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DELTA REPORT

10-Q

LENZ - GRAPHITE BIO, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	4305
CHANGES	23
DELETIONS	2089
ADDITIONS	2193

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC
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 September 30, March 31, 20242023

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: Number 001-40532

GRAPHITE BIO,

LENZ THERAPEUTICS, INC.

(Exact Name name of Registrant registrant as Specified specified in its Charter)

charter)

Delaware		84-4867570
Delaware	8 4 - 4 8 6 7 5 7 0	

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State or other jurisdiction of incorporation or organization)

Employer Identification No.)

611 Gateway Blvd

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80 Ste. #320 Del Mar, California 92014

445 Marine View Ave., Suite 120

South San Francisco, CA

(Address of principal executive offices)

offices, including zip code)

(858) 925-7000

(Zip Code)

Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Registrant's telephone number, including area code: (650) 484-0886

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

Name of each exchang

Trading

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Symbol(s)	e o n w h i c h r e g i s t e r e d
Trading Symbol(s)	
Title of each class	
LENZ	**T h e N a s d a q G l o b a l S t o c k M a r k e t L L C**
GRPH	
Common Stock, par value $0.00001 per share	

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 ☐

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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 "emerging growth company" company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

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

o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐o No ☒

As of November 9, 2023 May 3, 2024, the registrant had 57,996,48125,534,458 shares of the registrant's common stock $0.00001 par value per share, were outstanding.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Form 10-Q” (“Quarterly Report”), contains forward-looking statements. All statements other than statements of historical facts contained in this Quarterly Report, including its section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains express or implied forward-looking statements that are based on our management’s belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or regarding our future operational or results of operations and financial performance, position, business strategy, commercial activities and costs, research and development costs, timing and likelihood of success, as well as plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that are in some cases beyond our control and may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these the forward-looking statements.

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

- our plans and expectations regarding strategic alternatives that could significantly impact our future operations and financial position, and the timing and success of process;
- the therapeutic potential likelihood of any our clinical trials demonstrating safety and efficacy of our product candidates to the satisfaction of the Food and the disease indications for which we intend to develop any product candidates;Drug Administration ("FDA"), and other positive results;
- estimates the timing, scope and likelihood of our expenses, ongoing losses, future revenue, capital requirements regulatory filings and our need approvals for or ability to obtain additional funding before we can expect to generate any revenue from product sales;LNZ100;
- our ability to establish or maintain licenses, collaborations, partnerships or strategic relationships;
- our ability to create and maintain a pipeline of product candidates;
- our ability to advance any product candidate into, and successfully complete clinical trials;
- our ability to obtain and maintain intellectual property protection regulatory approval of LNZ100;
- our plans relating to the development of LNZ100;
- the size of the market opportunity for LNZ100, including our current estimates of the size of the affected population and future product candidates, potential adoption rate;
- our plans relatin to commercializin LNZ100, approved, including th duration geograph areas of suc protection focus and sales strategy

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- other implementation our plans relating to the further development and effects manufacturing of the restructuring initiative that we announced in February 2023, our subsequent reductions in force in July and August 2023, LNZ100 and any future restructuring plans that we may pursue; product candidates;
- our expectations regarding use the expected potential benefits of our cash, cash equivalents strategic collaborations with third parties and investments in marketable securities;
- our financial performance;
- our ability to retain attract collaborators with development, regulatory and recruit key personnel; commercialization expertise;
- our competitive position the rate and development degree of market acceptance and projections relating to our competitors or our industry; clinical utility of LNZ100 and any other product candidates we may develop;
- the impact of existing laws and regulations and regulatory developments in the United States and foreign countries other jurisdictions;
- our intellectual property position, including the scope of protection we are able to establish and maintain for intellectual property rights covering LNZ100, including the extensions of existing patent terms where available, the validity of intellectual property rights held by third parties, and our ability not to infringe, misappropriate or otherwise violate any third-party intellectual property rights;
- our continued reliance on various aspects third parties to conduct any additional clinical trials of LNZ100 or any future product candidates, and for the manufacture of our operations, including our regulatory and clinical strategy;

  product candidates for any such trials;
- the impact of global economic and market conditions, a continued and prolonged public health emergency such as the COVID-19 pandemic, and wars and armed conflicts, on various aspects accuracy of our business, results of operations estimates regarding expenses, future revenue, capital requirements and financial condition; and needs for additional financing;
- our financial performance;
- costs related to the Merger (as defined in Part I, Item I, Note 1, "Organization and Liquidity," in our notes to condensed consolidated financial statements in this Quarterly Report on Form 10-Q);

- our ability to recognize the anticipated benefits of the Merger;
- our expectation that our existing cash, cash equivalents, and marketable securities will be sufficient to fund the Company to positive operating cash flow subsequent to commercial launch, if LNZ100 is approved;
- our expectations regarding the time period during which we will be remain an emerging growth company under the JOBS Act. Act; and
- our anticipated use of our existing resources and the proceeds from the Merger and the concurrent PIPE Financing (as defined in Part I, Item I, Note 3, "Merger and Related Transactions," in our notes to condensed consolidated financial statements in this Quarterly Report on Form 10-Q).

In some cases,
We have based these forward-looking statements can be identified by terminology such as "will," "may," "should," "could," "expects," "intends," "plans," "aims," "anticipates," "believes," "estimates," "predicts," "potential," "continue," or largely on our current expectations and projections about our business, the negative industry in which we operate and financial trends that we believe may affect our business, financial condition, results of operations and prospects, and these terms or other comparable terminology, although not all forward-looking statements contain these words. are not guarantees of future performance or development. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known speak only as of the date of this Quarterly Report and unknown are subject to a number of risks, uncertainties and other factors, which are, assumptions described in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under the section entitled titled "Risk Factors" and elsewhere in this Form 10-Q. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those expressed or implied by the forward-looking statements. No forward-looking statement is a promise or a guarantee of future performance.

The Quarterly Report. Because forward-looking statements in this Form 10-Q represent our views as are inherently subject to risks and uncertainties, some of the date of this 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 which cannot be predicted or quantified, you should therefore not rely on these forward-looking statements as representing predictions of future events. The events and circumstances reflected in our views forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as of required by applicable law, we undertake no obligation to update or revise any date subsequent forward-looking statements contained herein to reflect events or circumstances after the date of this Form 10-Q.

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This Form 10-Q may include statistical Quarterly Report, whether as a result of any new information, future events or otherwise.

In addition, statements that “we believe” and other industry similar statements reflect our beliefs and market data that opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report, and while we obtained from industry publications and research, surveys, and studies conducted by third parties. Industry publications and third-party research, surveys, and studies generally indicate that their believe such information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of forms a reasonable basis for such information. We have not independently verified the statements, such information contained in such sources.

We use various trademarks and trade names in our business, including without limitation our corporate name and logo. All other trademarks or trade names referred to in this Form 10-Q are the property of their respective owners. Solely for convenience, the trademarks and trade names in this Form 10-Q may be referred to without the ® limited or incomplete, and ™ symbols, but such references our statements should not be construed as any indicator read to indicate that their respective owners will we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and you are cautioned not assert, to the fullest extent under applicable law, their rights thereto.
unduly rely upon these statements.

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Graphite Bio, Inc.
Condensed Balance Sheets

Part I. Financial Information

Item 1. Financial Statements.

LENZ THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share for shares and per share data)

(unaudited)

	September 30, 2023	*December 31, 2022*
Assets		
Current assets:		
Cash and cash equivalents	*$ 182,988*	*$ 47,730*
Investments in marketable securities, current	*50,998*	*220,499*
Assets held for sale	*20*	*—*
Prepaid expenses and other current assets	*4,777*	*7,136*
Total current assets	*238,783*	*275,365*
Restricted cash	*1,716*	*1,716*
Investments in marketable securities, non-current	*—*	*15,322*
Property and equipment, net	*12,534*	*22,630*
Operating lease right-of-use assets	*13,195*	*5,580*

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Other assets	*—*	*1,289*
Total assets	*$ 266,228*	*$ 321,902*
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	*$ 3,753*	*$ 2,608*
Accrued compensation	*1,899*	*3,799*
Accrued research costs	*30*	*720*
Accrued expenses and other current liabilities	*3,416*	*1,871*
Operating lease liabilities, current	*3,439*	*4,045*
Total current liabilities	*12,537*	*13,043*
Operating lease liabilities, non-current	*49,672*	*1,749*
Other long- term liabilities	*—*	*10,819*
Total liabilities	*62,209*	*25,611*
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $0.00001 par value, 10,000,000 shares authorized as of September 30, 2023 and December 31, 2022; and no shares issued and outstanding as of September 30, 2023 and December 31, 2022	*—*	*—*
Common stock, $0.00001 par value, 300,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 57,971,910 and 58,221,760 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	*1*	*1*
Additional paid-in capital	*548,249*	*539,741*
Accumulated other comprehensive loss	*(95)*	*(1,048)*
Accumulated deficit	*(344,136)*	*(242,403)*
Total stockholders' equity	*204,019*	*296,291*
Total liabilities and stockholders' equity	*$ 266,228*	*$ 321,902*

par value)

	March 31, 2024	December 31, 2023
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 200,357	$ 35,140
Marketable securities	12,922	30,654
Prepaid expenses and other current assets	3,281	1,450
Restricted cash	114	—
Total current assets	216,674	67,244
Property and equipment, net	49	54
Operating lease right-of-use asset	578	318
Deferred offering costs	—	2,739
Security deposit	21	21
Total assets	$ 217,322	$ 70,376
Liabilities, convertible preferred and common stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 7,131	$ 5,711
Accrued liabilities	11,757	12,803
Total current liabilities	18,888	18,514
Operating lease liability, net	156	192
Other noncurrent liabilities	111	121
Preferred stock warrants liability	—	871
Total liabilities	19,155	19,698
Commitments and contingencies (Note 6)		
Convertible preferred and common stock:		

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Series A convertible preferred stock, par value of $0.001 per share; no shares and 22,791,777 shares authorized at March 31, 2024 and December 31, 2023, respectively; no shares and 21,977,282 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	—	44,621
Series A-1 convertible preferred stock, par value of $0.001 per share; no shares and 2,950,548 shares authorized at March 31, 2024 and December 31, 2023, respectively; no shares and 2,950,548 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	—	9,893
Series B convertible preferred stock, par value of $0.001 per share; no shares and 28,019,181 shares authorized at March 31, 2024 and December 31, 2023, respectively; no shares and 28,019,181 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	—	82,976
Class B convertible common stock, par value of $0.001 per share; no shares and 2,744,184 shares authorized at March 31, 2024 and December 31, 2023, respectively; no shares and 2,744,184 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	—	5,900
Total convertible preferred and common stock	—	143,390
Stockholders' equity (deficit) (1):		
Common stock, par value of $0.00001 per share; 300,000,000 and 16,017,929 shares authorized at March 31, 2024 and December 31, 2023, respectively, 25,534,451 and 2,004,783 shares issued at March 31, 2024 and December 31, 2023, respectively, and 25,500,130 and 1,969,360 shares outstanding at March 31, 2024 and December 31, 2023, respectively	—	10
Additional paid-in capital	310,061	2,517
Accumulated deficit	(111,893)	(95,245)
Accumulated other comprehensive income (loss)	(1)	6
Total stockholders' equity (deficit)	198,167	(92,712)
Total liabilities, convertible preferred and common stock and stockholders' equity (deficit)	$ 217,322	$ 70,376

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

(1)

1 Retroactively recast for the reverse recapitalization as described in Note 3.

Graphite Bio, Inc.

Condensed Statements of Operations and Comprehensive Loss

LENZ THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)

(unaudited)

	Three Months Ended September 30,		*Nine Months Ended September 30,*	
	2023	***2022***	***2023***	***2022***
Operating expenses:				
Research and development	*$ 2,384*	*$ 18,302*	*$ 32,136*	*$ 54,325*
General and administrative	*11,294*	*7,852*	*26,372*	*24,563*
Restructuring and impairment costs	*11,349*	*—*	*51,128*	*—*
Total operating expenses	*25,027*	*26,154*	*109,636*	*78,888*
Loss from operations	*(25,027)*	*(26,154)*	*(109,636)*	*(78,888)*
Other income (expense), net:				
Interest income, net	*2,955*	*1,472*	*8,387*	*2,435*
Loss on disposal of assets	*—*	*—*	*(71)*	*—*
Other income (expense), net:	*(413)*	*—*	*(413)*	*—*
Total other income, net	*2,542*	*1,472*	*7,903*	*2,435*

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Net loss	*$ (22,485)*	*$ (24,682)*	*$ (101,733)*	*$ (76,453)*
Unrealized gain (loss) on investments in marketable securities	*176*	*(563)*	*953*	*(1,596)*
Comprehensive loss	*$ (22,309)*	*$ (25,245)*	*$ (100,780)*	*$ (78,049)*
Net loss per share attributable to common stockholders—basic and diluted	*$ (0.39)*	*$ (0.45)*	*$ (1.79)*	*$ (1.40)*
Weighted-average shares used in computing net loss per share—basic and diluted	*57,257,241*	*55,206,139*	*56,748,995*	*54,591,593*

	Three Months Ended March 31,	
	2024	2023
Operating expenses:		
Research and development	$ 10,537	$ 10,325
Selling, general and administrative	5,551	2,291
Total operating expenses	16,088	12,616
Loss from operations	(16,088)	(12,616)
Other income (expense):		
Other expense	(1,348)	(54)
Interest income	788	—
Total other income (expense), net	(560)	(54)
Net loss	$ (16,648)	$ (12,670)
Other comprehensive loss:		
Unrealized loss on marketable securities	(7)	—
Comprehensive loss	$ (16,655)	$ (12,670)
Net loss per share, basic and diluted	$ (3.53)	$ (6.50)
Weighted-average common shares outstanding, basic and diluted (1)	4,717,613	1,950,653

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

(1)

Retroactively recast for the reverse recapitalization as described in Note 3. See Note 2 for further information on weighted-average common shares outstanding.

Graphite Bio, Inc.

Condensed Statements of Stockholders' Equity

LENZ THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED AND COMMON STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands, except share data)

(unaudited)

	Common Stock		*Additional Paid-In*	*Accumulated Other Comprehensive*	*Accumulated*	*Total Stockholders'*
	Shares	*Amount*	*Capital*	*Loss*	*Deficit*	*Equity*
Balance at December 31, 2022	*58,221,760*	*$ 1*	*$ 539,741*	*$ (1,048)*	*$ (242,403)*	*$ 296,291*
Vesting of early exercised shares	*—*	*—*	*25*	*—*	*—*	*25*
Repurchase of unvested early exercised shares	*(26,942)*	*—*	*—*	*—*	*—*	*—*
Stock-based compensation expense	*—*	*—*	*3,263*	*—*	*—*	*3,263*
Unrealized gain on investments in marketable securities	*—*	*—*	*—*	*579*	*—*	*579*
Net loss	*—*	*—*	*—*	*—*	*(23,934)*	*(23,934)*
Balance at March 31, 2023	*58,194,818*	*$ 1*	*$ 543,029*	*$ (469)*	*$ (266,337)*	*$ 276,224*
Common stock issued upon exercise of options	*55,047*	*—*	*18*	*—*	*—*	*18*

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Common stock issued under ESPP	*65,222*	*—*	*157*	*—*	*—*	*157*
Vesting of early exercised shares	*—*	*—*	*18*	*—*	*—*	*18*
Repurchase of founders' shares	*(152,694)*	*—*	*—*	*—*	*—*	*—*
Repurchase of unvested early exercised shares	*(173,120)*	*—*	*—*	*—*	*—*	*—*
Stock-based compensation expense	*—*	*—*	*2,845*	*—*	*—*	*2,845*
Unrealized gain on investments in marketable securities	*—*	*—*	*—*	*198*	*—*	*198*
Net loss	*—*	*—*	*—*	*—*	*(55,314)*	*(55,314)*
Balance at June 30, 2023	*57,989,273*	*$ 1*	*$ 546,067*	*$ (271)*	*$ (321,651)*	*$ 224,146*
Common stock issued upon exercise of options	*10,367*	*—*	*16*	*—*	*—*	*16*
Vesting of early exercised shares	*—*	*—*	*5*	*—*	*—*	*5*
Repurchase of unvested early exercised shares	*(27,730)*	*—*	*—*	*—*	*—*	*—*
Stock-based compensation expense	*—*	*—*	*2,161*	*—*	*—*	*2,161*
Unrealized gain on investments in marketable securities	*—*	*—*	*—*	*176*	*—*	*176*
Net loss	*—*	*—*	*—*	*—*	*(22,485)*	*(22,485)*
Balance at September 30, 2023	*57,971,910*	*$ 1*	*$ 548,249*	*$ (95)*	*$ (344,136)*	*$ 204,019*

	Convertible Preferred and Common Stock								Stockholders' Equity (Deficit)					
	Series A Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series B Convertible Preferred Stock		Class B Convertible Common Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2023 (1)	21,977,282	$ 44,621	2,950,548	$ 9,893	28,019,181	$ 82,976	2,744,184	$ 5,900	1,969,360	$ 10	$ 2,517	$ (95,245)	$ 6	$ (92,712)
Conversion of convertible preferred stock and Class B convertible common stock to common stock as a result of the Merger and reset to par of $0.00001	(21,977,282)	(44,621)	(2,950,548)	(9,893)	(28,019,181)	(82,976)	(2,744,184)	(5,900)	11,260,672	(10)	143,400	—	—	143,390
Issuance of common stock to Graphite stockholders as a result of the Merger	—	—	—	—	—	—	—	—	8,320,485	—	116,145	—	—	116,145
Issuance of common stock from private placement, net	—	—	—	—	—	—	—	—	3,559,565	—	49,840	—	—	49,840
Reclassification of warrant liability to equity	—	—	—	—	—	—	—	—	—	—	1,918	—	—	1,918
Merger transaction costs	—	—	—	—	—	—	—	—	—	—	(5,146)	—	—	(5,146)
Unrealized gain (loss) on marketable securities	—	—	—	—	—	—	—	—	—	—	—	—	(7)	(7)
Exercise of stock options and common warrants	—	—	—	—	—	—	—	—	383,898	—	430	—	—	430
Vesting of early exercised stock options	—	—	—	—	—	—	—	—	6,150	—	10	—	—	10
Share-based compensation	—	—	—	—	—	—	—	—	—	—	947	—	—	947
Net loss	—	—	—	—	—	—	—	—	—	—	—	(16,648)	—	(16,648)
Balance as of March 31, 2024	—	$ —	—	$ —	—	$ —	—	$ —	25,500,130	$ —	$ 310,061	$ (111,893)	$ (1)	$ 198,167

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

(1)

3 Retroactively recast for the reverse recapitalization as described in Note 3.

Graphite Bio, Inc.

