terms and conditions of the proposed assignment or sublease, including a copy of any proposed assignment or sublease in its final form, and such other information as Landlord may deem reasonably necessary or appropriate to its consideration whether to grant its consent. Landlord may, by giving written notice to Tenant within 15 business days after receipt of the Assignment Notice: (i) grant such consent (provided that Landlord shall further have the right to review and approve or disapprove the proposed form of sublease prior to the effective date of any such subletting), (ii) refuse such consent (provided that Landlord shall not unreasonably withhold, condition or delay such consent); or (iii) with respect to any proposed assignment of this Lease, or with respect to any proposed subletting for substantially the remainder of the Term of more than 50% of the Premises, terminate this Lease with respect to the space described in the Assignment Notice as of the Assignment Date (an “**Assignment Termination**”). Among other reasons, it shall be reasonable for Landlord to withhold its consent in any of these instances: (1) the proposed assignee or subtenant is a governmental agency; (2) in Landlord’s reasonable judgment, the use of the Premises by the proposed assignee or subtenant would entail any alterations that would materially lessen the value of the leasehold improvements in the Premises, or would require materially increased services by Landlord; (3) in Landlord’s reasonable judgment, the proposed assignee or subtenant is engaged in areas of scientific research or other business concerns that are controversial such that they may (i) attract or cause negative publicity for or about the Building or the Project, (ii) negatively affect the reputation of the Building, the Project or Landlord, (iii) attract protestors to the Building or the Project, or (iv) lessen the attractiveness of the Building or the Project to any tenants or prospective tenants, purchasers or lenders; (4) in Landlord’s reasonable judgment, the proposed assignee or subtenant lacks the creditworthiness to support the financial obligations it will incur under the proposed assignment or sublease; (5) in Landlord’s reasonable judgment, the character, reputation, or business of the proposed assignee or subtenant is inconsistent with the desired tenant-mix or the quality of other tenancies in the Project or is inconsistent with the type and quality of the nature of the Building; (6) intentionally omitted; (7) Landlord has experienced previous defaults by or is in litigation with the proposed assignee or subtenant; (8) the use of the Premises by the proposed assignee or subtenant will violate any applicable Legal Requirement; (9) intentionally omitted; or (10) the proposed assignee or subtenant is an entity with whom Landlord is then-currently negotiating to lease space in the Project. If Landlord delivers notice of its election to exercise an Assignment Termination, Tenant shall have the right to withdraw such Assignment Notice by written notice to Landlord of such election within 5 business days after Landlord’s notice electing to exercise the Assignment Termination. If Tenant withdraws such Assignment Notice, this Lease shall continue in full force and effect. If Tenant does not withdraw such Assignment Notice, this Lease, and the term and estate herein granted, shall terminate as of the Assignment Date with respect to the space described in such Assignment Notice. No failure of Landlord to exercise any such option to terminate this Lease, or to deliver a timely notice in response to the Assignment Notice, shall be deemed to be Landlord’s consent to the proposed assignment, sublease or other transfer. Tenant shall pay to Landlord a fee equal to Two Thousand Five Hundred Dollars (\$2,500) in connection with its consideration of any Assignment Notice and/or its preparation or review of any consent documents. Notwithstanding the foregoing, Landlord’s consent to an assignment of this Lease or a subletting of any portion of the Premises to any entity controlling, controlled by or under common control with Tenant (a “**Control Permitted Assignment**”) shall not be required, provided that Landlord shall have the right to approve the form of any such sublease or assignment, in its reasonable discretion. In addition, Tenant shall have the right to assign this Lease, upon 10 days prior written notice to Landlord ((x) unless Tenant is prohibited from providing such notice by applicable Legal Requirements in which case Tenant shall notify Landlord promptly thereafter, and (y) if the transaction is subject to confidentiality requirements, Tenant’s advance notification shall be subject to Landlord’s execution of a non-disclosure agreement reasonably acceptable to Landlord and Tenant) but without obtaining Landlord’s prior written consent, to a corporation or other entity which is a successor-in-interest to Tenant, by way of merger, consolidation or corporate reorganization, or by the purchase of all or substantially all of the assets or the ownership interests of Tenant provided that (i) such merger or consolidation, or such



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

acquisition or assumption, as the case may be, is for a good business purpose and not principally for the purpose of transferring the Lease, and (ii) the net worth (as determined in accordance with generally accepted accounting principles ("GAAP")) of the assignee (or a guarantor of the Lease that agrees to guaranty the Lease following the date of the assignment or, to the extent Tenant remains the tenant under this Lease following such Corporate Permitted Assignment, Tenant) is not less than the net worth (as determined in accordance with GAAP) of Tenant as of the date of Tenant's most current quarterly or annual financial statements, and (iii) such assignee shall agree in writing to assume all of the terms, covenants and conditions of this Lease (a "**Corporate Permitted Assignment**"). Control Permitted Assignments and Corporate Permitted Assignments are hereinafter referred to as "**Permitted Assignments**."

(c) **Additional Conditions.** As a condition to any such assignment or subletting, whether or not Landlord's consent is required, Landlord may require:

(i) that any assignee or subtenant agree, in writing at the time of such assignment or subletting, that if Landlord gives such party notice that Tenant is in default under this Lease, such party shall thereafter make all payments otherwise due Tenant directly to Landlord, which payments will be received by Landlord without any liability except to credit such payment against those due under this Lease, and any such third party shall agree to attorn to Landlord or its successors and assigns should this Lease be terminated for any reason; provided, however, in no event shall Landlord or its successors or assigns be obligated to accept such attornment; and

(ii) A list of Hazardous Materials, certified by the proposed assignee or sublessee to be true and correct, which the proposed assignee or sublessee intends to use, store, handle, treat, generate in or release or dispose of from the Premises, together with copies of all documents relating to such use, storage, handling, treatment, generation, release or disposal of Hazardous Materials by the proposed assignee or subtenant in the Premises or on the Project, prior to the proposed assignment or subletting, including, without limitation: permits; approvals; reports and correspondence; storage and management plans; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); and all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks. Neither Tenant nor any such proposed assignee or subtenant is required, however, to provide Landlord with any portion(s) of the such documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities.

(d) **No Release of Tenant, Sharing of Excess Rents.** Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully and primarily responsible and liable for the payment of Rent and for compliance with all of Tenant's other obligations under this Lease. Other than in connection with an assignment constituting a Permitted Assignment, if the Rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto in any form, excluding consideration for services or furniture, fixtures and equipment paid for exclusively by Tenant, to the extent such consideration does not exceed fair market value for such items) exceeds the sum of the rental payable under this Lease, (excluding however, any Rent payable under this Section) and actual and reasonable brokerage fees, legal costs, reasonable free rent periods and other market financial concessions, any design or construction fees or tenant improvements allowances directly related to and required pursuant to the terms of any such sublease, and the unamortized cost of any Alterations or other improvements paid for by Tenant ("**Excess Rent**"), then Tenant shall be bound and obligated to pay Landlord as Additional Rent hereunder 50% of such Excess Rent within 30 days following receipt thereof by Tenant. If Tenant shall sublet the Premises or any part thereof, Tenant hereby immediately and irrevocably assigns to Landlord, as security for Tenant's



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

obligations under this Lease, all rent from any such subletting, and Landlord or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of a Default, Tenant shall have the right to collect such rent.

(e) **No Waiver.** The consent by Landlord to an assignment or subletting shall not relieve Tenant or any assignees of this Lease or any sublessees of the Premises from obtaining the consent of Landlord to any further assignment or subletting nor shall it release Tenant or any assignee or sublessee of Tenant from full and primary liability under this Lease. The acceptance of Rent hereunder, or the acceptance of performance of any other term, covenant, or condition thereof, from any other person or entity shall not be deemed to be a waiver of any of the provisions of this Lease or a consent to any subletting, assignment or other transfer of the Premises.

(f) **Prior Conduct of Proposed Transferee.** Notwithstanding any other provision of this Section 22, if (i) the proposed assignee or sublessee of Tenant has been required by any prior landlord, lender or Governmental Authority to take remedial action in connection with Hazardous Materials contaminating a property, where the contamination resulted from such party's action or use of the property in question, (ii) the proposed assignee or sublessee is subject to an enforcement order issued by any Governmental Authority in connection with the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials (including, without limitation, any order related to the failure to make a required reporting to any Governmental Authority), or (iii) because of the existence of a pre-existing environmental condition in the vicinity of or underlying the Project, the risk that Landlord would be targeted as a responsible party in connection with the remediation of such pre-existing environmental condition would be materially increased or exacerbated by the proposed use of Hazardous Materials by such proposed assignee or sublessee, Landlord shall have the absolute right to refuse to consent to any assignment or subletting to any such party. This Section 22(f) shall not apply to any Corporate Permitted Assignment.

23. **Estoppel Certificate.** Tenant shall, within 10 business days of written notice from Landlord, execute, acknowledge and deliver a statement in writing in any form reasonably requested by a proposed lender or purchaser, (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any, (ii) acknowledging that, to Tenant's knowledge, there are not any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iii) setting forth such further information with respect to the status of this Lease or the Premises as may be requested thereon. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part. Tenant's failure to deliver such statement within 5 business days after a second notice requesting such document is delivered after Tenant's failure to deliver such statement within the initial 10 business day period above, at the option of Landlord, constitute a Default under this Lease, and, in any event, shall be conclusive upon Tenant that the Lease is in full force and effect and without modification except as may be represented by Landlord in any certificate prepared by Landlord and delivered to Tenant for execution.

24. **Quiet Enjoyment.** So long as Tenant is not in Default under this Lease, Tenant shall, subject to the terms of this Lease, at all times during the Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord.

25. **Prorations.** All prorations required or permitted to be made hereunder shall be made on the basis of a 360 day year and 30 day months.

26. **Rules and Regulations.** Tenant shall, at all times during the Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the Premises and the Project. Such rules and regulations may include, without limitation, rules and regulations relating to the use of the Common Area Amenities and/or rules and



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

regulations which are intended to promote and protect health and physical well-being within the Building and the Project. The current rules and regulations are attached hereto as **Exhibit E**. If there is any conflict between said rules and regulations and other provisions of this Lease, the terms and provisions of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project and shall not enforce such rules and regulations in a discriminatory manner.

27. **Subordination.** This Lease and Tenant's interest and rights hereunder are hereby made and shall be subject and subordinate at all times to the lien of any Mortgage now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant; provided, however that so long as there is no Default hereunder, Tenant's right to possession of the Premises and rights under this Lease shall not be disturbed by the Holder of any such Mortgage. Tenant agrees, at the election of the Holder of any such Mortgage, to attorn to any such Holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination, and such instruments of attornment as shall be requested by any such Holder, provided any such instruments contain appropriate non-disturbance provisions assuring Tenant's quiet enjoyment of the Premises as set forth in Section 24 hereof. Notwithstanding the foregoing, any such Holder may at any time subordinate its Mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such Mortgage without regard to their respective dates of execution, delivery or recording and in that event such Holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such Mortgage and had been assigned to such Holder. The term "**Mortgage**" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "**Holder**" of a Mortgage shall be deemed to include the beneficiary under a deed of trust.

As of the date of this Lease, there is no existing Mortgage encumbering the Project. Upon written request from Tenant, Landlord agrees to use reasonable efforts to cause the Holder of any future Mortgage to enter into a subordination, non-disturbance and attornment agreement ("**SNDA**") with Tenant with respect to this Lease. The SNDA shall be on the form reasonably proscribed by the Holder and Tenant shall pay the Holder's fees and costs in connection with obtaining such SNDA; provided, however, that Landlord shall request that Holder make any changes to the SNDA requested by Tenant. Landlord's failure to cause the Holder to enter into the SNDA with Tenant (or make any of the changes requested by Tenant) despite such efforts shall not be a default by Landlord under this Lease.

28. **Surrender.** Upon the expiration of the Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, subject to any Alterations or Installations permitted under this Lease to remain in the Premises, free of Hazardous Materials brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of from, the Premises by any person other than a Landlord Party (collectively, "**Tenant HazMat Operations**") and released of all Hazardous Materials Clearances, broom clean, ordinary wear and tear and casualty loss and condemnation covered by Sections 18 and 19 excepted. At least 3 months prior to the surrender of the Premises or such earlier date as Tenant may elect to cease operations at the Premises, Tenant shall deliver to Landlord a narrative description of the actions proposed (or required by any Governmental Authority) to be taken by Tenant in order to surrender the Premises (including any Installations permitted by Landlord to remain in the Premises) at the expiration or earlier termination of the Term, free from any residual impact from the Tenant HazMat Operations and otherwise released for unrestricted use and occupancy (the "**Decommissioning and HazMat Closure Plan**"). Such Decommissioning and HazMat Closure Plan shall be accompanied by a current listing of (i) all Hazardous Materials licenses and permits held by or on behalf of any Tenant Party with respect to the Premises, and (ii) all Hazardous Materials used, stored, handled, treated, generated, released or disposed of from the Premises, and shall be subject to the review and approval of Landlord's environmental consultant, such approval not to be unreasonably withheld or delayed. In connection with the review and approval of the



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Decommissioning and HazMat Closure Plan, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such additional non-proprietary information concerning Tenant HazMat Operations as Landlord may reasonably request. On or before such surrender, Tenant shall deliver to Landlord evidence that the approved Decommissioning and HazMat Closure Plan shall have been satisfactorily completed and Landlord shall have the right, subject to reimbursement at Tenant's expense as set forth below, to cause Landlord's environmental consultant to inspect the Premises and perform such additional procedures as may be deemed reasonably necessary to confirm that the Premises are, as of the effective date of such surrender or early termination of the Lease, free from any residual impact from Tenant HazMat Operations. Tenant shall reimburse Landlord, as Additional Rent, for the actual, reasonable out-of-pocket expense incurred by Landlord for Landlord's environmental consultant to review and approve the Decommissioning and HazMat Closure Plan and to visit the Premises and verify satisfactory completion of the same, which cost shall not exceed \$2,500. Landlord may not deliver such Decommissioning and HazMat Closure Plan to any third party with the exception of Landlord's environmental consultants, and any prospective purchaser, any prospective tenant, any prospective lender or lender.

If Tenant shall fail to prepare or submit a Decommissioning and HazMat Closure Plan reasonably approved by Landlord, or if Tenant shall fail to complete the approved Decommissioning and HazMat Closure Plan, or if such Decommissioning and HazMat Closure Plan, whether or not approved by Landlord, shall fail to adequately address any residual effect of Tenant HazMat Operations in, on or about the Premises, Landlord shall have the right to take such actions as Landlord may reasonably deem reasonable or appropriate to assure that the Premises and the Project are surrendered free from any residual impact from Tenant HazMat Operations, the cost of which actions shall be reimbursed by Tenant as Additional Rent, without regard to the limitation set forth in the first paragraph of this Section 28.

Tenant shall immediately return to Landlord all keys and/or access cards to parking, the Project, restrooms or all or any portion of the Premises furnished to or otherwise procured by Tenant. If any such access card or key is lost, Tenant shall pay to Landlord, the cost of replacing such lost access card or key. Any Tenant's Property, Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and/or disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Term, including the obligations of Tenant under Section 30 hereof, shall survive the expiration or earlier termination of the Term, including, without limitation, indemnity obligations, payment obligations with respect to Rent and obligations concerning the condition and repair of the Premises.

29. **Waiver of Jury Trial.** TO THE EXTENT PERMITTED BY LAW, TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO.

30. **Environmental Requirements.**

(a) **Prohibition/Compliance/Indemnity.** Tenant shall not cause or permit any Hazardous Materials (as hereinafter defined) to be brought upon, kept, used, stored, handled, treated, generated in or about, or released or disposed of from, the Premises or the Project in violation of applicable Environmental Requirements (as hereinafter defined) by Tenant or any Tenant Party. If Tenant breaches the obligation stated in the preceding sentence, or if the presence of Hazardous Materials in the Premises during the Term or any holding over results in contamination of the Premises, the Project or any adjacent property or if contamination of the Premises, the Project or any adjacent property by Hazardous Materials brought into, kept, used, stored, handled, treated, generated in or about, or released or disposed of from, the Premises by anyone other than Landlord and Landlord's employees, agents and contractors



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

otherwise occurs during the Term or any holding over, Tenant hereby indemnifies and shall defend and hold Landlord, its officers, directors, employees, agents and contractors harmless from any and all actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (including, without limitation, punitive damages and damages based upon diminution in value of the Premises or the Project, or the loss of, or restriction on, use of the Premises or any portion of the Project), expenses (including, without limitation, reasonable attorneys', consultants' and experts' fees, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses (collectively, "**Environmental Claims**") which arise during or after the Term as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, treatment, remedial, removal, or restoration work required by any federal, state or local Governmental Authority because of Hazardous Materials present in the air, soil or ground water above, on, or under the Premises. Without limiting the foregoing, if the presence of any Hazardous Materials on the Premises, the Project or any adjacent property caused or permitted by Tenant or any Tenant Party results in any contamination of the Premises, the Project or any adjacent property, Tenant shall promptly take all actions at its sole expense and in accordance with applicable Environmental Requirements as are necessary to return the Premises, the Project or any adjacent property to the condition existing prior to the time of such contamination, provided that Landlord's approval of such action shall first be obtained, which approval shall not unreasonably be withheld, conditioned or delayed so long as such actions would not potentially have any material adverse long-term or short-term effect on the Premises or the Project. Notwithstanding anything to the contrary contained in Section 28 or this Section 30, Tenant shall not be responsible for, and the indemnification and hold harmless obligations set forth in this paragraph shall not apply to (i) contamination in the Premises which Tenant can reasonably prove existed in the Premises prior to the Commencement Date, (ii) the presence of any Hazardous Materials in the Premises which Tenant can reasonably prove migrated from outside the Premises into the Premises, or (iii) contamination caused by Landlord or any Landlord's employees, agents and contractors, except to the extent in any case, the presence of such Hazardous Materials (x) is the result of a breach by Tenant of any of its obligations under this Lease, or (y) was caused, contributed to or exacerbated by Tenant or any Tenant Party.

(b) **Business.** Landlord acknowledges that it is not the intent of this Section 30 to prohibit Tenant from using the Premises for the Permitted Use. Tenant may operate its business according to prudent industry practices so long as the use or presence of Hazardous Materials is strictly and properly monitored according to all then applicable Environmental Requirements. As a material inducement to Landlord to allow Tenant to use Hazardous Materials in connection with its business, Tenant agrees to deliver to Landlord prior to the Commencement Date a list identifying each type of Hazardous Materials expected to be brought upon, kept, used, stored, handled, treated, generated on, or released or disposed of from, the Premises and setting forth any and all governmental approvals or permits required in connection with the presence, use, storage, handling, treatment, generation, release or disposal of such Hazardous Materials on or from the Premises ("**Hazardous Materials List**"). Upon Landlord's request (not to be requested more frequently than annually), or any time that Tenant is required to deliver a Hazardous Materials List to any Governmental Authority (e.g., the fire department) in connection with Tenant's use or occupancy of the Premises, Tenant shall deliver to Landlord a copy of such Hazardous Materials List. Tenant shall deliver to Landlord true and correct copies of the following documents (the "**Haz Mat Documents**") relating to the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials prior to the Commencement Date, or if unavailable at that time, concurrent with the receipt from or submission to a Governmental Authority: permits; approvals; reports and correspondence; storage and management plans, notice of violations of any Legal Requirements; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Landlord has given Tenant its written consent to do so, which consent may be withheld in Landlord's sole and absolute discretion); all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

installed in, on or under the Project for the closure of any such tanks; and a Decommissioning and HazMat Closure Plan (to the extent surrender in accordance with Section 28 cannot be accomplished in 3 months). Tenant is not required, however, to provide Landlord with any portion(s) of the Haz Mat Documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities. It is not the intent of this Section to provide Landlord with information which could be detrimental to Tenant's business should such information become possessed by Tenant's competitors.