Condensed Statements of Stockholders' Equity

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LENZ THERAPEUTICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED AND COMMON STOCK AND STOCKHOLDERS' DEFICIT (1)

(in thousands, except share data)

(unaudited)

	Common Stock		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Loss	Deficit	Equity
Balance at December 31, 2021	*58,010,823*	*$ 1*	*$ 525,400*	*$ —*	*$ (141,351)*	*$ 384,050*
Stock-based compensation expense	*—*	*—*	*3,342*	*—*	*—*	*3,342*
Vesting of early exercised shares	*—*	*—*	*51*	*—*	*—*	*51*
Unrealized loss on investments in marketable securities	*—*	*—*	*—*	*(309)*	*—*	*(309)*
Net loss	*—*	*—*	*—*	*—*	*(25,835)*	*(25,835)*
Balance at March 31, 2022	*58,010,823*	*$ 1*	*$ 528,793*	*$ (309)*	*$ (167,186)*	*$ 361,299*
Common stock issued upon exercise of options	*43,945*	*—*	*13*	*—*	*—*	*13*
Common stock issued under ESPP	*207,137*	*—*	*414*	*—*	*—*	*414*
Vesting of early exercised shares	*—*	*—*	*30*	*—*	*—*	*30*
Repurchase of unvested early exercised stock options	*(50,713)*	*—*	*—*	*—*	*—*	
Stock-based compensation expense	*—*	*—*	*3,360*	*—*	*—*	*3,360*
Unrealized loss on investments in marketable securities	*—*	*—*	*—*	*(724)*	*—*	*(724)*
Net loss	*—*	*—*	*—*	*—*	*(25,936)*	*(25,936)*
Balance at June 30, 2022	*58,211,192*	*$ 1*	*$ 532,610*	*$ (1,033)*	*$ (193,122)*	*$ 338,456*
Common stock issued upon exercise of options	*17,000*	*—*	*5*	*—*	*—*	*5*
Vesting of early exercised shares	*—*	*—*	*27*	*—*	*—*	*27*
Repurchase of unvested early exercised stock options	*(78,875)*	*—*	*—*	*—*	*—*	*—*
Stock-based compensation expense	*—*	*—*	*3,210*	*—*	*—*	*3,210*
Unrealized loss on investments in marketable securities	*—*	*—*	*—*	*(563)*	*—*	*(563)*
Net loss	*—*	*—*	*—*	*—*	*(24,682)*	*(24,682)*
Balance at September 30, 2022	*58,149,317*	*$ 1*	*$ 535,852*	*$ (1,596)*	*$ (217,804)*	*$ 316,453*

	Convertible Preferred and Common Stock								Stockholders' Deficit					
	Series A Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Series B Convertible Preferred Stock		Class B Convertible Common Stock		Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Stockholders'
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Deficit
Balance as of December 31, 2022	21,977,282	$ 44,621	2,950,548	$ 9,893	—	$ —	2,744,184	$ 5,900	1,946,988	$ 10	$ 1,098	$ (25,277)	$ —	$ (24,169)
Issuance of Series B convertible preferred stock, net of issuance costs	—	—	—	—	28,019,181	82,976	—	—	—	—	—	—	—	—
Vesting of early exercised stock options	—	—	—	—	—	—	—	—	5,593	—	19	—	—	19
Share-based compensation	—	—	—	—	—	—	—	—	—	—	142	—	—	142
Net loss	—	—	—	—	—	—	—	—	—	—	—	(12,670)	—	(12,670)
Balance as of March 31, 2023	21,977,282	$ 44,621	2,950,548	$ 9,893	28,019,181	$ 82,976	2,744,184	$ 5,900	1,952,581	$ 10	$ 1,259	$ (37,947)	$ —	$ (36,678)

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

(1)

4 Retroactively recast for the reverse recapitalization as described in Note 3.

Graphite Bio, Inc.

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LENZ THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Cash flows from operating activities:		
Net loss	*$ (101,733)*	*$ (76,453)*
Adjustments to reconcile net loss to net cash used in operating activities:		
Net amortization of premiums and discounts on investments in marketable securities	*(3,422)*	*(479)*
Depreciation and amortization	*2,265*	*1,670*
Non-cash lease expense	*3,860*	*4,454*
Stock-based compensation expense	*8,269*	*9,912*
Loss on sale/ disposal of assets	*71*	*—*
Impairment of assets	*43,276*	*—*
Changes in assets and liabilities:		
Assets held for sale	*(20)*	*—*
Prepaid expenses and other current assets and other assets	*4,884*	*(2,437)*
Accounts payable	*1,145*	*1,275*
Accrued compensation	*(1,900)*	*657*
Accrued research costs	*(690)*	*(280)*
Accrued expenses and other current liabilities and other liabilities	*2,479*	*399*
Operating lease liabilities	*(2,614)*	*(4,269)*
Net cash used in operating activities	*(44,130)*	*(65,551)*
Cash flows from investing activities:		
Purchases of property and equipment	*(10,806)*	*(5,573)*
Proceeds from sales of property and equipment	*1,225*	*—*
Purchases of investments in marketable securities	*(28,130)*	*(339,814)*
Proceeds from maturities of marketable securities	*216,975*	*90,000*
Net cash provided by (used in) investing activities	*179,264*	*(255,387)*
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of vested stock options	*34*	*18*
Proceeds from employee stock purchase plan	*157*	*414*
Repurchase of unvested early exercised shares and founders' shares	*(67)*	*(79)*
Net cash provided by financing activities	*124*	*353*
Net increase (decrease) in cash, cash equivalents and restricted cash	*135,258*	*(320,585)*
Cash, cash equivalents and restricted cash, at beginning of period	*49,446*	*378,692*
Cash, cash equivalents and restricted cash, at end of period	*$ 184,704*	*$ 58,107*
Reconciliation of cash, cash equivalents and restricted cash to statement of financial position:		
Cash and cash equivalents	*182,988*	*56,391*
Restricted cash	*1,716*	*1,716*
Cash, cash equivalents and restricted cash in statement of financial position	*$ 184,704*	*$ 58,107*
Supplemental disclosures of non-cash investing and financing information:		
Property and equipment purchases in accounts payable and accrued expenses	*$ —*	*$ (319)*
Lessor funded lease incentive additions included in property and equipment	*$ 7,193*	*$ 2,616*

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Proceeds from sale of property and equipment in accounts receivable	*$*	*449*	*$*	*—*
Additions to ROU assets from new operating lease liabilities	*$*	*31,974*	*$*	*—*
Vesting of early exercised stock options	*$*	*48*	*$*	*108*

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Net loss	$ (16,648)	$ (12,670)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5	3
Accretion of discounts on marketable securities	(275)	—
Change in fair value of preferred stock warrants	1,047	16
Share-based compensation expense	947	142
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(518)	426
Accounts payable	(1,269)	(567)
Accrued liabilities	(7,226)	(148)
Net cash used in operating activities	(23,937)	(12,798)
Cash flows from investing activities		
Proceeds from maturities of marketable securities	18,000	—
Purchases of property and equipment	—	(6)
Net cash provided by (used in) investing activities	18,000	(6)
Cash flows from financing activities		
Proceeds from, issuance of Series B convertible preferred stock, net of issuance costs	—	82,976
Proceeds from issuance of common stock, net of issuance costs	53,387	—
Cash, cash equivalents, and restricted cash acquired in connection with the Merger	117,824	—
Merger transaction costs	(373)	—
Proceeds from exercises of stock options	430	203
Net cash provided by financing activities	171,268	83,179
Net increase in cash	165,331	70,375
Cash and cash equivalents, beginning of the period	35,140	44,441
Cash, cash equivalents, and restricted cash, end of the period	$ 200,471	$ 114,816
Supplemental cash flow information		
Conversion of Series A, A-1, and B convertible preferred stock to common stock	$ 137,490	$ —
Conversion of Class B convertible common stock to common stock	$ 5,900	$ —
Reclassification of warrant liability to equity	$ 1,918	$ —
Prepaid expenses and other current assets assumed in the Merger	$ 1,313	$ —
Accounts payable and accrued liabilities assumed in the Merger	$ 2,950	$ —
Common stock issuance costs included in accounts payable and accrued expenses	$ 3,547	$ —
Merger transaction costs included in accounts payable and accrued expenses	$ 4,815	$ —
Right-of-use assets assumed in the Merger in exchange for lease liabilities	$ 293	$ —

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

Graphite Bio, Inc.

Notes to Condensed Financial Statements

LENZ THERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Description of Business, Organization and Liquidity

Description of the Business

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Organization and Business

LENZ Therapeutics, Inc. ("LENZ" or the "Company"), formerly known as Graphite Bio, Inc. (the "Company") has historically been a clinical-stage, next-generation gene editing company. In January 2023, the Company announced a voluntary pause of its Phase 1/2 CEDAR study of nulabeglogene autogedtemcel ("nula-cel" Graphite"), the Company's lead product candidate for sickle cell disease ("SCD"), due to a serious adverse event in the first patient dosed, which the Company concluded is likely related to study treatment. Nula-cel was designed to provide a highly differentiated approach with the potential to directly correct the mutation that causes SCD and restore normal adult hemoglobin expression.

The Company was incorporated in Ontario, Canada in June 2017 as Longbow Therapeutics Inc., and was reincorporated in the State of Delaware in October 2019. In February 2020, The Company has a wholly owned subsidiary, LENZ Therapeutics Operations, Inc. ("LENZ OpCo"), previously named Lenz Therapeutics, Inc., which became a corporation in Delaware on October 28, 2020 upon the filing of a Certificate of Conversion to convert Presbyopia Therapies, LLC, a Delaware limited liability company (formed in September 2013) to a Delaware corporation. The Company is a late-stage clinical company developing innovative ophthalmic pharmaceutical products.

Reverse Merger Transaction

On March 21, 2024, Graphite and LENZ OpCo completed a merger transaction in accordance with the terms and conditions of the Agreement and Plan of Merger (the "Merger Agreement") dated November 14, 2023, pursuant to which, among other matters, Generate Merger Sub, Inc., a wholly-owned subsidiary of Graphite, merged with and into LENZ OpCo, with LENZ OpCo surviving the merger as the surviving corporation and a wholly-owned subsidiary of Graphite (the "Merger"). Additionally, Graphite changed its name to Integral Medicines, "LENZ Therapeutics, Inc." The Merger was accounted for as a reverse recapitalization, with LENZ OpCo being treated as the acquirer for accounting purposes. See discussions of the transactions in connection with the Merger in Note 3.

Liquidity

As of March 31, 2024, the Company has devoted substantially all of its efforts to product development and again in August 2020, changed has not realized product revenues from its planned principal operations. The Company has a limited operating history, and the name to Graphite Bio, Inc. Research sales and development income potential of the Company's initial technology ceased at the end of 2018, business and the Company did not have any significant operations or any research and development activities in 2019. In March 2020, the Company identified new gene editing technology which the Company sought to further develop, and the Company licensed the related intellectual property rights from The Board of Trustees of the Leland Stanford Junior University ("Stanford") in December 2020 (Note 6).

In February 2023, the Company announced its decision to discontinue the development of nula-cel and initiate a process to explore strategic alternatives (the "Restructuring Plan"). As a result of this decision, the Company conducted a corporate restructuring that resulted in an approximately 50% reduction in force in February 2023 and additional reductions in July and August 2023 that resulted in a total reduction in force of 78.1%. In August 2023, the Company subleased some of its facilities to recover a portion of the total costs. Together, these restructuring actions market are intended to reduce the Company's operational cash burn in an effort to maximize its strategic optionality.

The Company had previously disclosed its intention to continue research activities associated with its pre-clinical non-genotoxic conditioning program, with the goal of advancing toward one or more potential development candidates. In August, the Company entered into an asset purchase agreement pursuant to which the Company transferred to a third-party its pre-clinical non-genotoxic conditioning program, including its technology and intellectual property. Also in August 2023, the Company entered into a license and option agreement (the "LOA"), pursuant to which it granted another third-party an option to acquire certain of the Company's technology and intellectual property related to its nula-cel program and related pre-clinical platform assets. On September 12, 2023, the Company and such counterparty entered into an amendment to the LOA under which the Company agreed to assign certain contracts to such counterparty prior to exercise of the option. The Company continues to explore strategic alternatives.

From its inception in 2017, the Company's primary activities have been to perform research and development, undertake preclinical studies and enable manufacturing activities in support of its product development efforts, organize and staff the Company, establish its intellectual property portfolio, and raise capital to support and expand such activities.

Liquidity Matters

unproven. The Company has incurred significant operating experienced net losses since its inception and, has primarily relied on private equity and convertible debt financings to fund its operations. As as of September 30, 2023 March 31, 2024, the Company had an accumulated deficit of $344.1 million. $111.9 million. The Company expects to continue to incur substantial losses. additional losses in the future as it continues its research and development efforts, advances its product candidate through clinical development, seeks regulatory approval, prepares for commercialization, hires additional personnel, protects its intellectual property, and grows its business. The Company may never achieve profitability, and unless and until then, the Company will need to continue to raise additional capital. Management expects capital to support its continuing operations and pursue its long-term business plan, including the development and commercialization of its product candidate, if approved. Such activities are subject to significant risks and uncertainties.

As of March 31, 2024, the Company had cash, cash equivalents, and marketable securities of $213.3 million, which is available to fund future operations. The Company believes that the its existing cash, cash equivalents, and marketable securities of $234.0 million as of September 30, 2023 March 31, 2024 will be sufficient to fund the Company's current operating plan support operations for at least the next 12 months from the issuance date of issuance of these unaudited condensed consolidated financial statements.

On July 21, 2022, the Company filed a shelf registration statement on Form S-3 (the "2022 Shelf") with the SEC in relation to the registration of up to an aggregate offering price of $300.0 million of common stock, preferred stock, debt securities, warrants and units or any combination thereof. The Company also simultaneously entered into a Controlled Equity Offering℠ Sales Agreement with Cantor Fitzgerald & Co. (the "Sales Agent"), to provide for the offering, issuance and sale by the Company of up to an aggregate of $75.0 million of its common stock from time to time in "at-the-market" offerings under the 2022 Shelf and subject to the limitations thereof (the "Sales Agreement"). The Company will pay to the Sales Agent cash commissions of up to 3.0 percent of the gross proceeds of sales of common stock under the Sales Agreement. The Company has not issued any shares or received any proceeds from any offerings under the 2022 Shelf through November 13, 2023.

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2. Summary of Significant Accounting Policies

Basis of Presentation

These and Principles of Consolidation

The accompanying condensed consolidated financial statements have been were prepared based on the accrual method of accounting in accordance with U.S. generally accepted accounting principles generally accepted ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the United States Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of America ("U.S. GAAP" the Financial Accounting Standards Board ("FASB").

Unaudited Interim Condensed Financial Statements

The interim accompanying condensed balance sheet as of September 30, 2023 and the condensed statements of operations and comprehensive loss and stockholders' equity for the three and nine months ended September 30, 2023 and 2022 and the condensed statements of cash flows for the nine months ended September 30, 2023 and 2022 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual audited financial statements and reflect, in the opinion of management, include all adjustments, of a which include only normal and recurring nature that are adjustments, necessary for the fair statement presentation of the Company's financial position as of September 30, 2023 and its results of operations for the three and nine months ended September 30, 2023 and its cash flows for the nine months ended September 30, 2023 periods presented. These statements do not include all disclosures required by GAAP and 2022. The financial data and should be read in conjunction with the other financial information disclosed in these notes to the Company's financial statements related to and accompanying notes for the three and nine month periods year ended December 31, 2023, which are also unaudited. contained in the Company's Form 8-K, dated March 21, 2024, filed with the SEC on March 22, 2024. The results of operations for the three and nine months ended September 30, 2023 interim periods are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2023 or for any other future annual or interim period. The All intercompany accounts and transactions have been eliminated in consolidation.

Since LENZ OpCo was determined to be the accounting acquirer in connection with the Merger, for periods prior to the Merger, the condensed balance sheet as of December 31, 2022 included herein was derived from consolidated financial statements were prepared on a stand-alone basis for LENZ OpCo and did not include the audited combined entities activity or financial position. Subsequent to the Merger, the condensed consolidated financial statements as of that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted from these interim financial statements. These condensed financial statements should be read in conjunction with the Company's audited financial statements and the related notes thereto for the year ended December 31, 2022, which are included in the Company's Annual Report on Form 10-K filed with the SEC.

Significant Accounting Policies

The significant accounting policies used in preparation of these condensed financial statements for the three and nine months ended September 30, 2023 are consistent with those discussed in Note 2 to March 31, 2024 include Graphite's activity from March 21, 2024 through March 31, 2024, and assets and liabilities at their acquisition date fair value. Historical share and per share figures of LENZ OpCo have been retroactively recast based on the condensed financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Merger exchange ratio of 0.2022.

Use of Estimates

The preparation of condensed financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities the and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of expenses during the reporting period. On an ongoing basis, Estimates used in preparing the Company evaluates estimates and assumptions, including accompanying financial statements include, but are not limited to, those estimates related to the fair value of the marketable securities, stock-based compensation expense, accruals for research and development costs, lease assets accruals, preferred stock warrants liability, and liabilities, the valuation of deferred tax assets, valuation of uncertain income tax positions, and impairment of long-lived assets. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the share-based compensation. Although actual results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may could differ materially from those estimates.

estimates, management does not believe that such differences would be material.

Principles Concentration of Consolidation

Credit Risk and Other Risks and Uncertainties

Financial instruments, which potentially subject the Company to a concentration of credit risk, consist primarily of cash and cash equivalents and marketable securities. The Company assesses entities for consolidation based on the specific facts and circumstances surrounding that entity. maintains deposits in federally insured financial institutions in excess of federally insured limits. The Company first considers whether an entity has not experienced any losses in such accounts and management believes that the Company is considered a variable interest entity ("VIE") and therefore whether not exposed to apply significant credit risk due to the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOE") under the voting interest model.