(c) **Tenant Representation and Warranty**. Tenant hereby represents and warrants to Landlord that (i) neither Tenant nor any of its legal predecessors has been required by any prior landlord, lender or Governmental Authority at any time to take remedial action in connection with Hazardous Materials contaminating a property which contamination was permitted by Tenant of such predecessor or resulted from Tenant's or such predecessor's action or use of the property in question, and (ii) except for the order that is attached hereto as **Exhibit G** (the "**Order**"), Tenant is not subject to any enforcement order issued by any Governmental Authority in connection with the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials (including, without limitation, any order related to the failure to make a required reporting to any Governmental Authority). Tenant hereby represents and warrants that it has fully complied with, and has timely paid all amounts due under, the Order and any related proceedings and that no further action is required or contemplated to be taken thereunder. If Landlord determines that the foregoing representations and warranties were not true as of the date of this lease, Landlord shall have the right to terminate this Lease in Landlord's sole and absolute discretion.

(d) **Testing**. Landlord shall have the right to conduct annual tests of the Premises to determine whether any contamination of the Premises or the Project has occurred as a result of Tenant's use. Tenant shall be required to pay the cost of such annual test of the Premises if there is violation of this Section 30 or if contamination for which Tenant is responsible under this Section 30 is identified; provided, however, that if Tenant conducts its own tests of the Premises using third party contractors and test procedures reasonably acceptable to Landlord which tests are certified to Landlord, Landlord shall accept such tests in lieu of the annual tests. In addition, at any time, and from time to time, prior to the expiration or earlier termination of the Term, Landlord shall have the right to conduct appropriate tests of the Premises and the Project to determine if contamination has occurred as a result of Tenant's use of the Premises. In connection with such testing, upon the request of Landlord, Tenant shall deliver to Landlord or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Premises by Tenant or any Tenant Party. If contamination has occurred for which Tenant is liable under this Section 30, Tenant shall pay all costs to conduct such tests. If no such contamination is found, Landlord shall pay the costs of such tests (which shall not constitute an Operating Expense). Landlord shall provide Tenant with a copy of all third party, non-confidential reports and tests of the Premises made by or on behalf of Landlord during the Term without representation or warranty and subject to a confidentiality agreement. Tenant shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing for which Tenant or any Tenant Party is responsible under this Lease in accordance with all Environmental Requirements. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights which Landlord may have against Tenant.

(e) **Control Areas**. Tenant shall be allowed to utilize up to its pro rata share of the Hazardous Materials inventory within any control area or zone (located within the Premises), as designated by the applicable building code, for chemical use or storage. As used in the preceding sentence, Tenant's pro rata share of any control areas or zones located within the Premises shall be determined based on the rentable square footage that Tenant leases within the applicable control area or zone. For purposes of example only, if a control area or zone contains 10,000 rentable square feet and 2,000 rentable square feet of a tenant's premises are located within such control area or zone (while such premises as a whole contains 5,000 rentable square feet), the applicable tenant's pro rata share of such control area would be 20%.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(f) **Underground Tanks.** Tenant shall have no right to use or install any underground or other storage tanks at the Project.

(g) **Tenant's Obligations.** Tenant's obligations under this Section 30 shall survive the expiration or earlier termination of this Lease. During any period of time after the expiration or earlier termination of this Lease required by Tenant or Landlord to complete the removal from the Premises of any Hazardous Materials for which Tenant is responsible pursuant to this Section 30 (including, without limitation, the release and termination of any licenses or permits restricting the use of the Premises and the completion of the approved Decommissioning and HazMat Closure Plan), Tenant shall continue to pay the full Rent in accordance with this Lease for any portion of the Premises not relet by Landlord in Landlord's reasonable discretion, which Rent shall be prorated daily.

(h) **Definitions.** As used herein, the term "**Environmental Requirements**" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any Governmental Authority regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the Project, or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. As used herein, the term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, or regulated by reason of its impact or potential impact on humans, animals and/or the environment under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "**operator**" of Tenant's "**facility**" and the "**owner**" of all Hazardous Materials brought on the Premises by Tenant or any Tenant Party, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

31. **Tenant's Remedies/Limitation of Liability.** Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). Upon any default by Landlord, Tenant shall give notice by registered or certified mail to any Holder of a Mortgage covering the Premises and to any landlord of any lease of property in or on which the Premises are located and Tenant shall offer such Holder and/or landlord a reasonable opportunity to cure the default, including time to obtain possession of the Project by power of sale or a judicial action if such should prove necessary to effect a cure; provided Landlord shall have furnished to Tenant in writing the names and addresses of all such persons who are to receive such notices. All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder.

All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "**Landlord**" in this Lease shall mean only the owner for the time being of the Premises. Upon the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Term upon each new owner for the duration of such owner's ownership.

32. **Inspection and Access.** Landlord and its agents, representatives, and contractors may enter the Premises at any reasonable time to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord's representatives may enter the Premises during business hours on not less than 48 hours advance written notice (except in the case of emergencies in which case no such notice shall be required and such entry may be at any time) for the purpose of effecting any such repairs, inspecting the



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Premises, showing the Premises to prospective purchasers and, during the last 12 months of the Term, to prospective tenants. Landlord shall use reasonable efforts to minimize interference with Tenant's operations in the Premises during any entry into the Premises by Landlord pursuant to this Section 32. Landlord may erect a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate Common Areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially, adversely affects Tenant's use or occupancy of the Premises for the Permitted Use. Subject to the immediately preceding sentence, at Landlord's request, Tenant shall execute such commercially reasonable instruments as may be reasonably necessary for such easements, dedications or restrictions. Tenant shall at all times, except in the case of emergencies, have the right to escort Landlord or its agents, representatives, contractors or guests while the same are in the Premises, provided such escort does not materially and adversely affect Landlord's access rights hereunder. Landlord shall use reasonable efforts to comply with Tenant's reasonable security, confidentiality and safety requirements with respect to entering restricted portions of the Premises; provided, however, that Tenant has notified Landlord of such security, confidentiality and safety requirements reasonably prior to Landlord's entry into the Premises and provided further that in no event shall Tenant bar or prohibit access by Landlord or its employees, agents and contractors for the performance of the obligations of Landlord or the exercise of the rights of Landlord under this Lease.

33. **Security.** Tenant acknowledges and agrees that security devices and services, if any, while intended to deter crime may not in given instances prevent theft or other criminal acts and that Landlord is not providing any security services with respect to the Premises. Tenant agrees that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises. Tenant shall be solely responsible for the personal safety of Tenant's officers, employees, agents, contractors, guests and invitees while any such person is in, on or about the Premises and/or the Project. Tenant shall at Tenant's cost obtain insurance coverage to the extent Tenant desires protection against such criminal acts.

Subject to the terms of this Lease, including, without limitation, Tenant's compliance with the Section 12, Tenant, at Tenant's sole cost and expense, shall have the right to install and maintain a Building access control system for the Premises, or security system serving the Premises ("**Tenant's Security System**"), subject to the following conditions: (i) Tenant's plans and specifications for the proposed location of Tenant's Security System and Tenant's protocol for the operation of Tenant's Security System shall be subject to Landlord's prior written approval, which approval will not be unreasonably withheld, conditioned or delayed; provided, however, that Tenant shall coordinate the installation and operation of Tenant's Security System with Landlord to assure that Tenant's Security System may be compatible with the Building's systems and equipment and Tenant does not violate the reasonable privacy rights of any other occupants of the Project; (ii) Landlord shall be provided codes and/or access cards, as applicable, and means of immediate access to fully exercise all of its entry rights under the Lease with respect to the Premises; and (iii) Tenant shall be solely responsible, at Tenant's sole cost and expense, for the monitoring, operation and removal of Tenant's Security System. Upon the expiration or earlier termination of this Lease, unless otherwise approved by Landlord, Tenant shall remove Tenant's Security System. All costs and expenses associated with the removal of Tenant's Security System and the repair of any damage to the Premises and the Building resulting from the installation and/or removal of same shall be borne solely by Tenant.

34. **Force Majeure.** Except for the payment of Rent, neither Landlord nor Tenant shall be responsible or liable for delays in the performance of its obligations hereunder when caused by, related to, or arising out of acts of God, sinkholes or subsidence, strikes, lockouts, or other labor disputes, embargoes, quarantines, weather, national, regional, or local disasters, calamities, or catastrophes, inability to obtain labor or materials (or reasonable substitutes therefor) at reasonable costs or failure of, or inability to obtain, utilities necessary for performance, governmental restrictions, orders, limitations, regulations, or controls, national emergencies, delay in issuance or revocation of permits, enemy or



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

hostile governmental action, terrorism, insurrection, riots, civil disturbance or commotion, fire or other casualty, local, regional or national pandemic or epidemic, and other causes or events beyond their reasonable control ("**Force Majeure**").

35. **Brokers.** Landlord and Tenant each represents and warrants that it has not dealt with any broker, agent or other person (collectively, "**Broker**") in connection with this transaction and that no Broker brought about this transaction, other than Jones Lang LaSalle and Newmark Knight Frank. Landlord and Tenant each hereby agree to indemnify and hold the other harmless from and against any claims by any Broker, other than Jones Lang LaSalle and Newmark Knight Frank, claiming a commission or other form of compensation by virtue of having dealt with Tenant or Landlord, as applicable, with regard to this leasing transaction. Landlord shall be responsible for all commissions due to Newmark Knight Frank and Jones Lang LaSalle arising out of the execution of this Lease in accordance with the terms of a separate written agreement between Jones Lang LaSalle and Newmark Knight Frank, on the one hand, and Landlord, on the other hand.

36. **Limitation on Landlord's Liability.** NOTWITHSTANDING ANYTHING SET FORTH HEREIN OR IN ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT TO THE CONTRARY: (A) LANDLORD SHALL NOT BE LIABLE TO TENANT OR ANY OTHER PERSON FOR (AND TENANT AND EACH SUCH OTHER PERSON ASSUME ALL RISK OF) LOSS, DAMAGE OR INJURY, WHETHER ACTUAL OR CONSEQUENTIAL TO: TENANT'S PERSONAL PROPERTY OF EVERY KIND AND DESCRIPTION, INCLUDING, WITHOUT LIMITATION TRADE FIXTURES, EQUIPMENT, INVENTORY, SCIENTIFIC RESEARCH, SCIENTIFIC EXPERIMENTS, LABORATORY ANIMALS, PRODUCT, SPECIMENS, SAMPLES, AND/OR SCIENTIFIC, BUSINESS, ACCOUNTING AND OTHER RECORDS OF EVERY KIND AND DESCRIPTION KEPT AT THE PREMISES AND ANY AND ALL INCOME DERIVED OR DERIVABLE THEREFROM; (B) THERE SHALL BE NO PERSONAL RECOURSE TO LANDLORD FOR ANY ACT OR OCCURRENCE IN, ON OR ABOUT THE PREMISES OR ARISING IN ANY WAY UNDER THIS LEASE OR ANY OTHER AGREEMENT BETWEEN LANDLORD AND TENANT WITH RESPECT TO THE SUBJECT MATTER HEREOF AND ANY LIABILITY OF LANDLORD HEREUNDER SHALL BE STRICTLY LIMITED SOLELY TO LANDLORD'S INTEREST IN THE PROJECT OR ANY PROCEEDS FROM SALE OR CONDEMNATION THEREOF AND ANY INSURANCE PROCEEDS PAYABLE IN RESPECT OF LANDLORD'S INTEREST IN THE PROJECT OR IN CONNECTION WITH ANY SUCH LOSS; AND (C) IN NO EVENT SHALL ANY PERSONAL LIABILITY BE ASSERTED AGAINST LANDLORD IN CONNECTION WITH THIS LEASE NOR SHALL ANY RECOURSE BE HAD TO ANY OTHER PROPERTY OR ASSETS OF LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS. UNDER NO CIRCUMSTANCES SHALL LANDLORD OR ANY OF LANDLORD'S OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR CONTRACTORS BE LIABLE FOR INJURY TO TENANT'S BUSINESS OR FOR ANY LOSS OF INCOME OR PROFIT THEREFROM.

37. **Severability.** If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in effect to such illegal, invalid or unenforceable clause or provision as shall be legal, valid and enforceable.

38. **Signs; Exterior Appearance.** Tenant shall not, without the prior written consent of Landlord, which may be granted or withheld in Landlord's reasonable discretion: (i) attach any awnings, exterior lights, decorations, balloons, flags, pennants, banners, painting or other projection to any outside wall of the Project, (ii) use any curtains, blinds, shades or screens other than Landlord's standard window coverings, (iii) coat or otherwise sunscreen the interior or exterior of any windows, (iv) place any bottles, parcels, or other articles on the window sills, (v) place any equipment, furniture or other items of personal property on any exterior balcony, or (vi) paint, affix or exhibit on any part of the Premises or the Project any signs, notices, window or door lettering, placards, decorations, or advertising media of any type which



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

can be viewed from the exterior of the Premises. Suite entry signage, and the inclusion of Tenant's name and suite numbers on the Building lobby directory and Tenant's name on directional signage at the Project (in locations reasonably determined by Landlord) shall be inscribed, painted or affixed for Tenant by Landlord at the sole cost and expense of Landlord, and shall be of a size, color and type reasonably acceptable to Landlord. Nothing may be placed on the exterior of corridor walls or corridor doors other than Landlord's standard lettering. The directory tablet shall be provided exclusively for the display of the name and location of tenants.

39. **Right to Expand.**

(a) **Expansion in the Building.** Subject to the terms of this Section 39(a), Tenant shall have the [***] right during the Base Term, but not the obligation, to expand the Premises (the "**Expansion Right**") to include the Expansion Space upon the terms and conditions in this Section 39. For purposes of this Section 39(a), "**Expansion Space**" shall mean [***]. If [***] the Expansion Space becomes available, Landlord shall deliver to Tenant written notice (the "**Expansion Notice**") of the availability of such Expansion Space, together with [***]. For the avoidance of doubt, Tenant may only exercise its rights under this Section 39(a) with respect to all of the space (as opposed to only part of the space) described in the Expansion Notice ("**Identified Expansion Space**"). The term of this Lease with respect to the Identified Expansion Space [***]. Tenant shall have [***] following receipt of the Expansion Notice to deliver to Landlord written notification of Tenant's exercise of the Expansion Right ("**Exercise Notice**") with respect to the Identified Expansion Space. If Tenant does not deliver an Exercise Notice to Landlord within such [***] period, then Tenant shall be deemed to have waived its rights under this Section 39(a) with respect to the Identified Expansion Space, and Landlord shall have the right to lease the Identified Expansion Space to any third party on any terms and conditions acceptable to Landlord. Notwithstanding anything to the contrary contained in this Section 39(a), if Tenant does not exercise its Expansion Right with respect to the Identified Expansion Space and Landlord intends to lease the Expansion Space to a third party for [***] less than [***] of the rental rate set forth in the Expansion Notice, as reasonably determined by Landlord, then Tenant's Right of First Offer with respect to the Identified Expansion Space shall be restored.

(b) **Amended Lease.** If: (i) Tenant fails to timely deliver the Exercise Notice, or (ii) after the expiration of a period of 30 days after Landlord's delivery to Tenant of a lease amendment for Tenant's lease of the Identified Space, no lease amendment for the Identified Space acceptable to both parties each in their reasonable discretion after using diligent good faith efforts negotiate the same, has been executed, Tenant shall, notwithstanding anything to the contrary contained herein, be deemed to have forever waived its right to lease such Identified Space.

(c) **Exceptions.** Notwithstanding the above, the Expansion Right shall, at Landlord's option, not be in effect and may not be exercised by Tenant:

(i) during any period of time that Tenant is in Default under any provision of this Lease; or

(ii) if Tenant has been in Default under any provision of this Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period prior to the date on which Tenant seeks to exercise the Expansion Right.

(d) **Termination.** The Expansion Right shall, at Landlord's option, terminate and be of no further force or effect even after Tenant's due and timely exercise of the Expansion Right, if, after such exercise, but prior to the commencement date of the lease of such Expansion Space, (i) Tenant fails to cure any default by Tenant under this Lease within the applicable notice and cure period; or (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of the Expansion Right to the date of the commencement of the lease of the Expansion Space, whether or not such Defaults are cured.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(e) **Rights Personal.** Expansion Rights are personal to Tenant and are not assignable without Landlord's consent, which may be granted or withheld in Landlord's sole discretion separate and apart from any consent by Landlord to an assignment of Tenant's interest in this Lease, except that they may be assigned in connection with any Permitted Assignment of this Lease.

(f) **No Extensions.** The period of time within which any Expansion Rights may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Expansion Rights.

40. **Right to Extend Term.** Tenant shall have the right to extend the Term of this Lease upon the following terms and conditions:

(a) **Extension Right.** Tenant shall have 1 right (the "**Extension Right**") to extend the term of this Lease for 5 years (the "**Extension Term**") on the same terms and conditions as this Lease (other than with respect to Base Rent and the Work Letter) by giving Landlord written notice of its election to exercise the Extension Right at least 10 months prior to the expiration of the Base Term of this Lease.

Upon the commencement of the Extension Term, Base Rent shall be payable at the Market Rate (as defined below). Base Rent shall thereafter be adjusted on each annual anniversary of the commencement of the Extension Term agreed upon by Landlord and agreed to by Tenant at the time the Market Rate is determined. As used herein, "**Market Rate**" shall mean the rate that comparable landlords of comparable buildings have accepted in current transactions from non-equity (i.e., not being offered equity in the buildings) and nonaffiliated tenants of similar financial strength for space of comparable size, quality (including all Tenant Improvements, Common Area Amenities, Alterations and other improvements) and floor height in Class A laboratory/office buildings in the vicinity of the Project for a comparable term, with the determination of the Market Rate to take into account all relevant factors, including tenant inducements, views, parking costs, leasing commissions, allowances or concessions, if any.

If, on or before the date which is 180 days prior to the expiration of the Base Term of this Lease, Tenant has not agreed with Landlord's determination of the Market Rate and the rent escalations during the Extension Term after negotiating in good faith, Tenant shall be deemed to have elected arbitration as described in [Section 40\(b\)](#). Tenant acknowledges and agrees that, if Tenant has elected to exercise the Extension Right by delivering notice to Landlord as required in this [Section 40\(a\)](#), Tenant shall have no right thereafter to rescind or elect not to extend the term of this Lease for the Extension Term.