An entity is considered to be a VIE if any financial position of the following conditions exist: (i) the equity investment at risk is not sufficient to finance the activities of the entity without additional subordinated financial support, (ii) as a group, the holders of the equity investment at risk lack the power to direct the activities that most significantly impact the entity's economic performance or the obligation to absorb the expected losses or right to receive the expected residual returns, and (iii) the voting rights of some holders of the

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equity investment at risk are disproportionate to their obligation to absorb losses or right to receive returns, and substantially all of the activities are conducted on behalf of the holder of equity investment at risk with disproportionately few voting rights.

The Company consolidates all VIEs depository institutions in which it is the primary beneficiary. An entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which the Company holds a variable interest is a VIE and (ii) whether the Company's involvement, through holding interest directly or indirectly in the entity or contractually through other variable interests, would give it a controlling financial interest. Performance of that analysis requires judgment.
those deposits are held.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a an original maturity of three months or less at the date of purchase to be cash equivalents. As of September 30, 2023 The Company deposits its cash primarily in traditional checking and December 31, 2022, cash and cash equivalents consisted of cash, money market funds, and commercial paper.

Restricted Cash

savings accounts with a financial institution. Restricted cash of $1.7 million $0.1 million as of September 30, 2023 and December 31, 2022 represented March 31, 2024 relates to a security deposits deposit in the form of letters a letter of credit issued in connection with one of the lease Company's leases.

Marketable Securities

The Company classifies marketable securities as available-for-sale, as the sale of 233 E. Grand Ave, which was such investments may be required prior to be maturity to implement management strategies, and therefore has classified all marketable securities with maturity dates beyond three months at the company's headquarters. A lease amendment was executed date of purchase as current assets in October 2023, whereby the accompanying balance sheets. As of March 31, 2024, the Company will have had no further rent obligations intent to the landlord following the effective date, and the landlord will return the Company's letter of credit within 60 days following the amendment's effective date (Note 14). The letter of credit will be returned to the Company per the lease amendment.

Marketable Securities

The Company's sell any marketable securities are accounted for prior to maturity. Marketable securities classified as available-for-sale and recorded are carried at fair value with the related unrealized gains and losses included in accumulated other comprehensive gain income (loss).

as a component of stockholders' deficit until realized. Any premium or discount arising at purchase is amortized and/or accreted to interest income as an adjustment to yield over the life of the instrument. Realized gains and losses are calculated using the specific identification method and recorded as interest income or expense. The Company reviews invests in available-for-sale securities consisting of money market funds, commercial paper, U.S. Treasury securities and U.S. agency securities. Available-for-sale securities are classified as either cash, cash equivalents or marketable securities on the Company's condensed consolidated balance sheets.

Allowance for Credit Losses

For available-for-sale securities in an unrealized loss position, the Company first assesses whether it intends to sell, or if it is more likely than not that it will be required to sell, the security before recovery of its investment portfolio amortized cost basis. If either of the criteria regarding intent or requirement to identify and evaluate investments sell is met, the security's amortized cost basis is written down to fair value through earnings. For available-for-sale securities that have an indication of possible other-than-temporary impairment. Factors considered do not meet the aforementioned criteria, the Company evaluates whether the decline in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the severity of the impairment, any changes in interest rates, market conditions, changes to the underlying credit ratings and forecasted recovery, among other factors. The credit-related portion of unrealized losses, and any subsequent improvements, are recorded in interest income through an allowance account. Any impairment that has not been less than recorded through an allowance for credit losses is included in other comprehensive income (loss) on the condensed consolidated balance sheets.

The Company excludes the applicable accrued interest from both the fair value and amortized cost basis of available-for-sale securities for purposes of identifying and measuring an impairment. Accrued interest receivable on available-for-sale securities is recorded within prepaid expenses and other current assets on the financial condition condensed consolidated balance sheets. The

Company's accounting policy is to not measure an allowance for credit loss for accrued interest receivable and near-term prospects to write-off any uncollectible accrued interest receivable as a reversal of interest income in a timely manner, which is considered to be in the period in which it's determined the accrued interest will not be collected.

Leases

The Company determines if an arrangement is or contains a lease at inception by assessing whether it conveys the right to control the use of an identified asset in exchange for consideration. If a lease is identified, classification is determined at lease commencement. To date, all of the investee and the Company's intent and ability leases have been determined to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

OperatingLeases

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The Company accounts for its be operating leases by recording right-of-use assets and leases. Operating lease liabilities on the Company's condensed balance sheets in accordance with Accounting Standards Codification ("ASC") 842, "Leases" ("ASC 842"). Right-of-use assets represent the Company's right to use an underlying asset over the lease term and include any lease payments made prior to the lease commencement date and are reduced by lease incentives. Lease liabilities represent recognized at the present value of the total future lease payments over at the lease term, calculated using commencement date. The Company's leases do not provide an implicit interest rate and therefore the Company's Company estimates its incremental borrowing rate. rate to discount lease payments. The incremental borrowing rate is determined by using reflects the estimated interest rate of interest that the Company would have to pay to borrow on a collateralized basis, an amount equal to the lease payments for a similar term and in a similar economic environment. environment over a similar term. Operating lease right-of-use ("ROU") assets are determined based on the corresponding lease liability adjusted for any lease payments made at or before commencement, initial direct costs, and lease incentives. The operating lease ROU asset also includes impairment charges if the Company determines the ROU asset is impaired. The Company recognizes options to extend considers a lease when term to be the noncancelable period that it has the right to use the underlying asset, including any periods where it is reasonably certain that it assured the Company will exercise such extension. The Company does not recognize options the option to terminate extend the contract. Operating lease expenses are recognized, and the ROU assets are amortized on a straight-line basis over the lease when it is reasonably certain that it will not exercise such early termination options. Lease expense term. Sublease income, if any, is recognized on a straight-line basis over the sublease term as a reduction to the Company's operating lease cost within general and administrative expenses in our condensed consolidated statements of operations. The Company has elected not to separate lease and non-lease components for its leased assets and accounts for all lease and non-lease components of its agreements as a single lease component. The Company has elected not to recognize leases with terms of one year or less on the condensed consolidated balance sheets.

Deferred Offering Costs

The Company capitalizes costs that are directly associated with equity financings until such financings are consummated, at which time such costs are recorded against the gross proceeds of the offering. Should an in-process equity financing be abandoned, the deferred offering costs will be expensed immediately as a charge to operating expenses in the condensed consolidated statements of operations and comprehensive loss. The Company had capitalized deferred offering costs of $2.7 million as of December 31, 2023 related to the Merger.

Research and Development Expenses and Related Prepaid Assets and Accrued Liabilities

Research and development costs are expensed as incurred. Research and development expenses primarily consist of internal research and development expense, including personnel-related expenses (such as salaries, benefits and noncash stock-based compensation) and external research and development expenses incurred under arrangements with vendors conducting research and development services on its behalf, such as contract research organizations ("CROs") and contract manufacturing organizations ("CMOs").

Payments made prior to the receipt of goods or services to be used in research and development are capitalized, evaluated for current or long-term classification, and included in prepaid expenses and other current assets or other assets in the balance sheets based on when the goods are received or the services are expected lease term.

to be received or consumed, and recognized in research and development expenses when they are realized.

Recently Issued and Adopted Accounting Pronouncements

The Company is required to estimate expenses resulting from its obligations under contracts with vendors, service providers and clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations which vary from contract to contract and may result in cash flows that do not match the periods over which materials or services are provided. The Company estimates and records accrued expenses for the related research and development activities based on the level of services performed but not yet invoiced pursuant to agreements established with its service providers, according to the progress of clinical trials or related activities, and discussions with applicable personnel and service providers as to the progress or state of consummation of goods and services.

During the course of a smaller clinical trial, the rate of expense recognition is adjusted if actual results differ from the Company's estimates. Management estimates accrued expenses as of each balance sheet date in its financial statements based on the facts and circumstances known at that time. The clinical trial accrual is dependent in part upon the timely and accurate reporting company of CROs, CMOs and other third-party vendors. Although the Company does not expect its estimates to be materially different from amounts actually incurred, its estimates may vary from the actual results. To date, the Company has not experienced material differences between its accrued expenses and actual expenses.

Preferred Stock Warrants Liability

The Company had issued freestanding warrants to purchase shares of its Series A convertible preferred stock (Series A Convertible Preferred). Prior to the Merger, the Company revalued the warrants at each balance sheet date utilizing an emerging growth company, option pricing method that back solved the fair value of the warrants based on recent financing transactions and also considered the enterprise value of the Company when considering potential exit events. The warrants' estimated fair value as defined of the Merger date utilized the Black-Scholes-Merton ("Black-Scholes") model and the following input assumptions: risk free interest rate (4.3% - 4.4%), expected term (3.6 - 4.1 years), dividend yield (0%), volatility (103.0% - 104.0%) and exercise price ($10.64 per common share). Changes in fair value were recognized as increases or reductions to other income (expense), net in the Jumpstart Our Business Startups Act condensed consolidated statements of 2012 (the "JOBS Act"). Under operations and comprehensive loss. The fair value of these warrants was classified as a non-current liability in the JOBS Act, emerging growth companies can delay condensed consolidated balance sheet since the adoption of new or revised accounting standards issued subsequent underlying Series A Convertible Preferred stock is potentially redeemable. Pursuant to the enactment Merger Agreement, the Series A Convertible preferred stock warrants became warrants to purchase shares of the JOBS Act until Company's common stock. As a result of the Merger, the warrants no longer meet the requirements for liability accounting and, as such, time the Company adjusted the value of the warrants to the estimated fair value as those standards apply of the Merger date and reclassified them to private companies. Thus, stockholders' equity.

Share-Based Compensation

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The Company maintains equity incentive plans as a long-term incentive for employees, directors, and non-employee service providers. All share-based payments to employees and directors, including grants of incentive stock options, nonqualified stock options, restricted stock awards, unrestricted stock awards, or restricted stock units, are recognized as expense based on their grant date fair values. The Company recognizes expense on a straight-line basis over the requisite service period, which is generally the vesting period of the respective award. Stock-based compensation is classified in the condensed consolidated statements of operations and comprehensive loss based on the function to which the related services are provided. The Company has elected to use account for forfeitures as they occur.

Stock Options

The Company estimated the extended transition period fair value of options granted using the Black-Scholes option pricing model for complying stock option grants to both employees and non-employees.

The Black-Scholes option pricing model requires inputs based on certain subjective assumptions. A discussion of management's methodology for developing the assumptions used in the valuation model follows:

Fair Value of Common Stock—Prior to the Merger, there was no public market for LENZ OpCo's common stock. The fair value of LENZ OpCo's common stock was determined by the board of directors with new or revised accounting standards input from management and consideration of third-party valuation reports. In the absence of a public trading market, and as a clinical-stage company with no significant revenues, LENZ OpCo believed that have different effective dates for public and private companies until it was appropriate to consider a range of factors to determine the earlier fair market value of the date that (i) common stock at each grant date. In determining the fair value of its common stock, LENZ OpCo used methodologies, approaches, and assumptions consistent with the American Institute of Certified Public Accountants' ("AICPA") Audit and Accounting Practice Aid Series: *Valuation of Privately Held Company Equity Securities Issued as Compensation*. In addition, LENZ OpCo considered various objective and subjective factors, along with input from the independent third-party valuation firm. The factors included (1) the achievement of clinical and operational milestones by LENZ OpCo; (2) the significant risks associated with LENZ OpCo's stage of development; (3) capital market conditions for life science companies, particularly similarly situated, privately held, early-stage life science companies; (4) LENZ OpCo's available cash, financial condition, and results of operations; (5) the most recent sales of LENZ OpCo's convertible preferred stock; and (6) the preferential rights of LENZ OpCo's outstanding convertible preferred stock and Class B convertible common stock.

Subsequent to the Merger, the Company uses the closing stock price on the grant date to determine the grant date fair value, adjusted for special dividends, if any.

Expected Dividend Yield—The expected dividend yield is based on the Company's historical and expected dividend payouts. The Company has historically paid no longer an emerging growth company or (ii) dividends, other than the special dividend paid by Graphite immediately prior to the close of the Merger, and does not anticipate dividends to be paid in the future.

Expected Equity Volatility—Due to the lack of a public market for LENZ OpCo's common stock and the lack of company-specific historical and implied volatility data, LENZ OpCo based its computation of expected volatility on the historical volatility of a representative group of public companies with similar characteristics (e.g., public entities of similar size, complexity, stage of development, and industry focus). The historical volatility is calculated based on a period of time commensurate with the expected term assumption.

Subsequent to the Merger, the Company affirmatively and irrevocably opts outuses an average volatility for comparable publicly-traded biopharmaceutical companies over a period equal to the expected term of the extended transition period provided stock award grant as the Company does not yet have sufficient historical trading history for its own stock.

Risk-Free Interest Rate—The risk-free interest rate is based on a United States Treasury instrument whose term is consistent with the expected term of the stock options.

Expected Term—The Company uses the simplified method as prescribed by the Securities and Exchange Commission Staff Accounting Bulletin No. 107, *Share-Based Payment*, to calculate the expected term for options granted to employees as it does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base. Deferred tax assets and liabilities are measured using effective tax rates expected to apply to taxable income in the JOBS Act. years in which those temporary differences are expected to be recovered or settled. Deferred tax expense or benefit is the result of changes in the deferred tax assets and liabilities. Valuation allowances are established when necessary to reduce deferred tax assets where, based upon the available evidence, the Company concludes that it is more-likely-than-not that some or all of the deferred tax assets will not be realized. In evaluating its ability to recover deferred tax assets, the Company considers all available positive and negative evidence, including its operating results, ongoing tax planning, and forecasts of future taxable income on a jurisdiction-by-jurisdiction basis. Because of the uncertainty of the realization of deferred tax assets, the Company has recorded a valuation allowance against its net deferred tax assets.

Liabilities are provided for tax benefits for which realization is uncertain. Such benefits are only recognized when the underlying tax position is considered more-likely-than-not to be sustained on examination by a taxing authority, assuming they possess full knowledge of the position and facts. Interest and penalties related to uncertain tax positions are recognized in the provision of income taxes. As of March 31, 2024 and December 31, 2023, the Company had incurred no interest or penalties related to uncertain income tax benefits.

The Company's policy is to include interest and penalties related to unrecognized income tax benefits as a component of income tax expense. The Company may early adopt certain accounting standards, has no accruals for interest or penalties in the balance sheets as of March 31, 2024 and December 31, 2023 and has not recognized interest or penalties in the JOBS Act does condensed consolidated statements of operations for the three months ended March 31, 2024 or 2023.

Net Loss Per Share

Basic net loss per share is calculated by dividing net loss attributed to common stockholders by the weighted-average number of shares of common stock outstanding during the period, without consideration for common stock equivalents. Prior to the Merger, the convertible preferred stock and Class B convertible common stock were not preclude an emerging growth company from adopting a new participating securities, because they did not participate in losses. Stock options, preferred stock warrants, Class A warrants, Class

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B convertible common stock, and convertible preferred stock were considered potentially dilutive common stock. The Company computes diluted net loss per share attributable to common stockholders after giving consideration to all potentially dilutive common stock outstanding during the period, determined using the treasury-stock and if-converted methods, except where the effect of including such securities would be antidilutive. Prior to the Merger, the Company made adjustments to diluted net loss attributed to common stockholders to reflect the reversal of gains on the change in the value of preferred stock warrants liability, assuming conversion of warrants to acquire convertible preferred stock at the beginning of the period or revised accounting standard earlier than the at time that such standard applies to private companies of issuance, if later, to the extent that those preferred stock warrants are dilutive. Diluted net loss per share is the same as basic net loss per share, since the effects of potentially dilutive securities are antidilutive given the net loss for each period presented.

For the three months ended March 31, 2024, net loss per share included the weighted-average shares outstanding as a result of the Merger and shares issued in conjunction with the PIPE Financing (as defined in Note 3).

Other Comprehensive Income (Loss)

Other comprehensive income (loss) represents the change in the Company's stockholders' equity (deficit) from all sources other than investments by or distributions to stockholders. The Company's other comprehensive income (loss) is the result of unrealized gains and losses on marketable securities.

Segment Reporting

Operating segments are defined as components of an entity about which separate discrete information is available for evaluation by the chief operating decision maker ("CODM"), or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's Chief Executive Officer acts as the CODM. The CODM views the Company's operations and manages its business as one operating segment operating exclusively in the United States. The Company's singular focus is on developing innovative ophthalmic pharmaceutical products, and has generated limited revenue since inception.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The update requires a public business entity to disclose, on an annual basis, a tabular rate reconciliation using both percentages and currency amounts, broken out into specified categories with certain reconciling items further broken out by nature and jurisdiction to the extent those items exceed a specified threshold. In addition, all entities are required to disclose income taxes paid, net of refunds received disaggregated by federal, state/local, and foreign jurisdictions if the amount is at least 5% of total income tax payments, net of refunds received. Adoption of the ASU allows for either the prospective or retrospective application of the amendment and is effective for the Company for annual periods beginning after December 15, 2025, with early adoption permitted. The Company has not yet completed its assessment of the impact of ASU 2023-09 on the Company's financial statements.

3. Merger and Related Transactions

As described in Note 1, LENZ OpCo merged with a wholly owned subsidiary of Graphite on March 21, 2024. The Merger was accounted for as a reverse recapitalization under GAAP. LENZ OpCo was considered the accounting acquirer for financial reporting purposes. This determination is permitted.

based on the facts that, immediately following the Merger: former LENZ OpCo stockholders owned a substantial majority of the voting rights of the combined company; LENZ OpCo designated a majority (five of seven) of the initial members of the board of directors of the combined company; and no members of Graphite's senior management hold key positions in senior management of the combined company. The transaction was accounted for as a reverse recapitalization of Graphite by LENZ OpCo similar to the issuance of equity for the net assets of Graphite, which were primarily cash and cash equivalents and other non-operating assets. It was concluded that any in-process research and development assets that remained as of the Merger were immaterial.

3. Under reverse recapitalization accounting, the assets and liabilities of Graphite were recorded at their fair value, which approximated book value due to their short-term nature. The Company's condensed consolidated financial statements reflect the issuance of 8,670,653 shares and options to the former stockholders and option holders of Graphite.

Graphite assumed each outstanding and unexercised option to purchase LENZ OpCo's common stock, whether vested or not vested, and assumed each outstanding and unexercised warrant to purchase LENZ OpCo's common stock or preferred stock, which became options and warrants to purchase shares of Graphite common stock. At the closing of the Merger, each outstanding share of LENZ OpCo's common stock and preferred stock, and options and warrants to purchase LENZ OpCo's common stock and preferred stock were converted into the right to receive or purchase 0.2022 shares of Graphite's common stock, which resulted in the issuance by Graphite of an aggregate of 15,409,102 shares of, and options and warrants to purchase, Graphite common stock to the stockholders, option holders, and warrant holders of LENZ OpCo.

In connection with the Merger Agreement, the Company concurrently entered into a subscription agreement (the "Subscription Agreement") with certain institutional investors (the "PIPE investors") pursuant to which, among other things, the Company agreed to issue to the PIPE investors shares of LENZ common stock immediately following the Merger in a private placement transaction for an aggregate purchase price of $53.5 million (the "PIPE Financing"). Immediately following the consummation of the Merger and PIPE Financing, LENZ OpCo, Graphite stockholders, and the PIPE investors collectively owned approximately 56%, 31%, and 13% of the Company, respectively, on a fully diluted basis.

As part of the reverse recapitalization, LENZ OpCo received $112.6 million of cash and cash equivalents, net of transaction costs. LENZ OpCo also acquired assets, primarily prepaid and other current assets, of approximately $1.5 million and assumed payables and accruals of approximately $3.2 million. LENZ OpCo also incurred transaction costs of approximately $5.2 million, which was recorded as a reduction to additional paid-in capital in the accompanying condensed consolidated statements of convertible preferred and common stock and stockholders' equity. The Company also recorded a one-time charge of $0.3 million for the acceleration of the Graphite stock awards that is recorded in the condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2024.

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4. Fair Value of Financial Assets

Assets Instruments

The accounting guidance defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or non-recurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1—Observable inputs such as quoted prices in active markets.

Level 2—Inputs, other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3—Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by management in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value of the instrument. The carrying amounts of the Company's financial instruments, including cash equivalents classified within the Level 1 designation, prepaid and other current assets, accounts payable, and accrued liabilities approximate fair value due to their short maturities. Cash equivalents, marketable securities, and the preferred stock warrants liability are recorded at fair value on a recurring basis in basis.

None of the condensed balance sheets, as well as Company's non-financial assets or liabilities are recorded at fair value on a non-recurring basis.

Assets and liabilities measured at fair value on a non-recurring recurring basis are as follows (in thousands):

	Fair Value Measurements at Reporting Date			
	Total	Level 1	Level 2	Level 3
At March 31, 2024:				
Cash equivalents				
Money market funds	$ 123,466	$ 123,466	$ —	$ —
Total cash equivalents measured at fair value	$ 123,466	$ 123,466	$ —	$ —
Marketable securities				
Commercial paper	$ 9,942	$ —	$ 9,942	$ —
U.S. treasury securities	1,991	1,991	—	—
U.S. government agency securities	989	—	989	—
Total marketable securities measured at fair value	$ 12,922	$ 1,991	$ 10,931	$ —
At December 31, 2023:				
Cash equivalents				
Money market funds	$ 7,962	$ 7,962	$ —	$ —
Total cash equivalents measured at fair value	$ 7,962	$ 7,962	$ —	$ —
Marketable securities				
Commercial paper	$ 18,751	$ —	$ 18,751	$ —
U.S. government agency securities	9,925	—	9,925	—
U.S. treasury securities	1,978	1,978	—	—
Total marketable securities measured at fair value	$ 30,654	$ 1,978	$ 28,676	$ —
Liabilities				
Convertible preferred stock warrants	$ 871	$ —	$ —	$ 871
Total liabilities measured at fair value	$ 871	$ —	$ —	$ 871

Marketable securities consisted of the following (in thousands):

	March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 9,941	$ 1	$ —	$ 9,942
U.S. treasury securities	1,991	—	—	1,991
U.S. government agency securities	990	—	(1)	989

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Totals	$ 12,922	$ 1	$ (1)	$ 12,922

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Commercial paper	$ 18,742	$ 9	$ —	$ 18,751
U.S. government agency securities	9,927	1	(3)	9,925
U.S. treasury securities	1,977	1	—	1,978
Totals	$ 30,646	$ 11	$ (3)	$ 30,654

As of March 31, 2024, three of the Company's marketable securities with a fair market value of $4.5 million were in an aggregate gross unrealized loss position of $1,000; these three marketable securities have all been in a gross unrealized loss position for less than one year. When evaluating an investment for impairment, management reviews factors such as the severity of the impairment, changes in underlying credit ratings, forecasted recovery, intent to sell or disclosed at fair value, are categorized based upon the level of judgment associated with inputs used likelihood that the Company would be required to measure their fair values. The accounting guidance for fair value provides a framework for measuring fair sell the investment before its anticipated recovery in market value and requires certain disclosures about how fair value is determined. Fair value is defined as the price probability that would the scheduled cash payments will continue to be received upon made. Based on a review of these marketable securities, the sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date.

The accounting guidance also establishes a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity. The three-level hierarchy for the inputs to valuation techniques is briefly summarized as follows:

Level 1 — Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 — Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term Company believes none of the related assets or liabilities; and

Level 3 — Unobservable inputs that are significant to unrealized loss is the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. An assessment of the significance result of a particular input credit loss as of March 31, 2024, because the Company does not intend to sell these securities, and it is not more-likely-than-not that the fair value measurement in its entirety requires management Company will be required to make judgments and consider factors specific to sell these securities before the asset or liability. Changes in the ability to observe valuation inputs may result in a reclassification recovery of levels of certain securities within the fair value hierarchy. The Company recognizes transfers into and out of levels within the fair value hierarchy in the period in which the actual event or change in circumstances that caused the transfer occurs.

their amortized cost basis. As of September 30, 2023 and December 31, 2022 March 31, 2024, Level 1 all marketable securities consist had contractual maturities of U.S. Treasury and money market funds, for which the carrying amounts are based on the quoted market prices in active markets.

As of September 30, 2023 and December 31, 2022, Level 2 securities consist of highly rated commercial paper, U.S. agency securities, and asset-backed securities, for which fair value is determined through the use of models or other valuation methodologies.

During the periods presented, the less than one year.

The Company did not have transfer any Level 3 securities.

The following tables set forth the financial instruments that were assets measured at fair value on a recurring basis by level within the fair value hierarchy as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds (1)	$ 182,988	$ 182,988	$ —	$ —
Commercial paper (1)	—	—	—	—
Total cash equivalents	182,988	182,988	—	—
Marketable securities:				
U.S. treasuries(2)	4,456	4,456	—	—
Commercial paper(2)	7,937	—	7,937	—

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U.S. agency securities(2)	36,626	—	36,626	—
Asset-backed securities(2)	1,979	—	1,979	—
Total marketable securities	50,998	4,456	46,542	—
Total cash equivalents and marketable securities	$ 233,986	$ 187,444	$ 46,542	$ —

	December 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents:				
Money market funds (1)	$ 45,739	$ 45,739	$ —	$ —
Commercial paper (1)	1,991	—	1,991	—
Total cash equivalents	47,730	45,739	1,991	—
Marketable securities:				
U.S. treasuries(2)	65,391	65,391	—	—
Commercial paper(2)	115,061	—	115,061	—
U.S. agency securities(2)	53,455	—	53,455	—
Asset-backed securities(2)	1,914	—	1,914	—
Total marketable securities	235,821	65,391	170,430	—
Total cash equivalents and marketable securities	$ 283,551	$ 111,130	$ 172,421	$ —

(1) Included within cash and cash equivalents on the condensed balance sheets.

(2) Included within investments in marketable securities, current and investments in marketable securities, non-current on the condensed balance sheets.

4. Marketable Securities

All marketable securities were considered available-for-sale as of September 30, 2023 and December 31, 2022. The amortized cost, gross unrealized holding gains or losses, and fair value of the Company's marketable securities by major security type are summarized in the tables below (in thousands):

	September 30, 2023			
	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. treasuries	$ 4,469	$ —	$ (13)	$ 4,456
Commercial paper	7,942	—	(5)	7,937
U.S. agency securities	36,700	—	(74)	36,626
Asset-backed securities	1,982	—	(3)	1,979
Total available-for-sale securities	$ 51,093	$ —	$ (95)	$ 50,998

	December 31, 2022			
	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. treasuries	$ 65,807	$ —	$ (416)	$ 65,391
Commercial paper	115,381	13	(333)	115,061
U.S. agency securities	53,767	15	(327)	53,455
Asset-backed securities	1,914	—	—	1,914
Total available-for-sale securities	$ 236,869	$ 28	$ (1,076)	$ 235,821

The amortized cost of available-for-sale securities is adjusted for amortization of premiums and accretion of discounts to maturity. As of September 30, 2023, the aggregate fair value of securities with remaining maturities of less than one year held by the Company in an unrealized loss position was $51.0 million. The Company has the intent and ability to hold such securities until recovery and has determined that there has been no material change to its credit risk. As a result, the Company determined it did not hold any investments with a credit loss at September 30, 2023.

There were no realized gains or losses recognized on the sale or maturity of available-for-sale securities between levels during the three and nine months ended September 30, 2023, March 31, 2024 and as a result, there were no reclassifications out of accumulated other comprehensive gain (loss) 2023.

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The following table presents activity for the same periods.

preferred stock warrants liability during the three months ended March 31, 2024 (in thousands):

5. Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets

	Preferred Stock Warrants Liability
Balance at December 31, 2023	$ 871
Change in fair value	1,047
Conversion of preferred stock warrants liability to equity	(1,918)
Balance at March 31, 2024	$ —

No fair value liabilities exist as of September 30, 2023 March 31, 2024. Upon completion of the Merger, the preferred stock warrants became exercisable into shares of common stock and December 31, 2022 consisted will no longer continue to be remeasured at each reporting date. Refer to Note 2 for further discussion on the valuation of the preferred stock warrants liability.

5. Accrued Liabilities

Accrued liabilities consist of the following (in thousands):

	September 30, 2023	December 31, 2022
Advances to suppliers	$ —	$ 2,486
Prepaid insurance	1,227	1,343
Other prepaid expenses	3,550	3,307
Total prepaid expenses and other current assets	$ 4,777	$ 7,136

	March 31, 2024	December 31, 2023
Research and development accrued expense	$ 3,703	$ 10,289
Accrued transaction costs	5,134	—
Accrued payroll and related	816	1,998
Accrued insurance premiums	777	—

Property

Operating lease liability, current portion	433	137
Other accrued liabilities	894	379
Total accrued liabilities	$ 11,757	$ 12,803

6. Commitments and Equipment, Net

Contingencies

Property Operating Leases

Commencing on April 1, 2022, LENZ OpCo entered into a lease agreement for office space in Del Mar, California, which was subsequently amended to expand the office space leased and equipment, net as extend the term (the "Del Mar lease"). As of September 30, 2023 March 31, 2024, the remaining lease term was 2.0 years, and December 31, 2022 consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Furniture and fixtures	$ 1,264	$ 321

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Computers and network equipment	—	251
Lab equipment	—	12,521
Leasehold improvements	12,108	304
Construction-in-progress	—	12,440
Total property and equipment	13,372	25,837
Less: accumulated depreciation	(838)	(3,207)
Total property and equipment, net	12,534	22,630

Depreciation discount rate used to determine the right-of-use assets and corresponding operating lease liabilities was 7.0%. Cash paid for operating leases approximated rent expense for the three and nine months ended September 30, 2023 was $0.8 million and $2.3 million, respectively. Depreciation expense periods presented.

Maturities of the operating lease liability as of March 31, 2024 for the three and nine months ended September 30, 2022 was $0.7 million and $1.7 million, respectively.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities Del Mar lease are as of September 30, 2023 and December 31, 2022 consisted of the following follows (in thousands):

	September 30, 2023	December 31, 2022
Professional fees	$ 178	$ 367
Early exercise liability	34	150
Other accrued expenses	221	1,354
Accrued employee termination benefits	2,983	—
Total accrued expenses and other current liabilities	$ 3,416	$ 1,871

2024	$ 117
2025	161
2026	41
Total undiscounted lease payments	319
Less: present value adjustment	(23)
Operating lease liabilities	$ 296

6. Significant Agreements

Stanford Exclusive License Agreement and Option Agreement

In December 2020, the Company entered into an exclusive license agreement (the "License Agreement") with The Board of Trustees of the Leland Stanford Junior University (Stanford), pursuant to which Stanford granted the Company a worldwide license to specified technology and patent rights to develop, manufacture and commercialize human prophylactic and therapeutic products. Other than with respect to specified, broadly applicable assays and procedures and subject to retained rights by Stanford, the license is exclusive with respect to human prophylactic and therapeutic products for the treatment of SCD, XSCID and beta thalassemia. The license is non-exclusive with respect to those broadly applicable assays and procedures and with respect to all human prophylactic and therapeutic products other than for the treatment of SCD, XSCID and beta thalassemia.

Pursuant to the License Agreement, the Company paid an upfront license fee of $50.0 thousand and as additional consideration for the license, the Company agreed to issue to Stanford approximately 0.6 million shares of common stock. As of December 31, 2020, the Company recorded its obligations to issue Stanford shares of common stock at an estimated fair value of $2.8 million to additional paid in capital. The shares of common stock were expected to be issued when Stanford provided the inventors' names for allocation of the shares. Stanford also received an option to purchase up to 10% of newly issued shares in the future private financings at the price paid by other participating investors. During the year ended December 31, 2021, the Company entered into an amendment to the License Agreement, pursuant to which it extended the time when the shares would be issued to May 7, 2021.

On May 7, 2021, the Company issued an aggregate of 640,861 shares of the Company's common stock to Stanford and certain individuals designated by Stanford in consideration for rights granted to the Company under the Company's exclusive license agreement.

On June 18, 2021, the Company exercised its right to repurchase an aggregate of 624,845 shares from each founder and investor under the Stanford Adjustment Repurchase Right as described below.

The acquisition of the exclusive license, including patent rights and know-how, and clinical supplies was accounted for as an asset acquisition and as the acquired technology and inventories did not have an alternative use, the total consideration of $2.8 million was recorded as research and development expense in the statements of operations and comprehensive loss for the year ended December 31, 2020.

In connection with the License Agreement, the Company reimbursed Stanford $0.2 million for previously incurred patent costs, which were recorded in general and administrative expenses for the year ended December 31, 2020 and in addition, is obligated to reimburse future patent costs. The Company is also obligated to pay annual

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maintenance fees as follows: $5.0 thousand in the first year, $10.0 thousand in each year 2 and 3, $25.0 thousand in each year 3 through 6, $50.0 thousand each subsequent year until first commercial sale and $200.0 thousand each subsequent year after the first commercial sale. No fees were recorded during the three and nine months ended September 30, 2023. The Company did not record any patent fees during the three and nine months ended September 30, 2023.

The Company is obligated to make future development and regulatory milestone payments in total of up to $5.3 million, sales based milestone payments of up to $7.5 million and royalties on future sales at percentage rates ranging in the low single digits. In addition, if the Company receives any sublicense income, it is required to share it with Stanford as a certain percentage defined for each milestone in the License Agreement. The Company will record the maintenance fees, when payable, and will record milestones when contingencies are resolved and milestones are due. No milestones were achieved and recorded as of September 30, 2023.

In January 2021, the Company entered into an option agreement (the "First Option Agreement") with Stanford, pursuant to which Stanford granted the Company the right to obtain a license to specified patent rights relating to human prophylactic and therapeutic products. The Company may exercise the option in whole or in part to obtain a license under one or more of the optioned patent rights.

Subject to the Company's exercise of the option under the First Option Agreement and its execution of an amendment to the License Agreement that incorporates the optioned patent rights and any optioned technology, the Company has agreed to issue to Stanford 132,137 shares of its common stock and pay a license execution fee of $10.0 thousand.

The term of the First Option Agreement expires 18 months after its effective date, subject to the Company's right to extend such expiration date by up to an additional one year upon notice to Stanford and by another additional one year upon the reasonable agreement of Stanford. The First Option Agreement will terminate if the License Agreement terminates. On June 23, 2022, the Company exercised its right to extend the term of the First Option Agreement for an additional year. On June 6, 2023, the Company and Stanford agreed to extend the term of the First Option Agreement for another additional year. As of September 30, 2023, the Company had not exercised the option under the First Option Agreement and no fees have been paid for the First Option Agreement.

In April 2021, the Company entered into an option agreement (the "Second Option Agreement") with Stanford to negotiate the license for additional technologies from Stanford. Pursuant to the Second Option Agreement, the Company agreed to pay Stanford option fees in an aggregate amount of $30.0 thousand over the term of the option. On April 13, 2022, the Company entered into an amendment to the Second Option Agreement which extended the term for an additional year. On March 8, 2023, the Company terminated the Second Option Agreement without exercising the option to negotiate a license for additional technologies from Stanford. No maintenance fees were paid during the three and nine months ended September 30, 2023.

LCGM Service Agreement

On August 30, 2021, the Company entered into a Master Manufacturing and Service Agreement with the Laboratory for Cell & Gene Medicine at Stanford ("LCGM MSA"). Pursuant to the LCGM MSA, LCGM will conduct clinical manufacturing, release testing, and product release for nula-cel in the Company's Phase 1/2 CEDAR clinical trial to treat SCD. During 2021, the Company entered into various Statements of Work under the LCGM MSA under which it received technology transfer and related services for HBB Beta-Globin Gene Variant for SCD, manufacturing engineer test runs, the exclusive use of a manufacturing suite at the LCGM facility, and Phase 1/2 CEDAR clinical development and manufacturing of the HBB Variant for SCD. During the three months ended September 30, 2023, the Company did not recognize any research and development expense in connection with the LCGM MSA. The Company recognized $1.1 million during the nine months ended September 30, 2023. During the three and nine months ended September 30, 2022, the Company recognized $1.7 million and $4.5 million, respectively, in research and development expense in connection with the LCGM MSA. As of September 30, 2023, the Company does not expect to incur any additional expenses associated with the LCGM MSA.

IDT License Agreement

On June 7, 2021, the Company entered into a License Agreement ("IDT License Agreement") with Integrated DNA Technologies, Inc. ("IDT"). Pursuant to the IDT License Agreement, IDT granted the Company and its affiliates a worldwide, non-exclusive, sublicensable license to research and develop products incorporating HiFi Cas9 protein variants for use in human therapeutic

applications for SCD, XSCID and Gaucher disease (the "Field") and a worldwide, exclusive, sublicensable license to commercialize such products in the Field. The Company has also been granted the right to expand the licensed Field to include human therapeutic applications in the additional fields of beta thalassemia disorder and lysosomal storage disorders upon the payment of an exercise fee in the amount of $0.5 million per additional field or $1.0 million for both additional fields.