(b) **Arbitration.**

(i) Within 10 days of Tenant's notice to Landlord of its election (or deemed election) to arbitrate Market Rate and escalations, each party shall deliver to the other a proposal containing the Market Rate and escalations that the submitting party believes to be correct ("**Extension Proposal**"). If either party fails to timely submit an Extension Proposal, the other party's submitted proposal shall determine the Base Rent and escalations for the Extension Term. If both parties submit Extension Proposals, then Landlord and Tenant shall meet within 7 days after delivery of the last Extension Proposal and make a good faith attempt to mutually appoint a single Arbitrator (and defined below) to determine the Market Rate and escalations. If Landlord and Tenant are unable to agree upon a single Arbitrator, then each shall, by written notice delivered to the other within 10 days after the meeting, select an Arbitrator. If either party fails to timely give notice of its selection for an Arbitrator, the other party's submitted proposal shall determine the Base Rent for the Extension Term. The 2 Arbitrators so appointed shall, within 5 business days after their appointment, appoint a third Arbitrator. If the 2 Arbitrators so selected cannot agree on the selection of the third Arbitrator within the time above specified, then either party, on behalf of both parties, may request such appointment of such third Arbitrator by application to any state court of general jurisdiction in the jurisdiction in which the Premises are located, upon 10 days prior written notice to the other party of such intent.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(ii) The decision of the Arbitrator(s) shall be made within 30 days after the appointment of a single Arbitrator or the third Arbitrator, as applicable. The decision of the single Arbitrator shall be final and binding upon the parties. The average of the two closest Arbitrators in a three Arbitrator panel shall be final and binding upon the parties. Each party shall pay the fees and expenses of the Arbitrator appointed by or on behalf of such party and the fees and expenses of the third Arbitrator shall be borne equally by both parties. If the Market Rate and escalations are not determined by the first day of the Extension Term, then Tenant shall pay Landlord Base Rent in an amount equal to the Base Rent in effect immediately prior to the Extension Term and increased by the Rent Adjustment Percentage until such determination is made. After the determination of the Market Rate and escalations, the parties shall make any necessary adjustments to such payments made by Tenant. Landlord and Tenant shall then execute an amendment recognizing the Market Rate and escalations for the Extension Term.

(iii) An "Arbitrator" shall be any person appointed by or on behalf of either party or appointed pursuant to the provisions hereof and: (i) shall be (A) a member of the American Institute of Real Estate Appraisers with not less than 10 years of experience in the appraisal of improved office and high tech industrial real estate in the San Francisco peninsula area, or (B) a licensed commercial real estate broker with not less than 15 years' experience representing landlords and/or tenants in the leasing of high tech or life sciences space in the San Francisco peninsula area, (ii) devoting substantially all of their time to professional appraisal or brokerage work, as applicable, at the time of appointment and (iii) be in all respects impartial and disinterested.

(c) **Rights Personal.** The Extension Right is personal to Tenant and is not assignable without Landlord's consent, which may be granted or withheld in Landlord's sole discretion separate and apart from any consent by Landlord to an assignment of Tenant's interest in this Lease, except that it may be assigned in connection with any Permitted Assignment of this Lease.

(d) **Exceptions.** Notwithstanding anything set forth above to the contrary, the Extension Right shall, at Landlord's option, not be in effect and Tenant may not exercise the Extension Right:

(i) during any period of time that Tenant is in Default under any provision of this Lease; or

(ii) if Tenant has been in Default under any provision of this Lease 3 or more times, whether or not the Defaults are cured, during the 12 month period immediately prior to the date that Tenant intends to exercise the Extension Right, whether or not the Defaults are cured.

(e) **No Extensions.** The period of time within which the Extension Right may be exercised shall not be extended or enlarged by reason of Tenant's inability to exercise the Extension Right.

(f) **Termination.** The Extension Right shall, at Landlord's option, terminate and be of no further force or effect even after Tenant's due and timely exercise of the Extension Right, if, after such exercise, but prior to the commencement date of the Extension Term, (i) Tenant fails to cure any default by Tenant under this Lease within the applicable notice and cure period; or (ii) Tenant has Defaulted 3 or more times during the period from the date of the exercise of the Extension Right to the date of the commencement of the Extension Term, whether or not such Defaults are cured.

41. **Miscellaneous.**

(a) **Notices.** All notices or other communications between the parties shall be in writing and shall be deemed duly given upon delivery or refusal to accept delivery by the addressee thereof if delivered in person, or upon actual receipt if delivered by reputable overnight guaranty courier, addressed and sent to the parties at their addresses set forth above. Landlord and Tenant may from time to time by written notice to the other designate another address for receipt of future notices.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(b) **Joint and Several Liability.** If and when included within the term “**Tenant**,” as used in this instrument, there is more than one person or entity, each shall be jointly and severally liable for the obligations of Tenant.

(c) **Financial Information.** Tenant shall furnish Landlord with true and complete copies of (i) upon Landlord’s written request, Tenant’s most recent audited annual and/or quarterly financial statements, (ii) upon Landlord’s written request from time to time, updated business plans, including cash flow projections and/or pro forma balance sheets and income statements, and (iii) upon Landlord’s written request from time to time, any other financial information or summaries that Tenant typically provides to its lenders or shareholders, all of which financial statements and information shall be treated by Landlord as confidential information belonging to Tenant. In no event shall Tenant be required to provide any of the foregoing more than one time in any calendar year. Notwithstanding anything to the contrary contained in this Lease, Landlord’s written request for financial information pursuant to this Section 41(c) may be delivered to Tenant via email. So long as Tenant is a “public company” and its financial information is publicly available, then this Section 41(c) and the delivery requirements herein shall not apply.

(d) **Recordation.** Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease. Nothing contained in this Lease is intended to prohibit Tenant from filing this Lease with the Securities and Exchange Commission (“**SEC**”) to the extent that Tenant is required to do so pursuant to applicable SEC requirements.

(e) **Interpretation.** The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto. Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(f) **Not Binding Until Executed.** The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(g) **Limitations on Interest.** It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord’s and Tenant’s express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(h) **Choice of Law.** Construction and interpretation of this Lease shall be governed by the internal laws of the state in which the Premises are located, excluding any principles of conflicts of laws.

(i) **Time.** Time is of the essence as to the performance of Tenant’s obligations under this Lease.

(j) **OFAC.** Tenant is currently (a) in compliance with and shall at all times during the Term of this Lease remain in compliance with the regulations of the Office of Foreign Assets Control (“**OFAC**”) of the U.S. Department of Treasury and any statute, executive order, or regulation relating thereto



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

(collectively, the "OFAC Rules"), (b) not listed on, and shall not during the term of this Lease be listed on, the Specially Designated Nationals and Blocked Persons List, Foreign Sanctions Evaders List, or the Sectoral Sanctions Identification List, which are all maintained by OFAC and/or on any other similar list maintained by OFAC or other governmental authority pursuant to any authorizing statute, executive order, or regulation, and (c) not a person or entity with whom a U.S. person is prohibited from conducting business under the OFAC Rules.

(k) **Incorporation by Reference.** All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. If there is any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

(l) **Entire Agreement.** This Lease, including the exhibits attached hereto, constitutes the entire agreement between Landlord and Tenant pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, letters of intent, negotiations and discussions, whether oral or written, of the parties, and there are no warranties, representations or other agreements, express or implied, made to either party by the other party in connection with the subject matter hereof except as specifically set forth herein.

(m) **No Accord and Satisfaction.** No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of Base Rent or any Additional Rent will be other than on account of the earliest stipulated Base Rent and Additional Rent, nor will any endorsement or statement on any check or letter accompanying a check for payment of any Base Rent or Additional Rent be an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or to pursue any other remedy provided in this Lease.

(n) **Hazardous Activities.** Notwithstanding any other provision of this Lease, Landlord, for itself and its employees, agents and contractors, reserves the right to refuse to perform any repairs or services in any portion of the Premises which, pursuant to Tenant's routine safety guidelines, practices or custom or prudent industry practices, require any form of protective clothing or equipment other than safety glasses. In any such case, Tenant shall contract with parties who are acceptable to Landlord, in Landlord's reasonable discretion, for all such repairs and services, and Landlord shall, to the extent required, equitably adjust Tenant's Share of Operating Expenses in respect of such repairs or services to reflect that Landlord is not providing such repairs or services to Tenant.

(o) **EV Charging Stations.** Landlord shall not unreasonably withhold its consent to Tenant's written request to install 1 or more electric vehicle car charging stations ("EV Stations") in the parking area serving the Project for Tenant's exclusive use; provided, however, that Tenant complies with all reasonable requirements, standards, rules and regulations which may be imposed by Landlord, at the time Landlord's consent is granted, in connection with Tenant's installation, maintenance, repair and operation of such EV Stations, which may include, without limitation, the charge to Tenant of a reasonable monthly rental amount for the parking spaces used by Tenant for such EV Stations, Landlord's designation of the location of Tenant's EV Stations, and Tenant's payment of all costs whether incurred by Landlord or Tenant in connection with the installation, maintenance, repair and operation of each Tenant's EV Station(s). Nothing contained in this paragraph is intended to increase the number of parking spaces which Tenant is otherwise entitled to use at the Project under Section 10 of this Lease nor impose any additional obligations on Landlord with respect to Tenant's parking rights at the Project. Tenant shall have the right to use, on a non-exclusive, non-reserved basis, all unreserved EV Stations made available by Landlord to the occupants of the Project.