In consideration of the licenses and rights granted to the Company under the IDT License Agreement, the Company agreed to pay to IDT an upfront payment in the amount of $3.0 million and up to $5.3 million (or $8.8 million if the Company elects to expand the Field as described above to include both the beta thalassemia and lysosomal storage disorders fields) in total regulatory milestone payments. Each regulatory milestone payment is payable once on an indication-by-indication basis. In addition, the Company has agreed to pay IDT a low single-digit royalty on the net sales of products, subject to reductions in specified circumstances. As the acquisition of the license was accounted for as an asset acquisition and as the acquired technology did not have an alternative use, the total consideration of $3.0 million was recorded as research and development expense in the statements of operations and comprehensive loss during the year ended December 31, 2021.

The IDT License Agreement remains in effect on a country-by-country and product-by-product basis until the expiration of the royalty term for such product in such jurisdiction. The Company and IDT each have the right to terminate the IDT License Agreement for the other party's material breach of its obligations under the IDT License Agreement, subject to specified rights to cure. Additionally, the Company may terminate the IDT License Agreement for any reason upon written notice.

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During the three and nine months ended September 30, 2023, the Company has not recognized any research and development expense in connection with the IDT License Agreement. There are no milestones probable as of September 30, 2023 and 2022; therefore, no milestone payments have been recognized in the three and nine months ended September 30, 2023 and 2022. As of September 30, 2023, the Company does not expect to incur any additional expenses associated with the IDT License Agreement.

Sale of Non-Genotoxic Targeted Conditioning Technology Assets

On August 1, 2023, the Company entered into an asset purchase agreement (the "APA") with a third party pursuant to which the Company sold to the counterparty, concurrently with the execution of the APA, certain assets related to the Company's non-genotoxic conditioning technology in exchange for upfront consideration of $0.5 million. Additional consideration included certain contingent milestone payments totaling up to approximately $1.0 million in the aggregate as well as royalties on net sales by the acquirer of certain products incorporating the acquired technology, and potential fees upon the completion of certain transactions by the acquirer. The APA also provided for reimbursement of certain research and development amounts incurred prior to closing of approximately $0.6 million.

The disposal of certain assets sold pursuant to the APA was accounted for as a deconsolidation of a subsidiary or group of assets in accordance with ASC 810. During the three and nine months ended September 30, 2023, the Company recognized a loss on disposal of $0.1 million, which was recorded in other income. The Company will record amounts related to the contingent milestone payments, royalties, and potential transaction fees when contingencies are resolved and amounts are due in accordance with ASC 450. No contingencies were resolved and recorded as of September 30, 2023.

License and Option to Acquire Nula-Cel Assets

On August 4, 2023, the Company entered into an LOA with a third party pursuant to which the Company exclusively licensed to the counterparty, and granted the counterparty, an option to acquire certain intellectual property and materials related to the Company's nula-cel program and related pre-clinical platform assets. Exercise of the option is contingent on the counterparty timely achieving a financing milestone, and all rights to the intellectual property and materials will revert to the Company if the milestone is not achieved or if the counterparty elects not to exercise the option. In return for this license and option, the Company received an equity interest in the counterparty representing 20% of all outstanding shares on a fully diluted basis. As a result of the 20% equity interest, the Company has the ability to exert significant influence over the counterparty and accounts for the interest as an equity method investment. The Company records its proportionate share of investee's equity in earnings or losses based on the most recently available financial information.

The Company assessed the entity under the VIE model to assess whether to apply the consolidation guidance in accordance with ASC 810. The Company holds variable interests in the entity, and the entity was determined to be a VIE which is not consolidated as it is determined the Company lacks the power to direct the activities that most significantly impact the entity's economic performance. The condensed balance sheets do not contain assets and liabilities related to the Company's interest in the non-consolidated VIE. Additionally, the Company's maximum exposure to loss is limited to the carrying value of the equity interest in the counterparty. No arrangements exist where additional financial support would need to be provided by the Company.

The 20% equity interest in the counterparty had minimal value upon execution of the LOA and the Company did not record any amount related to the equity interest as of September 30, 2023 or for the three and nine months ended September 30, 2023. As of September 30, 2023, the counterparty has not achieved the financial milestone and does not have the right to exercise the option.

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7. Commitments and Contingencies

Research and Development Agreements

The Company enters into contracts in the normal course of business with CROs for clinical trials, with CMOs or other vendors for preclinical and clinical studies, supplies and other services and products for operating purposes. These contracts generally provide for termination on notice or may have a potential termination fee if a purchase order is cancelled within a specified time. As of September 30, 2023 and December 31, 2022, there were no amounts accrued related to termination and cancellation charges and the Company does not expect to incur any additional expenses associated with termination and cancellation charges.

License Agreements

The Company enters into license agreements (Note 6), pursuant to which the Company may acquire or license other patents, patent applications or know-how from various third parties to access intellectual property covering product candidates that the Company is developing. Under these acquisitions or licensing agreements, the Company may be liable for certain diligence obligations and payments, which are contingent upon achieving various development, regulatory and commercial milestones. Also, pursuant to the terms of some of these license agreements, when and if commercial sales of a product commence, the Company may be obligated to pay royalties to such third parties on net sales of the respective products. No such milestones were achieved or probable as of September 30, 2023 and December 31, 2022.

Legal Contingencies

Proceedings

From time to time, the Company may become involved be subject to various litigation and related matters arising in legal proceedings arising from the ordinary course of business. The Company records a liability provision for such matters a liability when it believes that it is both probable that future losses will be a liability has been incurred and that such losses the amount can be reasonably estimated. Significant judgment by the Company is required to determine both probability and the estimated amount. Management is currently not aware

In connection with the Merger, one complaint was filed in the United States District Court for the Northern District of California captioned Glen Chew v. Graphite Bio, Inc. et al., Case No. 3:24-cv-00613 (filed February 1, 2024) (the "Chew Complaint") and one complaint was filed in the United States District Court for the District of Delaware captioned Kevin Turner

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v. Graphite Bio, Inc. et al., Case No. 1:24-cv-00241-UNA (filed February 22, 2024) (the “Turner Complaint” and collectively, the “Complaints”). The Complaints generally alleged that the definitive proxy statement/prospectus (the “Proxy Statement/Prospectus”) included in Graphite’s Registration Statement on Form S-4 (File No. 333-275919), filed with the Securities and Exchange Commission (the “SEC”), misrepresents and/or omits certain purportedly material information relating to the Company's financial projections, the analyses performed by the financial advisor to Graphite’s Board of Directors in connection with the Merger, potential conflicts of interest of the financial advisor to Graphite’s Board of Directors, potential conflicts of interest of Graphite’s officers, and Graphite’s liquidation analysis. The Complaints asserted violations of Section 14(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 14a-9 promulgated thereunder against all defendants (Graphite, its Board of Directors and certain officers) and violations of Section 20(a) of the Exchange Act against Graphite’s directors and officers. The Complaints sought orders rescinding the Merger or awarding rescissory damages, as well as costs, including attorneys’ and experts’ fees. On March 22, 2024, the Chew Complaint was voluntarily dismissed and on April 17, 2024, the Turner Complaint was voluntarily dismissed.

Graphite also received twelve demand letters by purported Graphite stockholders from December 14, 2023 to March 20, 2024 seeking additional disclosures in the Proxy Statement/Prospectus (the “Demands”).

The Company cannot predict the outcome of any legal matters that could have a material adverse effect on its financial position, results litigation or the Demands. The Company and the individual defendants intend to vigorously defend against the Demands and any subsequently filed similar actions. It is possible additional lawsuits may be filed or additional demand letters may be received arising out of operations or cash flows.

Guarantees and the Merger.

Indemnifications

In the normal course of business, the Company enters into agreements that contain a variety of representations and provide for general indemnification. Its exposure under these agreements is unknown because it involves claims that may be made against the Company in the future. To the extent permitted under Delaware law, the Company has agreed to indemnify its directors and officers for certain events or occurrences while the director or officer is, or was serving, at a request in such capacity. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company did not have any material indemnification claims that were probable or reasonably possible and consequently has not recorded related liabilities.

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8. Operating Leases

7. Stockholders' Equity

Convertible Preferred Stock

Immediately prior to the closing of the Merger and as of December 31, 2023, LENZ OpCo had authorized 53,761,506 shares of preferred stock with a par value of $0.001. Immediately prior to the closing of the Merger and as of December 31, 2023, there were 21,977,282 shares of Series A, 2,950,548 shares of Series A-1, and 28,019,181 shares of Series B Convertible Preferred Stock (Series B) issued and outstanding. Immediately prior to the closing of the Merger and as of December 31, 2023, the total liquidation preference of issued and outstanding Series A, Series A-1, and Series B was $47.3 million, $10.0 million, and $83.5 million, or $2.15 per share, $3.3892 per share, and $2.9801 per share, respectively.

At the closing of the Merger, the 52,947,011 shares of LENZ OpCo preferred stock were exchanged for 10,705,829 shares of Graphite’s common stock.

Common Stock

As of September 30, 2023 December 31, 2023, LENZ OpCo had authorized two series of common stock, designated Class A common stock and Class B convertible common stock. Immediately prior to the current and non-current portions closing of the total liability for operating leases was $3.4 million Merger and $49.7 million, as of December 31, 2023, there were 11,838,624 and 9,915,013 shares of Class A common stock issued, respectively, and 11,668,867 and 9,739,818 shares of Class A common stock outstanding, respectively. As of September 30, 2023, Immediately prior to the weighted average remaining lease term on the operating leases is 110 months. The weighted average incremental borrowing rate used to determine the operating lease liabilities included on the condensed balance sheet was 10.9%.

Facility leases

On January 27, 2021, the Company entered into a new lease agreement for office and lab space in South San Francisco, California that included two office suites. The lease terms for the two office suites commenced during July and August 2021, respectively. The term closing of the lease is 44 months for Merger and as of December 31, 2023, there were 2,744,184 shares of Class B convertible common stock issued and outstanding. At the first office suite and 43 months for the second office suite with an option to extend the term for an additional two years on the same terms and conditions. This option to extend the lease term was not determined to be reasonably certain and therefore has not been included in the Company’s calculation closing of the associated operating lease liability under ASC 842. The corresponding right-of-use assets Merger, 11,838,624 and lease liabilities related to the two office suites were recorded on the Company’s balance sheet upon the lease commencement date, which was the date the Company was deemed to have obtained control of the premises.

In August 2023, the Company subleased one of its office suites in the South San Francisco lease for 20 months starting from August 2023 for aggregate sublease payments of $0.5 million. The sublease income, while it reduces the rent expense, is not considered in the value of the right-of-use assets or lease liabilities. The Company’s sublease income was $0.1 million for the three 11,668,867 issued and nine months ended September 30, 2023.

On November 10, 2021, the Company entered into a sublease agreement for office and lab space located in Brisbane, California. The sublease expires on December 6, 2023. The corresponding right-of-use assets and lease liabilities related to the sublease were recorded on the Company’s balance sheet upon the lease commencement date, which was the date the Company was deemed to have obtained control of the premises.

On December 16, 2021, the Company entered into a lease agreement with Bayside Area Development, LLC (“Bayside”) for 85,165 square feet of office and laboratory space in South San Francisco, CA. The lease for the office and laboratory space commenced in April 2023. The term of the lease is 120 months with the option to extend the term up to an

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additional ten years. This option to extend the lease term was not determined to be reasonably certain and therefore has not been included in the Company's calculation of the associated operating lease liability under ASC 842. During the second quarter of 2023, the Company took possession of the Bayside lease and recognized a $32.0 million right-of-use asset and corresponding lease liability upon the lease commencement date. In addition, the Company recognized $27.2 million in leasehold improvements. Bayside provided a tenant improvement allowance of up to $14.9 million, which was fully utilized and recorded in lease liability.

In October 2023, the Company entered into a sublease agreement and amendment to the original master lease with the landlord to accelerate the termination date of the Bayside lease, and in November 2023, the Company entered into an amendment to the original lease agreement to reassign the second suite of the South San Francisco lease (Note 14).

As of September 30, 2023, the Company had operating lease right-of-use assets of $13.2 million and operating lease liabilities of $53.1 million related to the office suite leases recorded on its condensed balance sheet.

Embedded leases

On May 10, 2021 and August 30, 2021, the Company and LCGM entered into the LCGM MSA and Statement of Work #3 ("SOW #3"), respectively, for the exclusive use of a manufacturing suite at the LCGM facility. Pursuant to the terms of SOW #3, LCGM agreed to provide the Company with certain dedicated space for the clinical manufacturing, release testing, and product release in the Company's Phase 1/2 CEDAR clinical trial to treat sickle cell disease. The Company concluded that the agreement contains an embedded lease as the Company controls the use of a dedicated manufacturing suite and the equipment therein. The agreement includes fixed lease payments of $5.6 million from inception of lease through April 30, 2023, the expiration date of SOW #3. As of September 30, 2023, the Company has paid all fixed lease payments on the LCGM embedded lease.

The Company and Explora BioLabs, Inc. ("Explora") entered into a License Service Agreement and Master Services Agreement (together, the "Explora Agreements") on November 17, 2021 and December 16, 2021, respectively. Pursuant to the terms of the Explora Agreements, Explora agreed to provide a certain dedicated space to perform in vitro or in vivo studies, obtain or house research animals, and provide scientific or technical consultation to the Company. The Company concluded that the Explora Agreements contain an embedded lease as the Company controls the use of a dedicated manufacturing suite and the equipment therein. The Explora Agreements contain fixed lease payments of $0.7 million from inception of lease through November 2023. As of September 30, 2023, the Company does not have any remaining obligations related to the Explora embedded lease.

As of September 30, 2023, the Company did not have any operating lease right-of-use assets and operating lease liabilities related to the embedded leases recorded on its condensed balance sheet.

Operating Lease Obligations

As of September 30, 2023, the future minimum lease payments for the Company's operating leases for each of the years ending December 31 were as follows (in thousands):

	Amount
2023 (Remaining three months)	$ 2,155
2024	9,177
2025	8,336
2026	8,223
2027	8,493
Thereafter	50,103
Total undiscounted lease payments	86,487
Present value adjustment	(33,376)
Total net lease liabilities	$ 53,111

Lease expense was $2.4 million and $6.4 million for the three and nine months ended September 30, 2023, respectively. Lease expense was $1.7 million and $5.0 million for the three and nine months ended September 30, 2022, respectively.

Under the terms of the remaining lease agreements, the Company is also responsible for certain variable lease payments that are not included in the measurement of the lease liability. Variable lease payments for operating leases were $0.8 million and $1.8 million for the three and nine months ended September 30, 2023, respectively, including non-lease components such as common area maintenance fees, taxes, and insurance. Variable lease payments for operating leases were $0.3 million and $1.0 million for the three and nine months ended September 30, 2022, respectively.

The following information represents supplemental disclosure for the statement of cash flows related to the operating leases (in thousands):

	September 30, 2023
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows under operating leases	$ 4,817

9. Common Stock

As of September 30, 2023 and December 31, 2022, the Company was authorized to issue 300,000,000 shares of its common stock with $0.00001 par value per share. Each share of the Company's common stock is entitled to one vote. In connection with the IPO in June 2021, all outstanding shares of redeemable Class A common stock, respectively, were exchanged for 2,393,729 and 2,359,408 shares of issued and outstanding shares of Graphite's common stock, respectively. Additionally, at the closing of the Merger, 2,744,184 shares of Class B convertible preferred common stock were converted into 30,761,676 exchanged for 554,843 shares of Graphite's common stock.

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At the closing of the Merger on March 21, 2024, legacy Graphite stockholders held 8,320,485 shares of common stock. The IPO closed

Concurrent with the closing of the Merger on June 29, 2021 March 21, 2024, pursuant to which the Company completed the PIPE Financing of 3,559,565 shares for an aggregate purchase price of $53.5 million.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Other than the special dividend paid by Graphite immediately prior to the close of the Merger, no dividends have been declared or paid by the Company through March 31, 2024, and any such dividends are not cumulative.

Common stock reserved for future issuance consist of the following:

	March 31, 2024
Common stock warrants	164,676
Common stock options granted and outstanding	3,265,986
Shares available for issuance under incentive plans	1,686,148
Shares available under the 2024 Employee Stock Purchase Plan	250,995

Warrants

LENZ OpCo had issued warrants to acquire Class A common stock and sold 14,000,000Series A convertible preferred stock.

The warrants to purchase 470,000 shares of its Class A common stock at a public offering had an exercise price of $17.00$0.21 per share.

On June 29, 2021, share and were issued in December 2020 with an expiration date in February 2024. In February 2024, prior to expiration, the underwriters also holder exercised their option to purchase an additional 2,100,000470,000 warrants, resulting in $0.1 million of proceeds. These shares were subsequently exchanged for 95,034 shares of common stock at the IPO price, less the underwriting discounts and commissions. The closing of the offering of the additional shares occurred on July 2, 2021. Merger.

The Company issued and sold 2,100,000 shares of its common Series A preferred stock at a public offering warrants had an exercise price of $17.00$2.15 per share.

Shares Reserved for Future Issuance

As of September 30, 2023 share and December 31, 2022, the Company reserved common stock for future issuances as follows:

	September 30, 2023	December 31, 2022
Outstanding stock option awards	6,380,515	7,755,303
Shares available for future stock option grants	9,831,161	5,382,907
ESPP shares available for future grants	1,253,729	754,951
Total shares reserved for future issuance	17,465,405	13,893,161

Founders' and Investor's Restricted Common Stock

In March were issued in October 2020 the Board approved and with an expiration date in April 2020, the Company issued 6,081,413 shares of its common stock to its founders and 2,467,104 shares of its common stock to its investor at the purchase price of $0.00002 per share. As of December 31, 2020, the investor's shares October 2027. There were fully vested and a portion of the shares issued were subject to the Company's option to repurchase per the Stanford Adjustment Repurchase Right, as described below.

The shares of the Company's common stock issued to its founders for their services as an employee, advisor, or consultant vest monthly over four years with one year cliff from the vesting commencement date. The vesting commencement date was the date of the

initial closing no exercises of the Series A preferred stock financing or June 24, 2020. Pursuant to the restricted stock purchase agreements with each warrants for any of the founders, periods presented.