(p) **California Accessibility Disclosure.** For purposes of Section 1938(a) of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Project has not undergone inspection by a Certified Access Specialist (CASp). In addition, the following notice is hereby provided pursuant to Section 1938(e) of the California Civil Code: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.” In furtherance of and in connection with such notice: (i) Tenant, having read such notice and understanding Tenant’s right to request and obtain a CASp inspection, hereby elects not to obtain such CASp inspection and forever waives its rights to obtain a CASp inspection with respect to the Premises, Building and/or Project to the extent permitted by Legal Requirements; and (ii) if the waiver set forth in clause (i) hereinabove is not enforceable pursuant to Legal Requirements, then Landlord and Tenant hereby agree as follows (which constitutes the mutual agreement of the parties as to the matters described in the last sentence of the foregoing notice): (A) Tenant shall have the one-time right to request for and obtain a CASp inspection, which request must be made, if at all, in a written notice delivered by Tenant to Landlord; (B) any CASp inspection timely requested by Tenant shall be conducted (1) at a time mutually agreed to by Landlord and Tenant, (2) in a professional manner by a CASp designated by Landlord and without any testing that would damage the Premises, Building or Project in any way, and (3) at Tenant’s sole cost and expense, including, without limitation, Tenant’s payment of the fee for such CASp inspection, the fee for any reports prepared by the CASp in connection with such CASp inspection (collectively, the “**CASp Reports**”) and all other costs and expenses in connection therewith; (C) the CASp Reports shall be delivered by the CASp simultaneously to Landlord and Tenant; (D) Tenant, at its sole cost and expense, shall be responsible for making any improvements, alterations, modifications and/or repairs to or within the Premises to correct violations of construction-related accessibility standards including, without limitation, any violations disclosed by such CASp inspection; and (E) if such CASp inspection identifies any improvements, alterations, modifications and/or repairs necessary to correct violations of construction-related accessibility standards relating to those items of the Building and Project located outside the Premises that are Landlord’s obligation to repair as set forth in this Lease, then Landlord shall perform such improvements, alterations, modifications and/or repairs as and to the extent required by Legal Requirements to correct such violations, and Tenant shall reimburse Landlord for the cost of such improvements, alterations, modifications and/or repairs within 30 days after Tenant’s receipt of an invoice therefor from Landlord. Landlord and Tenant expressly acknowledge and agree that the foregoing provisions of this Section 41(p) shall apply only in the event that Tenant elects to obtain a CASp inspection. In the event that Tenant does not elect to obtain a CASp inspection, the terms and provisions of this Section 41(p) regarding the allocation of costs for Alterations and improvements shall not be applicable.

(q) **Counterparts.** This Lease may be executed in 2 or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature process complying with the U.S. federal ESIGN Act of 2000) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Electronic signatures shall be deemed original signatures for purposes of this Lease and all matters related thereto, with such electronic signatures having the same legal effect as original signatures.

(r) **Approvals.** Whenever this Lease requires an approval, consent, determination, selection or judgment by either Landlord or Tenant, unless another standard is expressly set forth herein, such approval, consent, determination, selection or judgment shall not be unreasonably withheld, conditioned or delayed.

[Signatures on next page]



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:

CODEXIS, INC.,
a Delaware corporation

By: /s/ John Nicols
Its: President and Chief Executive Officer

LANDLORD:

ARE-SAN FRANCISCO NO. 63, LLC,
a Delaware limited liability company

By: ALEXANDRIA REAL ESTATE EQUITIES, L.P.,
a Delaware limited partnership,
managing member

By: ARE-QRS CORP.,
a Maryland corporation,
general partner

By: /s/ Kristen Childs
Its: Vice President, RE Legal Affairs



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

EXHIBIT A TO LEASE

DESCRIPTION OF PREMISES

Intentionally omitted pursuant to Regulation S-K, Item 601(a)(5)



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

739171641.8

EXHIBIT B TO LEASE

DESCRIPTION OF PROJECT

Intentionally omitted pursuant to Regulation S-K, Item 601(a)(5)



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

EXHIBIT C TO LEASE

WORK LETTER

THIS WORK LETTER (this "**Work Letter**") is incorporated into that certain Lease Agreement (the "**Lease**") dated as of January 29, 2021 by and between **ARE-SAN FRANCISCO NO. 63, LLC**, a Delaware limited liability company ("**Landlord**"), and **CODEXIS, INC.**, a Delaware corporation ("**Tenant**"), and is attached to and made a part of that certain Lease Agreement dated January 29, 2021, by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

1. **General Requirements.**

i. **Tenant's Authorized Representative.** Tenant designates [***] and [***] (any such individual acting alone, "**Tenant's Representative**") as the only person authorized to act for Tenant pursuant to this Work Letter. Landlord shall not be obligated to respond to or act upon any request, approval, inquiry or other communication ("**Communication**") from or on behalf of Tenant in connection with this Work Letter unless such Communication is in writing from Tenant's Representative. Tenant may change either Tenant's Representative at any time upon not less than 5 business days advance written notice to Landlord. Neither Tenant nor Tenant's Representative shall be authorized to direct Landlord's contractors in the performance of Landlord's Work (as hereinafter defined).

ii. **Landlord's Authorized Representative.** Landlord designates [***], [***] and [***] (any such individual acting alone, "**Landlord's Representative**") as the only persons authorized to act for Landlord pursuant to this Work Letter. Tenant shall not be obligated to respond to or act upon any request, approval, inquiry or other Communication from or on behalf of Landlord in connection with this Work Letter unless such Communication is in writing from Landlord's Representative. Landlord may change either Landlord's Representative at any time upon not less than 5 business days advance written notice to Tenant. Landlord's Representative shall be the sole persons authorized to direct Landlord's contractors in the performance of Landlord's Work.

iii. **Architects, Consultants and Contractors.** Landlord and Tenant hereby acknowledge and agree that: (i) Truebeck Construction shall be the general contractor for the Tenant Improvements (the "**General Contractor**"), (ii) the architect for the Tenant Improvements shall be DGA (the "**TI Architect**"), and (iii) any subcontractors for the Tenant Improvements shall be selected by Landlord, subject to Tenant's approval, which approval shall not be unreasonably withheld, conditioned or delayed. The General Contractor shall obtain at least 3 bids from subcontractors for the work of the major trades with respect to the Tenant Improvements. The contracts for the General Contractor and subcontractors shall be engaged by Landlord, with fees, general conditions and warranties consistent with market standards. Landlord has provided to Tenant a copy of the general conditions from Landlord's contract with the General Contractor and the fee for the General Contractor shall be as set forth in the Initial Budget.

a. **Tenant Improvements.**

i. **Tenant Improvements Defined.** As used herein, "**Tenant Improvements**" shall mean all improvements to the Premises of a fixed and permanent nature as shown on the TI Construction Drawings, as defined in Section 2(c) below. Other than Landlord's Work (as defined in Section 3(a)) below, Landlord shall not have any obligation whatsoever with respect to the finishing of the Premises for Tenant's use and occupancy. The contemplated schedule for the Tenant Improvements is attached hereto as **Schedule 3** (the "**Schedule**").

ii. **Tenant's Space Plans.** Landlord and Tenant acknowledge and agree that the plan prepared by the TI Architect attached hereto as **Schedule 1** (the "**Space Plans**") has been approved by both Landlord and Tenant. Landlord and Tenant further acknowledge and agree that any changes to the Space Plans



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

requested by Tenant constitute a Change Request the cost of which changes shall be paid for by Tenant. Tenant shall be solely responsible for all costs incurred by Landlord to alter the Building (or Landlord's plans for the Building) as a result of Tenant's requested changes.

iii. **Working Drawings.** Landlord shall cause the TI Architect to prepare and deliver to Tenant for review and comment construction plans, specifications and drawings for the Tenant Improvements ("**TI Construction Drawings**"), which TI Construction Drawings shall be prepared substantially in accordance with the Space Plans. Tenant shall be solely responsible for ensuring that the TI Construction Drawings reflect Tenant's requirements for the Tenant Improvements. Tenant shall deliver its written comments on the TI Construction Drawings to Landlord not later than 10 business days after Tenant's receipt of the same; provided, however, that Tenant may not disapprove any matter that is consistent with the Space Plans without submitting a Change Request. Landlord and the TI Architect shall consider all such comments in good faith and shall, within 10 business days after receipt, notify Tenant how Landlord proposes to respond to such comments, but Tenant's review rights pursuant to the foregoing sentence shall not delay the design or construction schedule for the Tenant Improvements. Any disputes in connection with such comments shall be resolved in accordance with Section 2(d) hereof. Provided that the design reflected in the TI Construction Drawings is consistent with the Space Plans, Tenant shall approve the TI Construction Drawings submitted by Landlord, unless Tenant submits a Change Request. Once approved by Tenant, subject to the provisions of Section 4 below, Landlord shall not materially modify the TI Construction Drawings except as may be reasonably required in connection with the issuance of the TI Permit (as defined in Section 3(b) below).

iv. **Approval and Completion.** It is hereby acknowledged by Landlord and Tenant that the TI Construction Drawings must be completed and approved not later than March 17, 2021, in order for the Tenant Improvements to be Substantially Complete by the Target Commencement Date (as defined in the Lease). Upon any dispute regarding the design of the Tenant Improvements, which is not settled within 10 business days after notice of such dispute is delivered by one party to the other, Tenant may make the final decision regarding the design of the Tenant Improvements, provided (i) Tenant acts reasonably and such final decision is either consistent with or a compromise between Landlord's and Tenant's positions with respect to such dispute, (ii) that all costs and expenses resulting from any such decision by Tenant shall be payable out of the TI Fund (as defined in Section 5(d) below), and (iii) Tenant's decision will not affect the base Building, structural components of the Building or any Building Systems (in which case Landlord shall make the final decision). Any changes to the TI Construction Drawings following Landlord's and Tenant's approval of same requested by Tenant shall be processed as provided in Section 4 hereof.

b. **Performance of Landlord's Work.**

i. **Definition of Landlord's Work.** As used herein, "**Landlord's Work**" shall mean the work of constructing the Tenant Improvements. In addition to Landlord's Work, Landlord shall be responsible, at Landlord's cost, for the substantial completion, in accordance with applicable Legal Requirements and in a good and workmanlike manner, of the building shell and related site improvements consisting of the elements described on the Basis of Design attached hereto as **Schedule 2** under the categories of "Cold Shell" and "Full Shell Warm Up" and related site improvements marked with an "X".