In connection with the vesting of Merger, the founders' Series A preferred stock warrants were converted to 164,676 common stock shares could be accelerated upon the occurrence of certain events, including signing of the term sheet for the license with Stanford, a change in control, or if the founder's service is terminated by the Company without cause. The Company signed the term sheet with Stanford in June 2020, and as a result, an aggregate of 912,212 shares of founders' common stock vested pursuant to the acceleration terms. As of September 30, 2023, certain founder agreements were terminated without cause and shares were accelerated.

If a founder terminates the service relationship with the Company during the vesting period, the Company may repurchase any unvested restricted common stock at the price per share equal to the lower of (i) the original purchase price, subject to adjustment in the event of any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or (ii) the current fair market value as of the date the Company elects to exercise its Stanford Adjustment Repurchase Right, as described below. The repurchase right lapses in 180 days after the termination of the founder's service or employment. During the vesting term, holders of founders' common stock awards are deemed to be common stockholders and have the right to receive dividends and voting rights.

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The founders' shares of common stock are also subject to the Company's option to repurchase per the Stanford Adjustment Repurchase Right, as described below.

The Company accounts for shares issued to founders as equity compensation awards and the estimated fair value at the grant date was minimal. The Company did not repurchase any founders' common stock awards during the three months ended September 30, 2023. During the nine months ended September 30, 2023, the Company repurchased 152,694 shares of founders' common stock awards. 647,803 and 1,938,430 shares of founders' common stock awards were unvested and expected to vest in 0.7 years and 1.5 years as of September 30, 2023 and December 31, 2022, respectively.

Stanford Adjustment Repurchase Right

Upon the issuance of shares of common stock to Stanford pursuant to the License Agreement, as discussed in Note 6, the Company has a right to repurchase from each founder and an investor a number of shares of common stock equal to the number of shares issued to Stanford multiplied by the applicable number of shares issued to the founder or investor, as applicable, divided by 7,273,848 shares (a fully diluted number of shares warrants of the Company at the end an exercise price of March 2020, after the founders' $10.64, and investor's shares were approved by the board of directors). The Stanford Adjustment Repurchase Right may be exercised by the Company within six months following the date of the issuance of the shares of common stock subsequently reclassified to Stanford. The repurchase price per share is equal to the lower of (i) the purchase price, subject to adjustment in the event of any reorganization, recapitalization, reclassification, etc., or (ii) the current fair market value as of the date the Company elects to exercise its Stanford Adjustment Repurchase Right.

On May 7, 2021, the Company issued an aggregate of 640,861 shares of the Company's common stock to Stanford and certain individuals designated by Stanford in consideration for rights granted to the Company under the Company's exclusive license agreement.

On June 18, 2021, the Company exercised its right to repurchase an aggregate of 624,845 shares from each founder and investor under the Stanford Adjustment Repurchase Right. As of September 30, 2023, the Company has not exercised the right to repurchase the remaining 16,016 shares.

The Company accounts for the founders and investor's shares of restricted common stock as stockholders' equity share-based awards.

10. Equity Incentive Plans

2020 Stock Option and Grant Plan

Prior to the effectiveness of the registration statement on Form S-1 (File No. 333-256838) for its IPO, the Company granted share-based awards under the 2020 Stock Option and Grant Plan, as amended (the "2020 Plan"). The Company was authorized to grant under the 2020 Plan incentive stock options, nonqualified stock options, restricted stock awards, restricted stock units and other share-based awards to the Company's officers, employees, directors and consultants. Options under the 2020 Plan could be granted for periods of up to 10 years and at prices no less than 100.0% of the estimated their fair value of the shares on the date of grant as determined by the Board, provided, however, that the exercise price of an incentive stock option granted to a 10.0% stockholder shall not be less than 110.0% of the estimated fair value of the shares on the date of grant and the option is not exercisable after the expiration of five years from the date of grant. Options generally vest monthly over four years with or without one year cliff vesting. Per the 2020 Plan, granted options may be early exercised prior to vesting and the Company will issue shares of restricted stock upon the early exercise with vesting terms consistent with the original grant. Upon completion of the Company's IPO, the remaining shares available for issuance under the 2020 Plan were retired, and the Company no longer grants awards pursuant to the 2020 Plan.

2021 Stock Option and Incentive Plan

In June 2021, the Company's board of directors approved the 2021 Stock Option and Incentive Plan (the "2021 Plan") that became effective immediately prior to the date when the Company's prospectus was declared effective by the SEC on June 24, 2021. The Company initially reserved 5,636,000 shares of common stock for issuance of awards under the 2021 Plan. The 2021 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning on January

1, 2022, by 5% of the outstanding number of shares of the Company's common stock on the immediately preceding December 31, or such lesser number of shares as determined by the Company's compensation committee. On January 1, 2022 and 2023, the number of shares of common stock available under the 2021 Plan increased by 2,900,541 shares and 2,911,088 shares, respectively pursuant to this evergreen provision of the 2021 Plan. The option exercise price of each option will be determined by the Company's compensation committee but generally may not be less than 100% of the fair market value of the Company's common stock on the date of grant. The term of each option will be fixed by the Company's compensation committee and may not exceed ten years from the date of grant. The grant date fair value of all awards made under the 2021 Plan and all other cash compensation paid by the Company to any non-employee director for services as a non-employee director in any calendar year may not exceed $1.0 million for the first year of service and $750.0 thousand for each year of service thereafter.

As of September 30, 2023, there were 9,831,161 shares available for future issuance under the 2021 Plan.

Restricted Stock Awards

During the year ended December 31, 2020, the Company issued 832,983 shares as restricted stock awards under the 2020 Plan. The purchase price of the restricted common stock awards was fair value as determined by the Board at the issuance date. The shares vest monthly over four years with the one-year cliff vesting from the grant date. Upon termination of employment, the Company has the right to repurchase any unvested restricted shares. The repurchase price for unvested shares of common stock will be the lower of (i) the fair market value on the date of repurchase or (ii) their original purchase price. There were no grants of restricted stock awards for the three and nine months ended September 30, 2023 and 2022.

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The Company accounted for restricted stock awards as early exercised options and recognized a liability in other liabilities when cash was received for the purchase of shares of restricted stock awards. As shares of restricted stock awards vest, the Company reclassified the liability to common stock and additional paid in capital. As of September 30, 2023 and December 31, 2022, the Company recorded a minimal liability for restricted stock awards included in other liabilities.

There were 1,542 and 11,136 restricted stock award shares canceled and repurchased during the three and nine months ended September 30, 2023, respectively. There were 5,140 shares canceled and repurchased during the three and nine months ended September 30, 2022. There were 703,035 and 553,443 shares of restricted stock vested as of September 30, 2023 and December 31, 2022, respectively.

Employee Stock Purchase Plan

In June 2021, the Company's board of directors and stockholders approved the 2021 Employee Stock Purchase Plan (the "ESPP") which became effective upon the IPO. Pursuant to the ESPP, certain employees of the Company, excluding consultants and non-employee directors, are eligible to purchase common stock of the Company at a reduced rate during offering periods. The ESPP permits participants to purchase common stock using funds contributed through payroll deductions, subject to a calendar year limit of $25,000 and at a purchase price of 85% of the lower of the fair market value of the Company's common stock on the first trading day of the

offering period or on the applicable purchase date, which will be the final trading day of the applicable purchase period. The ESPP has two annual purchase periods extending from June to November and December to May.

The Company recorded a minimal liability for ESPP in accrued liabilities as of September 30, 2023 and December 31, 2022. The Company did not issue any shares during the three months ended September 30, 2023 and 2022. The Company issued 65,222 shares and 207,137 shares under the ESPP during the nine months ended September 30, 2023 and 2022, respectively.

Incentive Stock Options and Nonqualified Stock Options

Stock options issued under the 2020 Plan and 2021 Plan generally vest over a four-year period and expire ten years from the date of grant. Certain options provide for accelerated vesting if there is a change in control, as defined in the individual award agreements.

$1.9 million.

A summary of option activity under the 2020 Plan and the 2021 Plan during the nine months ended September 30, 2023 is as follows:

	Number of Options	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2022	*7,755,303*	*$ 8.47*	*8.67*	*$ 794*
Options granted - 2021 Plan	*3,223,400*	*$ 2.22*		
Options exercised	*(65,414)*	*$ 0.52*		
Options cancelled	*(4,532,774)*	*$ 6.50*		
Outstanding as of September 30, 2023	*6,380,515*	*$ 6.79*	*5.6*	*$ 695*
Exercisable	*4,231,849*	*$ 6.86*	*4.4*	*$ 472*
Vested and expected to vest as of September 30, 2023	*6,380,515*	*$ 6.79*	*5.6*	*$ 695*

Share-Based Compensation

Aggregate intrinsic value represents the difference between the fair value of the underlying common stock and the exercise price as of September 30, 2023. The weighted-average grant date fair value of options granted during the three and nine months ended September 30, 2023 was $1.89 and $1.56 per share, respectively. There were 10,367 and 65,414 stock options exercised during the three and nine months ended September 30, 2023, respectively.

Early Exercise of Stock Options

The terms of the 2020 Plan permit the exercise of options granted prior to vesting, subject to required approvals. The unvested shares are subject to the repurchase right upon termination of employment at the original purchase price. The repurchase right lapses in 180 days after the termination of the employee's employment. Shares purchased by employees pursuant to the early exercise of stock options are not deemed, for accounting purposes, to be issued until those shares vest according to their respective vesting schedules. Cash received for early exercised stock options is recorded as other liabilities on the balance sheet and is reclassified to common stock and additional paid-in capital as such shares vest. During the three and nine months ended September 30, 2023, the Company repurchased 26,188 and 216,656 shares, respectively, that were previously early exercised. The Company repurchased 73,735 shares and 124,448 shares that were previously early exercised during the three and nine months ended September 30, 2022, respectively.

As of September 30, 2023 and December 31, 2022, 111,600 and 554,695 shares, respectively, remained subject to the right of repurchase as a result of the early exercised stock options. As of September 30, 2023, the Company has a minimal remaining liability related to early exercised shares, which is recorded within accrued expenses and other

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liabilities on the Company's condensed balance sheets.

Stock-Based Compensation Expense

The following table presents the components of stock-based Share-based compensation expense for the Company's stock-based awards for the periods presented was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Restricted stock awards and founders' common stock awards	$ 1	$ 2	$ 5	$ 6
ESPP	1	58	96	316
Stock options	2,159	3,150	8,168	9,590
Total stock-based compensation expense	$ 2,161	$ 3,210	$ 8,269	$ 9,912

The above stock-based compensation expense also includes the expenses of $0.4 million and $1.1 million related to stock options issued to non-employees during the three and nine months ended September 30, 2023, respectively. There was $0.8 million and $0.9 million in stock-based compensation expense for options issued to non-employees during the three and nine months ended September 30, 2022.

The following table presents the classification of stock-based compensation expense for the Company's stock-based awards for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Research and development expenses	$ 37	$ 1,249	$ 1,904	$ 3,881
General and administrative expenses	2,124	1,961	6,365	6,031
Total stock-based compensation expense	$ 2,161	$ 3,210	$ 8,269	$ 9,912

	Three Months Ended March 31,	
	2024	2023
Selling, general and administrative	$ 753	$ 104
Research and development	194	38
Total	$ 947	$ 142

As of September 30, 2023 and December 31, 2022 there was $9.9 million and $31.0 million of unrecognized stock-based compensation expense related to the employee and non-employee awards, which is expected to be recognized over a weighted-average period of 1.9 and 2.6 years, respectively.

11. Restructuring Activities

In February 2023, the Company's board of directors approved a restructuring plan (the "First Restructuring Plan") to reduce the Company's operating costs and better align its workforce with the needs of its business. The First Restructuring Plan eliminated approximately 50% of the Company's workforce.

Employees affected by the First Restructuring Plan obtained involuntary termination benefits that are provided pursuant to a one-time benefit arrangement. For employees who were notified of their termination in February 2023 and have no requirements to provide future service, the Company recognized the liability for the termination benefits in full at fair value in February 2023. For employees who are required to render services beyond a minimum retention period to receive their one-time termination benefits, the Company recognized the termination benefits ratably over their future service periods. The service periods began in February 2023 and ended at various dates through June 2023. The Company has incurred approximately $3.4 million of employee termination benefits expense to implement the First Restructuring Plan.

In August 2023, the Company's board of directors approved a second restructuring plan (the "Second Restructuring Plan"; together with the First Restructuring Plan, the "Restructuring Plans") to further reduce the Company's operating costs and align its workforce with the needs of its business. The Second Restructuring Plan eliminated approximately an additional 33.1% of its total workforce, and in aggregate, 78.1 % of its total workforce. Employees affected by the Second Restructuring Plan obtained involuntary termination benefits that are provided to an ongoing benefit arrangement. Accordingly, the Company is recognizing termination benefits upon announcement of termination to all employees. The Company expects to incur approximately $3.5 million of employee termination benefits expense to implement the Second Restructuring Plan.

In addition, the Company determined that as of September 30, 2023, it was reasonably likely to incur additional employee termination benefits expense for its remaining employees within the next twelve months. Accordingly, it recognized termination benefits for the remaining employees totaling $1.0 million.

The following table summarizes the Company's restructuring liability that is included in accrued expenses and other current liabilities in the accompanying condensed balance sheet:

	Nine Months Ended

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	Nine Months Ended September 30, 2023
Accrued employee termination benefits beginning balance	$ —
Employee termination benefits charges incurred during the period	7,883
Amounts paid or otherwise settled during the period	(4,900)
Accrued employee termination benefits as of September 30, 2023	$ 2,983

In addition, the board of directors determined that it was in the best interests of the Company and its stockholders to put in place arrangements designed to provide that the Company will have the continued dedication and commitment of those employees, including executives, determined to be key to the Company's planned go-forward operations. The Board approved, and management implemented, a retention program for certain employees staying with the Company which includes cash retention bonuses totaling $4.2 million for certain retained employees provided that they remain within the Company through the requisite service period, which is the earlier of March 1, 2024 or the termination date upon a Restructuring Plan. As a result, these cash retention bonuses are being accrued over the requisite service period, with $2.8 and $4.0 million recognized during the three and nine months ended September 30, 2023, respectively,

and included within general and administrative and research and development expenses in the condensed statements of operations. During the three and nine months ended September 30, 2023, the Company paid $2.1 million in retention bonuses to employees impacted by the Second Restructuring Plan for fulfilling their requisite service periods.

In June 2023, the Company committed to a plan to sell certain of its lab equipment associated with the Restructuring Plan. During the three months ended September 30, 2023, the Company implemented a plan to sell its remaining lab equipment as well as other fixed assets not transferred to the Bayside lease. As of September 30, 2023, it disposed of the majority of its assets, with a minimal amount of assets on the condensed balance sheet meeting the criteria of held for sale. These assets are recognized at the lower of cost or fair value less cost to sell using market approach. The fair value of these assets are classified as Level 3 in the fair value hierarchy due to a mix of unobservable inputs utilized such as independent research in the market as well as actual quotes from market participants. Subsequent changes to the estimated selling price of assets held for sale are recorded as gains or losses to the condensed statements of operations and comprehensive loss wherein the recognition of subsequent gains is limited to the cumulative loss previously recognized. During the three and nine months ended September 30, 2023, the Company recorded impairment charges and loss on disposal of assets, which was included in restructuring and impairment costs in the condensed statements of operations and comprehensive loss, of $5.3 million and $6.8 million, respectively.

In connection with the Restructuring Plans, the Company has determined that it will not utilize the Bayside and South San Francisco leases for purposes of its own operations. In August 2023, the Company subleased one of its office suites in the South San Francisco lease for 20 months starting from August 2023 for aggregate sublease payments of $0.5 million. In October 2023, the Company entered into a sublease agreement and amendment to the original master lease with the landlord to accelerate the termination date of the Bayside lease and in November 2023, the Company entered into an amendment to the original lease agreement to reassign the second suite of the South San Francisco lease (Note 14). The Company performed a recoverability test by comparing the future cash flows attributable to the asset group to the carrying value of the long-lived assets. Future cash flows were estimated using comparable laboratory and office facilities discounted at a market discount rate over the remaining term of the Company's lease. During the three and nine months ended September 30, 2023, the Company recorded a non-cash impairment of $1.4 million and $36.4 million, respectively, to the right-of-use asset and related leasehold improvement, which was included in restructuring and impairment costs in the condensed statements of operations and comprehensive loss.

The Company entered into an asset purchase agreement with a third party pursuant to which the Company sold to the counterparty, concurrently with the execution of the APA, certain assets related to the Company's non-genotoxic conditioning technology in exchange for upfront consideration of $0.5 million. Additional consideration included certain contingent milestone payments totaling up to approximately $1.0 million in the aggregate, as well as royalties on net sales by the acquirer of certain products incorporating the acquired technology, and potential fees upon the completion of certain transactions by the acquirer. The APA also provided for reimbursement of certain research and development amounts incurred prior to closing of approximately $0.6 million.

In addition, the Company also entered into an LOAwith another third party pursuant to which the Company exclusively licensed to the counterparty, and granted the counterparty an option to acquire, certain intellectual property and materials related to the Company's nulabeglogene autogedtemcel (nula-cel) program and related pre-clinical platform assets. Exercise of the option is contingent on the counterparty timely achieving a financing milestone, and all rights to the intellectual property and materials will revert to the Company if the milestone is not achieved or if the counterparty elects not to exercise the option. In return for this license and option, the Company received an equity interest in the counterparty representing 20% of all outstanding shares on a fully diluted basis.

12. 8. Net Loss Per Share Attributable to Common Stockholders

The following table sets forth Company's potential dilutive securities have been excluded from the computation of diluted net loss per share as the effect would be anti-dilutive. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders which excludes is the same. The Company excluded the following potential common shares, which are legally presented based on amounts outstanding but subject to repurchase by the Company (in thousands, except share and per share amounts):

	Three Months Ended September 30,	Nine Months Ended September 30,

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	2023	2022	2023	2022
Numerator:				
Net loss	$ (22,485)	$ (24,682)	$ (101,733)	$ (76,453)
Denominator:				
Weighted-average common shares outstanding	57,977,907	58,189,211	58,064,472	58,085,711
Less: weighted-average unvested restricted shares and shares subject to repurchase	(720,666)	(2,983,072)	(1,315,477)	(3,494,118)
Weighted-average shares used to compute basic and diluted net loss per share attributable to common stockholders	57,257,241	55,206,139	56,748,995	54,591,593
Net loss per share attributable to common stockholders — basic and diluted:	$ (0.39)	$ (0.45)	$ (1.79)	$ (1.40)

Anti-dilutive Outstanding Shares or Equivalents

The following outstanding options, unvested shares, and ESPP shares were excluded (as common stock equivalents) at period end, from the computation of diluted net loss per share attributable to common share stockholders for the periods presented as their effect period indicated because including them would have been had an anti-dilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Options to purchase common stock	6,380,515	7,849,590	6,380,515	7,849,590
Common stock subject to vesting or repurchase	873,062	3,236,152	873,062	3,236,152
Employee Stock Purchase Plan shares	10,437	128,888	10,437	128,888
Total	7,264,014	11,214,630	7,264,014	11,214,630

13. Income Taxes

During the nine months ended September 30, 2023 and 2022, the Company recorded a full valuation allowance on federal and state deferred tax assets since management does not forecast the Company to be in a taxable position in the near future.
effect:

14. Subsequent Events

Amendment to Lease Agreement and Sublease of Company's Premises

	As of March 31,	
	2024	2023
Convertible preferred stock	—	10,705,829
Class B convertible common stock	—	554,843
Preferred stock warrants	—	164,676
Common stock options granted and outstanding	3,265,986	1,065,984
Warrants to purchase common stock	164,676	95,034
Total	3,430,662	12,586,366

9. License Agreements

In October 2023, April 2022, the Company entered into a sublease license and collaboration agreement providing an exclusive license (the "Sublease" "Ji Xing License") with Soleil Labs, LLC ("Tenant" to certain of the Company's intellectual property ("IP") for certain premises constituting approximately 32,113 square feet of space use in the building located at 233 E. Grand Avenue, South San Francisco, California (the "Premises" treatment of presbyopia in humans in mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan (collectively, "Greater China"). The Company also agreed to negotiate a separate agreement for the purchase of clinical and commercial supply of IP for clinical and commercial requirements at cost plus a negotiated percentage and granted a right of first negotiation to obtain a regional license on other products the Company might develop outside the field of presbyopia for commercialization in Greater China.

The Company received nonrefundable, non-creditable upfront payments totaling $15.0 million as initial consideration under the Ji Xing License, which represents the transaction price at inception. In addition, the Company is also eligible to receive up to $95.0 million of regulatory and sales milestones, as well as tiered mid single-digit to low double-digit royalties on net sales of IP in Greater China. Additional consideration to be paid to the Company upon reaching regulatory and sales milestones is excluded from the transaction price. Future milestone payments are fully contingent as the risk of significant revenue reversal will only be resolved depending on future regulatory approval and sales level outcomes. The sales-based royalty fee qualifies for the royalty constraint exception and does not require an estimate of the future transaction price. The sales-based royalty fee is considered variable consideration and will be recognized as revenue as such sales occur, if any.

The Company assessed the promises made under the Ji Xing License and concluded the Ji Xing License comprises a single performance obligation providing the right to use functional intellectual property. The $15.0 million transaction price allocated to that single performance obligation was recognized on completion of the transfer of the Ji Xing License during the year ended December 31, 2022. No contractual milestones were met under the Ji Xing License during the three months ended March 31, 2024 or 2023.

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10. Related Party Transactions

In March 2023, LENZ OpCo issued 22,146,905 shares of its Series B preferred stock for total cash proceeds of $66.0 million to investors that included significant shareholders that had designated members on LENZ OpCo's board of directors and are considered to be related parties.

Through the Subscription Agreement and PIPE Financing executed as part of the Merger, the Company issued 3,343,330 shares to investors that the Company considers to be related parties. Two of these investors also have designated members on the Company's board of directors.

A member of the Company's Board of Directors currently leases approximately 85,165serves as a member of the board of directors of one of the Company's vendors, and has served in that capacity since 2023. LENZ OpCo entered into a Master Services Agreement with this vendor in September 2023 to provide manufacturing services. Accordingly, the Company considers the vendor to be a related party. For the three months ended March 31, 2024, fees incurred for services performed by the vendor were $0.1 million, and were charged to research and development expenses. The Company had no amounts due to the vendor within accounts payable as of March 31, 2024.

11. Subsequent Events

Lomas Lease

In April 2024, the Company entered into an agreement to lease 9,795 square feet of office space in the Premises pursuant to Solana Beach, California, with a Lease dated as of December 16, 2021 (as amended, the "Master Lease"), by and between the Company and Bayside Area Development, LLC (the "Landlord") 39 months term commencing on July 1, 2024. The term monthly base rent is approximately $37,000 and will increase approximately 4% every twelve months over the life of the Sublease commenced on October 26, 2023 and expires on December 31, 2024. Pursuant to the Sublease, Tenant agrees to make rent payments directly to the Landlord in the amount of $183,044.10 per month for the first twelve months and $189,450.64 per month for the remainder of the Term. The rights and obligations of Tenant under the Sublease are subject to the terms of the Master Lease.

On October 26, 2023, the Company also entered into a First Amendment to Lease with the Landlord (the "Lease Amendment") to adjust the timeline for certain payments under the Master Lease and to effect the acceleration of the termination date of the Master Lease. The Lease Amendment provides that the Master Lease will terminate on December 31, 2024, and that the Landlord may further accelerate the termination date for the premises not subject to the Sublease by delivering written notice and paying the Company $20,000 per month for each month of further acceleration. At signing, the Company prepaid all remaining amounts payable during the term of the Master Lease (including the difference between the rent obligations due under the Master Lease and the rent to be paid by Tenant under the Sublease for the Premises), in an amount equal to $15.9 million, as well as a lease termination payment of approximately $20.8 million.

Partial Lease and Assignment Agreement

In addition, in November 2023, the Company entered into a sublease agreement with a third party for certain premises constituting approximately 15,212 square feet of space in the building located at 201 Haskins Way, South San Francisco, California (the "Subleased Haskins Premises"). The Company currently leases approximately 19,000 square feet of office space at the location of the Subleased Haskins Premises pursuant to a lease dated as of February 26, 2021 (as amended, the "ARE Master Lease"), by and between the Company and ARE-San Francisco No. 65, LLC ("ARE"). Pursuant to the sublease for the Subleased Haskins Premises, the third party agreed to assume all of the Company's obligations under the ARE Master Lease, including the obligation to make rent payments, as well as all of the Company's obligations under the services agreement associated with the ARE Master Lease, through the end of the term of the ARE Master Lease on March 31, 2025, and to indemnify the Company for all obligations under the ARE Master Lease and the associated services agreement, in exchange for the Company's payment to the third party of approximately $1.4 million in assumption costs.

lease.

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

You should read the Operations

The following discussion and analysis provides information that our management believes is relevant to an assessment and understanding of our financial condition and LENZ' consolidated results of operations in conjunction and financial condition. The discussion should be read together with our unaudited the condensed consolidated financial statements and the related accompanying notes and other financial information to those statements that are included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements for the year ended December 31, 2023 and accompanying the related notes included in the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. LENZ's actual results may differ materially from those anticipated in these forward-looking statements as well a result of various factors, including those set forth in the section titled "Risk Factors" as Management's set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Unless otherwise indicated or the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section to "LENZ OpCo," "LENZ," "the Company," "we," "us," "our" and other similar terms refer to the business and operations of LENZ OpCo prior to the Merger and to LENZ and its

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consolidated subsidiary following the Merger.

While the legal acquirer in the Merger was Graphite, for financial accounting and reporting purposes under GAAP, LENZ OpCo was the accounting acquirer and the Merger was accounted for as a "reverse recapitalization." A reverse recapitalization (i.e., a capital transaction involving the issuance of stock by Graphite for LENZ OpCo's stock) does not result in a new basis of accounting, and the consolidated financial statements of the combined entity represent the continuation of the consolidated financial statements of LENZ OpCo in many respects. Accordingly, the consolidated assets, liabilities and results of operations of LENZ OpCo became the historical consolidated financial statements of the combined company, and Graphite's assets, liabilities and results of operations were consolidated with those of LENZ OpCo beginning on the acquisition date. Operations contained prior to the Merger will be presented as those of LENZ OpCo in future reports. Graphite's assets and liabilities were measured and recognized at their fair values as of the closing of the Merger.

Overview

We are a late-stage biopharmaceutical company focused on developing and commercializing innovative therapies to improve vision. Our initial focus is the treatment of presbyopia, the inevitable loss of near vision that impacts the daily lives of nearly all people over 45. In the United States, the estimated addressable population who suffer from this condition, known as presbyopes, is 128 million, almost four times the number of individuals suffering from dry eye disease and three times the number of individuals suffering from childhood myopia, macular degeneration, diabetic retinopathy and glaucoma combined. We believe that a once-daily pharmacological eye drop that can effectively and safely improve near vision throughout the full workday, without the need for reading glasses, will be a highly attractive commercial product with an estimated U.S. market opportunity in excess of $3 billion. It is our goal to develop and commercialize such a product, and we have assembled an executive team with extensive clinical and commercial experience to execute this goal and become the category leader.

Our lead product candidate LNZ100 is a preservative-free, single-use, once-daily eye drop containing aceclidine. We believe our product candidate is differentiated based on rapid onset, degree and duration of near vision improvement, as well as its ability to be used across the full age range of presbyopes, from their mid-40s to well into their mid-70s, as well as the broadest refractive range. Aceclidine's pupil-selective mechanism of action was demonstrated in our Annual Report on Form 10-K for the year ended December 31, 2022. Certain of the information contained clinical trials where near vision improved while avoiding blurry distance vision. Our product candidate was well-tolerated in this discussion clinical trials, and analysis or set forth elsewhere in this Quarterly Report, including information with respect to plans and strategy for our business, includes forward-looking statements its active ingredient aceclidine has a favorable tolerability profile that involve risks and uncertainties. As a result of many factors, including those factors set forth have been well-established empirically. LNZ100 has patent protection until 2039 in the section entitled "Risk Factors," our actual results could differ materially from United States, at a minimum, due to a robust intellectual property portfolio underpinned by issued patents.

In the results described in or implied by the forward-looking statements contained in the following discussion safety and analysis. You should carefully read the section entitled "Risk Factors" to gain an understanding of the material efficacy trials ("CLARITY 1 and other risks that could cause actual results to differ materially from our forward-looking statements. Please also see the section entitled "Cautionary Note Regarding Forward-Looking Statements."

Overview

We have historically been a clinical-stage, next-generation gene editing company. In January 2023, we announced a voluntary pause 2") of our Phase 1/2 CEDAR 3 study, of nulabeglogene autogedtemcel (nula-cel), for sickle cell disease ("SCD" LNZ100 achieved the primary endpoints and key secondary endpoints, with statistically significant three-lines or greater improvement in Best Corrected Distance Visual Acuity ("BCDVA") due to a serious adverse event in the first patient dosed, which we concluded is likely related to study treatment. Nula-cel was being developed as a highly differentiated approach to treating SCD, with the potential to directly correct the mutation that causes SCD and restore normal adult hemoglobin expression.

In February 2023, we announced our decision to discontinue the development of nula-cel and initiate a process to explore strategic alternatives. As a result of this decision, we announced a corporate restructuring that resulted in an approximately 71.2% reduction in our workforce. We also disclosed our intention to continue research activities associated with our pre-clinical non-genotoxic conditioning program, with the goal of advancing toward at near, without losing one or more potential development candidates. As part of lines in distance visual acuity. In the corporate restructuring, vehicle-controlled CLARITY 2 trial, the day 1 results showed (all p<0.0001):

- **Rapid onset**: 71% achieved three-lines or greater improvement at 30 minutes.
- **Primary endpoint**: 71% achieved three-lines or greater improvement at 3 hours.
- **Long duration**: 40% achieved three-lines or greater improvement at 10 hours.

Near vision improvement was reproducible and consistent across both CLARITY 1 and 2 throughout the four-week study periods.

LNZ100 was well-tolerated with no serious treatment-related adverse events observed in the over 30,000 treatment days including the six-week safety study period in CLARITY 1 and 2 and the six-month period in the CLARITY 3 Phase 3 long-term safety trial (collectively, the "CLARITY study").

Our other product candidate LNZ101, a preservative-free eye drop containing aceclidine and brimonidine, showed similar results, including achieving primary and secondary endpoints in both CLARITY 1 and 2, but did not show superiority to LNZ100. Based on these results, we also elected not to utilize the portion of selected LNZ100 as our facilities space subject to our lease agreement with Bayside Area Development lead product candidate, for purposes of our own operations and intend to sublease the vacant space to recover a portion of the total cost.

In August 2023, we entered into a license and option agreement (the "LOA"), pursuant to which we granted plan to submit a third-party an option to acquire certain of our technology and intellectual property related to our nula-cel program and related pre-clinical platform assets. We also entered into an asset purchase agreement pursuant to which we transferred to another third-party our pre-clinical non-genotoxic conditioning program, including technology and intellectual property, while we continued to explore strategic alternatives. On September 12, 2023, we entered into an amendment New Drug Application ("NDA") to the LOA FDA in mid-2024 with such counterparty, under which we agreed to assign certain contracts to such counterparty prior to exercise of the option.

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In October 2023, we entered into a sublease for a portion of the facility leased to us by Bayside Area Development, as well as an amendment to the master lease, which provided for an accelerated termination of the lease and a release of liabilities under the lease and the new sublease upon payment of a lump sum at the time of signing. Following this transaction, we are no longer obligated for any rent payments under our lease with Bayside Area Development.

We continue to explore strategic alternatives, but there can be no assurance that the strategic review process will result in us pursuing such a transaction(s), or that any transaction(s), if pursued, will be completed on terms favorable to us and our stockholders launch target date in the existing second half of 2025. We believe that LNZ100, if approved, could be the first aceclidine-based product approved by the FDA and would then be eligible for five years of new chemical entity or any possible entity that results from a combination of entities. If the strategic review process is unsuccessful, our board of directors may decide to pursue a dissolution and liquidation.

We were incorporated in Ontario, Canada in June 2017 as Longbow Therapeutics Inc. and were reincorporated ("NCE") exclusivity in the State of Delaware in October 2019. In February 2020, we changed our name to Integral Medicines, Inc. and in August 2020, we changed our name to Graphite Bio, Inc. Research and development of our initial technology ceased at the end of 2018 and we did not have any significant operations or any research and development activities in 2019. In March 2020, we identified new gene editing technology which we sought to further develop, and we licensed the related intellectual property rights from The Board of Trustees of the Leland Stanford Junior University (Stanford) in December 2020.

United States.

Since our inception in June 2017, we have devoted substantially all of our resources to performing research and development, enabling manufacturing activities in support of our product development efforts, hiring personnel, acquiring and developing our technology and product candidates, organizing and staffing our Company, performing business planning, establishing our intellectual property portfolio, raising capital and providing general and administrative support for these activities. We have had one product candidate that has an accepted IND, which has been transferred to a third party in connection with our execution of the LOA. All of our other product candidates were in preclinical development, and we do not have any products approved for sale and have not generated any revenue from product sales. To date, we have funded our operations primarily with an aggregate of $197.7 million in aggregate gross proceeds from the sales of our redeemable convertible preferred stock and the issuance of convertible notes. In June and July 2021, we completed our initial public offering ("IPO") and issued 16,100,000 shares of our common stock for $17.00 a share with a total net proceeds of approximately $251.3 million, and total underwriting costs of $19.1 million and issuance costs of $3.2 million. We will continue to require additional capital to fund our operations for the foreseeable future and ensure we have adequate personnel, pay for

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accounting, audit, legal, and consulting services, and pay costs associated with maintaining compliance with Nasdaq listing rules and the requirements of the SEC, director and officer liability insurance and other expenses associated with operating as a public company. Accordingly, until such time as we can generate significant revenue from product sales, if ever, we expect to finance our cash needs through public or private equity or debt financings, and collaborations, strategic alliances and licensing arrangements with third parties.

We have incurred significant operating losses since inception. As of September 30, 2023March 31, 2024, we had$213.3 million of cash, cash equivalents and marketable securities. We believe that our existing cash, cash equivalents and marketable securities of $234.0 million and an accumulated deficit of $344.1 million. We expect will allow us to continue to incur substantial losses for the foreseeable future, build infrastructure and our transition commercialize LNZ100, subject to profitability will depend upon successful development, NDA submission and FDA approval, and commercialization of product candidates and upon achievement of will be sufficient revenues to support our cost structure. fund the Company to positive operating cash flow subsequent to such commercial launch. We are do not presently developing expect to generate any product candidates, and if we resume any such development activities, we will not generate revenue revenues from product sales unless and until we successfully successfully complete preclinical and clinical development and obtain regulatory approval for such product candidates.LNZ100. We may never achieve profitability, have incurred net losses in each year since inception, and if we resume development of product candidates, we will need to continue to raise additional capital.

Based upon our current operating plan, we estimate that our cash, cash equivalents and investments in marketable securities as of September 30, 2023 will be sufficient to fund March 31, 2024, we had an accumulated deficit of $111.9 million. These losses have resulted principally from costs incurred in connection with research and development activities and selling, general and administrative costs associated with our operating expenses and capital expenditure requirements for at least the next 12 months.

operations. We expect to continue to incur significant expenses in connection and operating losses as we seek approval and begin commercialization. These costs include expenses associated with the process of evaluating our strategic alternatives. There can be no assurance, however, that we will be able to successfully consummate any particular strategic transaction. The process of continuing to evaluate strategic transactions may be very costly, time-consuming and complex, and we have incurred, and may in the future incur, significant costs related to these processes, such as legal, accounting and advisory fees and expenses and other related charges. A considerable portion of these costs will be incurred regardless of whether any particular course of action is implemented or transaction is completed. Any such expenses will decrease the remaining cash available for use in our business. In addition, any strategic business combination or other transactions that we may consummate in the future could have a variety of negative consequences and we may implement a course of action or consummate a transaction that yields unexpected results that adversely affects our business and decreases the remaining cash available for use in our business or the execution of our strategic plan. There can be no assurances that any particular course of action, business arrangement, transaction, or series of transactions, will be pursued, successfully consummated, lead to increased stockholder value or achieve the anticipated results. Any failure of such potential transaction to achieve the anticipated results could significantly impair our ability to enter into any future strategic transactions and may significantly diminish or delay any future distributions to our stockholders.