Tenant shall be solely responsible for ensuring that the design and specifications for the Tenant Improvements are consistent with Tenant's requirements. Landlord shall be responsible for obtaining all permits, approvals and entitlements necessary in connection with the performance and Substantial Completion of Landlord's Work, but shall have no obligation to, and shall not, secure any permits, approvals or entitlements related to Tenant's use of the Premises or Tenant's business operations therein.

ii. **Commencement and Permitting.** Landlord shall commence construction of the Tenant Improvements upon obtaining a building permit (the "**TI Permit**") authorizing the construction of the Tenant Improvements consistent with the TI Construction Drawings approved by Tenant. The cost of



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

obtaining the TI Permit shall be payable from the TI Fund. Tenant shall assist Landlord in obtaining the TI Permit. If any Governmental Authority having jurisdiction over the construction of Landlord's Work or any portion thereof shall impose terms or conditions upon the construction thereof that: (i) are inconsistent with Landlord's obligations hereunder, (ii) increase the cost of constructing Landlord's Work, or (iii) will materially delay the construction of Landlord's Work, Landlord and Tenant shall reasonably and in good faith seek means by which to mitigate or eliminate any such adverse terms and conditions.

iii. **Completion of the Tenant Improvements.** Landlord shall substantially complete or cause to be substantially completed the Tenant Improvements in a good and workmanlike manner, in compliance with Legal Requirements, the TI Construction Drawings and the TI Permit subject, in each case, to Minor Variations and normal "punch list" items of a non-material nature that do not interfere with the use of the Premises and with a certificate or temporary certificate of occupancy (or an equivalent approval having been issued) for the Premises permitting lawful occupancy of the Premises (but specifically excluding any permits, licenses or other governmental approvals required to be obtained in connection with Tenant's operations in the Premises) ("**Substantial Completion**" or "**Substantially Complete**"). Upon Substantial Completion of the Tenant Improvements, Landlord shall require the TI Architect and the General Contractor to execute and deliver, for the benefit of Tenant and Landlord, a Certificate of Substantial Completion in the form of the American Institute of Architects ("**AIA**") document G704. For purposes of this Work Letter, "**Minor Variations**" shall mean any non-material modifications reasonably required: (i) to comply with all applicable Legal Requirements and/or to obtain or to comply with any required permit (including the TI Permit); (ii) to comply with any request by Tenant for modifications to the Tenant Improvements; (iii) to comport with good design, engineering, and construction practices that are not material; or (iv) to make reasonable adjustments for field deviations or conditions encountered during the construction of the Tenant Improvements. Landlord shall promptly undertake and complete, or cause to be completed, all punch list items. Tenant shall have no obligation to restore the Tenant Improvements at the expiration of the Term.

iv. **Selection of Materials.** Where more than one type of material or structure is indicated on the TI Construction Drawings approved by Landlord and Tenant, the option will be selected at Landlord's reasonable discretion. As to all building materials and equipment that Landlord is obligated to supply under this Work Letter, Landlord shall select the manufacturer thereof in its sole and absolute discretion.

v. **Delivery of the Premises.** When the Tenant Improvements are Substantially Complete, subject to the remaining terms and provisions of this Section 3(e), Tenant shall accept the Premises. Tenant's taking possession and acceptance of the Premises shall not constitute a waiver of: (i) any warranty with respect to workmanship (including installation of equipment) or material (exclusive of equipment provided directly by manufacturers), (ii) any non-compliance of the Tenant Improvements with applicable Legal Requirements, or (iii) any claim that the Tenant Improvements were not completed substantially in accordance with the TI Construction Drawings (subject to Minor Variations and such other changes as are permitted hereunder) (collectively, a "**Construction Defect**"). Tenant shall have one year after Substantial Completion within which to notify Landlord of any such Construction Defect discovered by Tenant, and Landlord shall use reasonable efforts to remedy or cause the responsible contractor to remedy any such Construction Defect within 30 days thereafter, at no expense to Tenant. Notwithstanding the foregoing, Landlord shall not be in default under the Lease if the applicable contractor, despite Landlord's reasonable efforts, fails to remedy such Construction Defect within such 30-day period. If the contractor fails to remedy such Construction Defect within a reasonable time, Landlord shall use reasonable efforts to remedy the Construction Defect within a reasonable period.

Tenant shall be entitled to receive the benefit of all construction warranties and manufacturer's equipment warranties relating to equipment installed in the Premises. If requested by Tenant, Landlord shall attempt to obtain extended warranties from manufacturers and suppliers of such equipment, but the cost of any such extended warranties shall be borne solely out of the TI Fund.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

vi. **Commencement Date Delay.** Except as otherwise provided in the Lease, Delivery of the Premises shall occur when the Tenant Improvements have been Substantially Completed, except to the extent that completion of the Tenant Improvements shall have been actually delayed by any one or more of the following causes ("**Tenant Delay**"):

1. Tenant's Representative was not available within the time period set forth in this Work Letter (or, if no time period is set forth in this Work Letter, then within 2 business days) to give or receive any Communication or to take any other action required to be taken by Tenant hereunder;
2. Tenant's request for Change Requests (as defined in Section 4(a) below) whether or not any such Change Requests are actually performed;
3. Construction of any Change Requests;
4. Tenant's request for materials, finishes or installations are not consistent with Building standard materials, finishes or installations and require unusually long lead times, provided that promptly after Landlord learns of such long lead times, Landlord informs Tenant that the requested items will require unusually long lead times;
5. Tenant's delay in reviewing, revising or approving plans and specifications beyond the periods set forth herein;
6. Tenant's delay in providing information critical to the normal progression of the Project. Tenant shall provide such information as soon as reasonably possible, but in no event longer than one week after receipt of any request for such information from Landlord;
7. Tenant's delay in making payments to Landlord for any Excess TI Costs (as defined in Section 5(d) below) with respect to which Landlord has delivered an invoice to Tenant pursuant to Section 5(d) below;
8. Tenant's delay in the approval of the Initial Budget or any amendment thereto that results in the process for review and approval of such Initial Budget or any particular amendment, as applicable, extending for a period in excess of 3 business days after delivery of such Initial Budget or amendment to Tenant for approval; or
9. Any other act or omission by Tenant or any Tenant Party (as defined in the Lease), or persons employed by any of such persons that continues for more than 1 day after Landlord's written notice thereof to Tenant.

If Delivery is delayed for any of the foregoing reasons, then Landlord shall cause the TI Architect to certify the date on which the Tenant Improvements would have been Substantially Completed but for such Tenant Delay and such certified date shall be the date of Delivery.

c. **Changes.** Any changes requested by Tenant to the Tenant Improvements shall be requested and instituted in accordance with the provisions of this Section 4 and shall be subject to the written approval of Landlord and the TI Architect, such approval not to be unreasonably withheld, conditioned or delayed.

i. **Tenant's Request For Changes.** If Tenant shall request changes to the Tenant Improvements ("**Changes**"), Tenant shall request such Changes by notifying Landlord in writing in substantially the same form as the AIA standard change order form (a "**Change Request**"), which Change Request shall detail the nature and extent of any such Change. Such Change Request must be signed by Tenant's Representative. Landlord shall, before proceeding with any Change, use commercially reasonable efforts



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

to respond to Tenant as soon as is reasonably possible with an estimate of: (i) the time it will take, and (ii) the architectural and engineering fees and costs that will be incurred, to analyze such Change Request (which costs shall be paid from the TI Fund to the extent actually incurred, whether or not such change is implemented). Landlord shall thereafter submit to Tenant in writing, within 5 business days of receipt of the Change Request (or such longer period of time as is reasonably required depending on the extent of the Change Request), an analysis of the additional cost or savings involved, including, without limitation, architectural and engineering costs and the period of time, if any, that the Change will extend the date on which the Tenant Improvements are Substantially Complete. Any such delay in the completion of the Tenant Improvements caused by a Change, including any suspension of the Tenant Improvements while any such Change is being evaluated and/or designed, shall be Tenant Delay.

ii. **Implementation of Changes.** If Tenant: (i) approves in writing the cost or savings and the estimated extension in the time for completion of the Tenant Improvements, if any, and (ii) deposits with Landlord any Excess TI Costs required in connection with such Change, Landlord shall cause the approved Change to be instituted. Notwithstanding any approval or disapproval by Tenant of any estimate of the delay caused by such proposed Change, the TI Architect's reasonable determination of the amount of Tenant Delay in connection with such Change shall be final and binding on Landlord and Tenant.

d. **Costs.**

i. **Budget For Tenant Improvements.** Before the commencement of construction of the Tenant Improvements, Landlord shall obtain a detailed breakdown by trade of the estimated costs incurred or that will be incurred in connection with the design and construction of the Tenant Improvements (the "**Initial Budget**"). Tenant shall have the right to review and approve, which approval shall not be unreasonably, withheld, conditioned or delayed, the Initial Budget and any amendments to the Initial Budget. Notwithstanding anything to the contrary contained herein, if Tenant does not deliver to Landlord written notice of Tenant's approval or disapproval of the Initial Budget or any amendments thereto within 3 business days after Landlord's delivery thereof to Tenant, the same shall constitute a Tenant Delay. Upon Tenant's approval (or deemed approval) thereof, the Initial Budget or any such amendments thereto shall be deemed the "**Budget**" for purposes of this Work Letter. The Initial Budget shall be based upon the TI Construction Drawings approved by Tenant and shall include a payment to Landlord of administrative rent ("**Administrative Rent**") equal to 3% of the TI Costs (but not to exceed \$150,000 in the aggregate) for monitoring and inspecting the construction of the Tenant Improvements and Changes, which sum shall be payable from the TI Fund (as defined in Section 5(d)). Administrative Rent shall be payable out of the TI Fund. Landlord shall make its records with respect to the Tenant Improvements available to Tenant on an "open book" basis throughout the design and construction of the Tenant Improvements.

ii. **TI Allowance.** Landlord shall provide to Tenant a tenant improvement allowance (collectively, the "**TI Allowance**") as follows:

1. a "**Tenant Improvement Allowance**" in the maximum amount of \$175.00 per rentable square foot in the Premises, which is included in the Base Rent set forth in the Lease; and
2. an "**Additional Tenant Improvement Allowance**" in the maximum amount of \$75.00 per rentable square foot in the Premises, to the extent used, result in TI Rent as set forth in Section 4(b) of the Lease.

Tenant shall notify Landlord prior to the commencement of construction of the Tenant Improvements how much Additional Tenant Improvement Allowance Tenant has elected to receive from Landlord. Such election shall be final and binding on Tenant, and may not thereafter be modified without Landlord's consent, which may be granted or withheld in Landlord's sole and absolute subjective discretion. The TI Allowance shall be disbursed in accordance with this Work Letter.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

In addition to the TI Allowance, Landlord shall pay the reasonable cost for the TI Architect to prepare an initial test fit for the Premises and one revision.

Tenant shall have no right to the use or benefit (including any reduction to or payment of Base Rent) of any portion of the TI Allowance not required for the design, construction or management of (i) the Tenant Improvements described in the TI Construction Drawings approved pursuant to Section 2(d) or (ii) any Changes pursuant to Section 4.

i.Costs Includable in TI Fund. The TI Fund shall be used solely for the payment of design, permits and construction costs in connection with the construction of the Tenant Improvements, including, without limitation, the cost of electrical power and other utilities used in connection with the construction of the Tenant Improvements, the cost of preparing the Space Plans and the TI Construction Drawings, all costs set forth in the Budget, including Landlord's Administrative Rent, Landlord's out-of-pocket expenses, costs resulting from Tenant Delays and the cost of Changes (collectively, "**TI Costs**"). Notwithstanding anything to the contrary contained herein, the TI Fund shall not be used to purchase any furniture, personal property or other non-Building system materials or equipment, including, but not limited to, Tenant's voice or data cabling, non-ducted biological safety cabinets and other scientific equipment not incorporated into the Tenant Improvements. For the avoidance of doubt, TI Costs shall not include (i) the remediation of Hazardous Materials discovered in the Premises during the construction of Landlord's Work requiring remediation, (ii) attorneys' fees incurred by Landlord in connection with the negotiation of construction contracts for Landlord's Work, or attorneys' fees, experts' fees and other costs incurred in connection with disputes with third parties in connection with Landlord's Work, (iii) interest and other costs of financing to the cost of Landlord's Work, (iv) the cost of delays in the construction of Landlord's Work arising other than in connection with Changes or other Tenant Delays, or (v) the cost of repairing or restoring Landlord's Work if Landlord's Work is damaged prior to the Substantial Completion of Landlord's Work as a result of a fire or other casualty.

i.Excess TI Costs. Landlord shall have no obligation to bear any portion of the cost of any of the Tenant Improvements except to the extent of the TI Allowance. If at any time and from time-to-time, the remaining TI Costs under the Budget exceed the remaining unexpended TI Allowance ("**Excess TI Costs**"), the monthly disbursements of the TI Allowance shall be made in the proportion that the remaining TI Allowance bears to the outstanding TI Costs under the Budget, and Tenant, within 15 business days after Landlord's delivery to Tenant of an invoice therefor, shall fund the balance of each such monthly draw. If Tenant fails to deposit any Excess TI Costs with Landlord, Landlord shall have all of the rights and remedies set forth in the Lease for nonpayment of Rent (including, but not limited to, the right to interest at the Default Rate and the right to assess a late charge). For purposes of any litigation instituted with regard to such amounts, those amounts required to be paid by Tenant will be deemed Rent under the Lease. The TI Allowance and Excess TI Costs are herein referred to as the "**TI Fund**." Notwithstanding anything to the contrary set forth in this Section 5(d), Tenant shall be fully and solely liable for TI Costs and the cost of Minor Variations in excess of the TI Allowance.

2. Tenant Access.

ii.Tenant's Access Rights. Landlord hereby agrees to permit Tenant access, at Tenant's sole risk and expense, to the Building (i) 30 days prior to the Commencement Date to perform any work ("**Tenant's Work**") required by Tenant other than Landlord's Work, provided that such Tenant's Work is coordinated with the TI Architect and the General Contractor, complies with the Lease and all other reasonable restrictions and conditions Landlord may impose, and does not otherwise interfere with the completion of the Tenant Improvements and (ii) prior to the completion of Landlord's Work, to inspect and observe work in process; all such access shall be during normal business hours or at such other times as are reasonably designated by Landlord. Notwithstanding the foregoing, Tenant shall have no right to enter onto the Premises or the Project unless and until Tenant shall deliver to Landlord evidence reasonably satisfactory to Landlord demonstrating that any insurance reasonably required by Landlord in connection with such pre-commencement access (including, but not limited to, any insurance that Landlord may



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

require pursuant to the Lease) is in full force and effect. Any entry by Tenant shall comply with all established safety practices of Landlord's contractor and Landlord until completion of Landlord's Work and acceptance thereof by Tenant.

iii. **No Interference.** Neither Tenant nor any Tenant Party (as defined in the Lease) shall interfere with the performance of Landlord's Work, nor with any inspections or issuance of final approvals by applicable Governmental Authorities, and upon any such interference, Landlord shall have the right to exclude Tenant and any Tenant Party from the Premises and the Project until Substantial Completion of Landlord's Work.

iv. **No Acceptance of Premises.** The fact that Tenant may, with Landlord's consent, enter into the Project prior to the date Landlord's Work is Substantially Complete for the purpose of performing Tenant's Work shall not be deemed an acceptance by Tenant of possession of the Premises, but in such event Tenant shall defend with counsel reasonably acceptable by Landlord, indemnify and hold Landlord harmless from and against any loss of or damage to Tenant's property, completed work, fixtures, equipment, materials or merchandise, and from liability for death of, or injury to, any person, caused by the act or omission of Tenant or any Tenant Party during such early entry.

3. **Miscellaneous.**

v. **Consents.** Whenever consent or approval of either party is required under this Work Letter, that party shall not unreasonably withhold, condition or delay such consent or approval, unless expressly set forth herein to the contrary.

vi. **Modification.** No modification, waiver or amendment of this Work Letter or of any of its conditions or provisions shall be binding upon Landlord or Tenant unless in writing signed by Landlord and Tenant.

vii. **No Default Funding.** In no event shall Landlord have any obligation to fund any portion of the TI Allowance or to perform any Landlord's Work during any period that Tenant is in Default under the Lease.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Schedule 1 to Exhibit C

Space Plans

Intentionally omitted pursuant to Regulation S-K, Item 601(a)(5)



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Schedule 2 to Exhibit C

Basis of Design

Intentionally omitted pursuant to Regulation S-K, Item 601(a)(5)



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

Schedule 3 to Exhibit C

Schedule

Intentionally omitted pursuant to Regulation S-K, Item 601(a)(5)



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

739171641.8

EXHIBIT D TO LEASE

ACKNOWLEDGMENT OF COMMENCEMENT DATE

This **ACKNOWLEDGMENT OF COMMENCEMENT DATE** is made this ____ day of _____, _____, between **ARE-SAN FRANCISCO NO. 63, LLC**, a Delaware limited liability company (" **Landlord**"), and **CODEXIS, INC.**, a Delaware corporation (" **Tenant**"), and is attached to and made a part of the Lease dated _____, _____ (the "**Lease**"), by and between Landlord and Tenant. Any initially capitalized terms used but not defined herein shall have the meanings given them in the Lease.

Landlord and Tenant hereby acknowledge and agree, for all purposes of the Lease, that the Commencement Date of the Base Term of the Lease is _____, _____, the Rent Commencement Date is _____, _____, and the termination date of the Base Term of the Lease shall be midnight on _____, _____. In case of a conflict between the terms of the Lease and the terms of this Acknowledgment of Commencement Date, this Acknowledgment of Commencement Date shall control for all purposes.

IN WITNESS WHEREOF, Landlord and Tenant have executed this ACKNOWLEDGMENT OF COMMENCEMENT DATE to be effective on the date first above written.

TENANT:

CODEXIS, INC.,
a Delaware corporation

By:____
Its:____

By:____
Its:____

LANDLORD:

ARE-SAN FRANCISCO NO. 63, LLC,
a Delaware limited liability company

By: **ALEXANDRIA REAL ESTATE EQUITIES, L.P.**,
a Delaware limited partnership,
managing member

By: **ARE-QRS CORP.**,
a Maryland corporation,
general partner



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

By: _____
Its: _____



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

739171641.8

EXHIBIT E TO LEASE

Rules and Regulations

Intentionally omitted pursuant to Regulation S-K, Item 601(a)(5)



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

EXHIBIT F TO LEASE
TENANT'S PERSONAL PROPERTY

None.



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary - Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

739171641.8

EXHIBIT G TO LEASE

ORDER

Intentionally omitted pursuant to Regulation S-K, Item 601(a)(5)



Copyright © 2005, Alexandria Real Estate Equities, Inc. ALL RIGHTS RESERVED. Confidential and Proprietary – Do Not Copy or Distribute. Alexandria and the Alexandria Logo are registered trademarks of Alexandria Real Estate Equities, Inc.

739171641.8

CERTIFICATION

I, John J. Nicols, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Codexis, 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: May 7, 2021

/s/ John J. Nicols

John J. Nicols
President and Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Ross Taylor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Codexis, 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: May 7, 2021

/s/ Ross Taylor

Ross Taylor
Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Codexis, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), John J. Nicols, President and Chief Executive Officer of the Company and Ross Taylor, Senior Vice President and Chief Financial Officer of the Company, respectively, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2021

/s/ John J. Nicols

John J. Nicols
President and Chief Executive Officer
(principal executive officer)

/s/ Ross Taylor

Ross Taylor
Senior Vice President and Chief Financial Officer
(principal financial and accounting officer)