Should we resume development of product candidates, our ability to generate product revenue sufficient to achieve profitability will depend heavily on the successful development and eventual commercialization of one or more product candidates. In addition, we will incur substantial research and developments costs and other expenditures to develop such product candidates, particularly as we:

- advance any product candidates through preclinical studies and clinical trials;
- manufacture supplies for our preclinical studies and clinical trials;

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- seek marketing approval for product candidates that successfully complete clinical development, if any;
- maintain compliance with applicable regulatory requirements;
- develop and scale up our capabilities to support preclinical activities and clinical trials for product candidates and commercialization of product candidates for which obtain marketing approval, if any;
- retain key personnel to continue our go-forward operations
- operate as a public company;
- explore and execute on our strategic alternative process or a potential strategic transaction;
- implement and maintain operational, financial and management systems; and
- obtain, maintain, expand and protect our portfolio of intellectual property rights.

We have relied and may in the future rely on third parties in the conduct of our preclinical studies and clinical trials and for manufacturing and supply of our product candidates if we resume any development activities. We have no internal manufacturing capabilities, and we may continue to rely on third parties for our preclinical and clinical trial materials, of which the main suppliers are single-source suppliers. Given our stage of development, we do not yet have a marketing or sales organization or commercial infrastructure. Accordingly, if we obtain regulatory approval processand preparation for any future product candidates, the potential commercial launch of LNZ100, subject to FDA approval. Additionally, we also expect to incur significant commercialization anticipate incurring expenses related to product sales, marketing manufacturing and distribution.

Because of the numerous risks distribution, and uncertainties associated with product development, we are unable to predict the timing or amount of increased expenses or when or if we will be able to achieve or maintain profitability. Even if we are able to generate revenue from sales of any product for which we receive regulatory approval, we may not become profitable. If we fail to become profitable or

are unable to sustain profitability on a continuing basis, we may be unable to continue our operations at planned levels and may be forced to reduce our operations.

Stanford Exclusive License Agreement and Option Agreement

In December 2020, we entered into an exclusive license agreement (the “License Agreement”), with The Board of Trustees of the Leland Stanford Junior University (Stanford), pursuant to which Stanford granted us a worldwide license to specified technology and patent rights to develop, manufacture and commercialize human prophylactic and therapeutic products. Other than with respect to specified, broadly applicable assays and procedures and subject to retained rights by Stanford, the license is exclusive with respect to human prophylactic and therapeutic products for the treatment of SCD, XSCID and beta thalassemia. The license is non-exclusive with respect to those broadly applicable assays and procedures and with respect to all human prophylactic and therapeutic products other than for the treatment of SCD, XSCID and beta thalassemia.

To date, pursuant to the License Agreement, we have paid an upfront license fee to Stanford of $50.0 thousand and issued to Stanford and its designees an aggregate of approximately 0.6 million shares of our common stock. The acquisition of the exclusive license, including patent rights and know-how, and clinical supplies was accounted for as an asset acquisition and as the acquired technology and inventories did not have an alternative use, the total consideration of $2.8 million was recorded as research and development expense in the statements of operations and comprehensive loss for the year ended December 31, 2020. We are obligated to pay Stanford an annual license maintenance fee on each anniversary of the effective date of the License Agreement. The annual license maintenance fee initially is $5.0 thousand and will increase to $50.0 thousand in three increments over the first seven anniversaries of the effective date of the License Agreement. After the first commercial sale of a product falling within the scope of the license (the “Licensed Product”), the annual license maintenance fee is $200.0 thousand.

In May 2021, we issued 640,861 shares of our common stock in connection with the License Agreement. Subsequently, in June 2021, related to the License Agreement, we repurchased 624,845 shares of our common stock from investors and founders.

We are required to share with Stanford a portion of any non-royalty income we receive from sublicensing the licensed patent rights or technology, subject to specified exclusions. With respect to sublicenses granted to products for the treatment of SCD, XSCID and beta thalassemia, the portion of sublicense income we must share with Stanford varies by indication and declines from between a mid-teen to a second quartile double-digit percentage prior to the filing of an IND to between a high single-digit to very low double-digit percentage upon achievement of a specified clinical milestone. With respect to sublicenses granted under the licensed technology rights and not licensed patent rights, the portion of sublicense income shared with Stanford declines from between a mid-single-digit and very low double-digit percentage prior to the filing of an IND to a low single-digit percentage after filing of an IND.

We are obligated to make payments to Stanford with respect to each Licensed Product of up to an aggregate of $12.8 million upon the achievement of certain development, regulatory and commercial milestones. Such amounts are payable only once upon the first occurrence of a particular milestone event with respect to each Licensed Product and only once with respect to each new indication covered by any of the Licensed Products.

We also are obligated to pay Stanford low single-digit royalties based on worldwide annual net sales of any Licensed Product, subject to specified reductions. We will be obligated to continue to pay royalties on a Licensed Product-by-Licensed Product and country-by-country basis, until the latest of (i) the expiration of the last valid claim under the licensed patents that covers the sale or manufacture of such Licensed Product in such country, (ii) the expiration of any period of regulatory exclusivity with respect to such Licensed Product in such country or (iii) the expiration of ten years after the first commercial sale of such Licensed Product in such country.

The term of the License Agreement expires on the later of (i) the expiration of the last patent or abandonment of the last patent application within the license patent rights or (ii) the expiration of all royalty terms with respect to Licensed Products. The License Agreement may be terminated by us at will or by Stanford if we remain in breach of the License Agreement following a cure period to remedy the breach.

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We are required to use diligent efforts to manufacture, market and sell Licensed Products for the treatment of each of SCD, XSCID and beta thalassemia. In addition, we are required to achieve specified milestones by specified dates with respect to Licensed Products for the treatment of each of SCD, XSCID and beta thalassemia. If we fail to satisfy our diligence obligations, Stanford may terminate the License Agreement for our breach. For more details on the License Agreement, please see Note 6 of the Notes to Condensed Financial Statements.

In January 2021, we entered into an option agreement (the "First Option Agreement"), with Stanford, pursuant to which Stanford granted us the right to obtain a license to specified patent rights relating to human prophylactic and therapeutic products. We may exercise the option in whole or in part to obtain a license under one or more of the optioned patent rights.

Subject to our exercise of the option under the First Option Agreement and our execution of an amendment to the License Agreement that incorporates the optioned patent rights and any optioned technology, we have agreed to issue to Stanford 132,137 shares of our common stock and pay a license execution fee of $10.0 thousand.

The term of the First Option Agreement expires 18 months after its effective date, subject to our right to extend such expiration date by up to an additional one year upon notice to Stanford and by another additional one year upon the reasonable agreement of Stanford. The First Option Agreement will terminate if the License Agreement terminates. On June 23, 2022, we exercised the right to extend the term of the First Option Agreement for an additional year. On June 6, 2023, we agreed to extend the term of the First Option Agreement for another additional year. As of September 30, 2023, we have not exercised the option and no fees have been paid under the First Option Agreement.

In April 2021, we entered into an option agreement (the "Second Option Agreement") with Stanford to negotiate the license for additional technologies from Stanford. Pursuant to the Second Option Agreement, we agreed to pay Stanford option fees in an aggregate amount of $30.0 thousand over the term of the option. On April 13, 2022, we entered into an amendment to the Second Option Agreement which extended the term for an additional year. On March 8, 2023, we terminated the Second Option Agreement without exercising the option to negotiate a license for additional technologies from Stanford.

LCGM Service Agreement

On August 30, 2021, we entered into a Master Manufacturing and Service Agreement with the Laboratory for Cell & Gene Medicine ("LCGM") at Stanford ("LCGM MSA"). Pursuant to the LCGM MSA, LCGM will conduct clinical manufacturing, release testing, and product release for nula-cel in our Phase 1/2 CEDAR clinical trial to treat SCD. During 2021, we entered into various statements of work under the LCGM MSA under which we received technology transfer and related services for HBB Beta-Globin Gene Variant for SCD, manufacturing engineer test runs, the exclusive use of a manufacturing suite at the LCGM facility, and Phase 1/2 CEDAR clinical development and manufacturing of the HBB Variant for SCD. During the three months ended September 30, 2023, we did not recognize any research and development expense in connection with the LCGM MSA. We recognized $1.1 million during the nine months ended September 30, 2023. We recognized $1.3 million and $2.8 million during the three and nine months ended September 30, 2022, respectively, in research and development expense in connection with the LCGM MSA. As of September 30, 2023, we do not expect to incur any additional expenses associated with the LCGM MSA.

IDT License Agreement

On June 7, 2021, we entered into a License Agreement (the "IDT License Agreement") with Integrated DNA Technologies, Inc. (IDT). Pursuant to the IDT License Agreement, IDT granted us and our affiliates a worldwide, non-exclusive, sublicensable license to research and develop products incorporating HiFi Cas9 protein variants for use in human therapeutic applications for SCD, XSCID and Gaucher disease (the "Field") and a worldwide, exclusive, sublicensable license to commercialize such products in the Field. We have also been granted the right to expand the licensed Field to include human therapeutic applications in the additional fields of beta thalassemia disorder and lysosomal storage disorders upon the payment of an exercise fee in the amount of $0.5 million per additional field or $1.0 million for both additional fields.

In consideration of the licenses and rights granted to us under the IDT License Agreement, we agreed to pay to IDT an upfront payment in the amount of $3.0 million and up to $5.3 million (or $8.8 million if we elect to expand the Field as described above to include both the beta thalassemia and lysosomal storage disorders fields) in total regulatory milestone payments. Each regulatory milestone payment is payable once on an indication-by-indication basis. In addition, we have agreed to pay IDT a low single-digit royalty on the net sales of products, subject to reductions in specified circumstances. The acquisition of the license was accounted for as an asset acquisition and as the acquired technology did not have an alternative use, the total consideration of $3.0 million was recorded as research and development expense in the statement of operations and comprehensive loss for the year ended December 31, 2021. During the nine months ended September 30, 2023, we have not recognized any research and development expense in connection with the IDT License Agreement. There are no milestones probable as of September 30, 2023; therefore, no milestone payments have been recognized in the nine months ended September 30, 2023.

The IDT License Agreement remains in effect on a country-by-country and product-by-product basis until the expiration of the royalty term for such product in such jurisdiction. We and IDT each have the right to terminate the IDT License Agreement for the other party's material breach of its obligations under the IDT License Agreement, subject to specified rights to cure. Additionally, we may terminate the IDT License Agreement for any reason upon written notice. As of September 30, 2023, we do not expect to incur any additional expenses associated with the IDT License Agreement.

Sale of Non-Genotoxic Targeted Conditioning Technology Assets

On August 1, 2023, we entered into an asset purchase agreement (the "APA") with a third party pursuant to which we sold to the counterparty, concurrently with the execution of the APA, certain assets related to our non-genotoxic conditioning technology in exchange for upfront consideration of $0.5 million. Additional consideration included certain contingent milestone payments totaling up to approximately $1.0 million in the aggregate as well as royalties on net sales by the acquirer of certain products incorporating the acquired technology, potential fees upon the completion of certain transactions by the acquirer. The APA also provided for reimbursement of certain research and development amounts incurred prior to closing of approximately $0.6 million.

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The disposal of certain assets sold pursuant to the APA was accounted for as a deconsolidation of a subsidiary or group of assets in accordance with ASC 810. During the three and nine months ended September 30, 2023, we recognized a loss on disposal of $0.1

million, which was recorded in other income. We will record amounts related to the contingent milestone payments, royalties, and potential transaction fees when contingencies are resolved and amounts are due in accordance with ASC 450. No contingencies were resolved and recorded as of September 30, 2023.

License and Option to Acquire Nula-Cel Assets

On August 4, 2023, we entered into an LOA with a third party pursuant to which we exclusively licensed to the counterparty, and granted the counterparty, an option to acquire certain intellectual property and materials related to the Company's nula-cel program and related pre-clinical platform assets. Exercise of the option is contingent on the counterparty timely achieving a financing milestone, and all rights to the intellectual property and materials will revert to us if the milestone is not achieved or if the counterparty elects not to exercise the option. In return for this license and option, we received an equity interest in the counterparty representing 20% of all outstanding shares on a fully diluted basis. As a result of the 20% equity interest, we have the ability to exert significant influence over the counterparty and account for the interest as an equity method investment. We record our proportionate share of investee's equity in earnings or losses based on the most recently available financial information.

The 20% equity interest in the counterparty had minimal value upon execution of the LOA and we did not record any amount related to the equity interest as of September 30, 2023. As of September 30, 2023, the counterparty has not achieved the financial milestone and does not have the right to exercise the option.

Initial Public Offering

In June and July 2021, we completed an initial public offering of our common stock. As part of the IPO, we issued and sold 16,100,000 shares of our common stock at a public offering price of $17.00 per share. In June and July 2021, we received net proceeds of approximately $251.3 million from the IPO, after deducting underwriting discounts and commissions of $19.1 million and offering costs of approximately $3.2 million.

Components of Results of Operations

Operating Expenses

Research and Development

Research and development costs consist primarily of external and internal costs incurred for our research activities and the development of our gene editing platform and associated rights which we licensed in December 2020.

External costs include:

- costs incurred under agreements with third-party CROs, CMOs and other third parties that conduct preclinical and clinical activities on our behalf and manufacture product candidates;
- costs associated with acquiring technology and intellectual property licenses that have no alternative future uses; and
- other costs associated with our research and development programs, including laboratory materials and supplies and consulting fees.

Internal costs include:

- employee-related costs, including salaries, benefits and stock-based compensation expense, for our research and development personnel; and
- facilities and other expenses incurred in connection with our research and development programs, including expenses for allocated rent and facilities maintenance, depreciation and amortization.

Research and development costs are expensed as incurred. Since inception, we have not tracked our internal indirect costs and external research and development costs by program. The intellectual property we licensed in late 2020 is fundamental to our platform and we did not focus on any specific programs. In the future, we expect to track research and development costs on a program by program basis as we identify the specific programs and product candidates to develop.

During 2022 and 2021, we were eligible for a research and development tax credit. The tax incentive was available to us based on research and development activity within the United States and California during that year. These research and development tax incentives are recognized as a reduction to payroll tax expense when the right to receive has been attained and funds are collectible and are capped at $250.0 thousand per year.

The process of conducting preclinical research is costly and time-consuming. We are unable to determine the duration and completion costs of our research projects or if, when and to what extent they will lead to product candidates and enter into clinical research. If we resume any development of product candidates, our future research and development costs may vary significantly based on factors such as:

- the scope, rate of progress, expense and results of our clinical trials and our discovery and preclinical development activities;
- the costs and timing of our CMC activities, including fulfilling GMP-related standards and compliance, and identifying and qualifying suppliers;
- per patient clinical trial costs;
- the number and duration of clinical trials required for approval of our product candidates;
- the number of sites included in our clinical trials;

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- the countries in which the trials are conducted;
- delays in adding a sufficient number of trial sites and recruiting suitable patients to participate in our clinical trials;
- the number of patients that participate in the trials;
- patient drop-out or discontinuation rates;
- potential partial reimbursement from governmental agencies for our clinical activities;
- potential additional safety monitoring requested by regulatory agencies;
- the duration of patient participation in the trials and follow-up;
- the cost and timing of manufacturing our product candidates;
- the phase of development of our product candidates;
- the efficacy and safety profile of our product candidates; the timing, receipt, and terms of any approvals from applicable regulatory authorities including the FDA and n U.S. regulators;
- maintaining a continued acceptable safety profile of our product candidates following approval, if any, of our product candidates;
- significant and changing government regulation and regulatory guidance;
- changes in the standard of care on which a clinical development plan was based, which may require new or additional trials; and
- the extent to which we establish additional strategic collaborations or other arrangements.

General and Administrative Expenses

General and administrative expenses consist primarily of expenses related to employee-related costs, including salaries, benefits and stock-based compensation expense, for our executive, business development, finance and accounting, human resources and other administrative functions; legal services, including relating to intellectual property and corporate matters; accounting, auditing, consulting and tax services; insurance; and facility and other allocated costs not otherwise included in research and development expenses. We expect to continue to incur significant general and administrative expenses for the foreseeable future as we implement our restructuring plan, pursue potential strategic alternatives and conduct our operations generally. We also expect to continue to incur significant expenses associated with being a public company, including costs related to accounting, audit, legal, regulatory and tax-related services associated with maintaining compliance with applicable Nasdaq an exchange listing and SEC requirements; director and officer insurance costs; and investor and public relations costs.

Restructuring and Impairment Costs

Restructuring requirements. As a result of these and other charges consist factors, it is possible that we may require additional financing to fund our operations and planned growth.

Through the completion of the Merger, LENZ OpCo financed its operations primarily through private placements of its common stock and convertible preferred stock. Concurrent with the closing of the Merger on March 21, 2024, the Company completed the PIPE Financing of 3,559,565 shares for an aggregate gross purchase price of $53.5 million.

If we are unsuccessful in generating sufficient revenue and operating cash flow from sales of LNZ100, if ever, we may be required to finance our cash needs through equity offerings, debt financings or other capital sources, including potential collaborations, licenses and other similar arrangements. However, we may be unable to raise additional funds or enter into such other arrangements when needed on favorable terms or at all. Our failure to raise capital or enter into such other arrangements if and when needed would have a negative impact on our financial condition and could force us to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

Ji Xing License and Collaboration Agreement

In April 2022, we entered into a License and Collaboration Agreement with Ji Xing Pharmaceuticals Hong Kong Limited (“Ji Xing”) granting Ji Xing an exclusive license (the “Ji Xing License”) to certain of our intellectual property rights to develop, use, import, and sell products containing LNZ100 or LNZ101 (“Products”) for the treatment of presbyopia in humans in mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan (collectively, “Greater China”). We also granted Ji Xing (i) the right to negotiate in good faith and enter into agreements to purchase Products from us for clinical and commercial uses at cost plus a negotiated percentage and (ii) the right of first negotiation to obtain a regional license from us on other products we might develop outside of the field of presbyopia for commercialization in Greater China.

We received nonrefundable, non-creditable upfront payments totaling $15.0 million as initial consideration under the Ji Xing License during the year ended December 31, 2022. In addition, we are also eligible to receive (i) up to $95.0 million in regulatory and sales milestone payments, (ii) tiered, escalating royalties in the range of 5% to 15% on net sales of Products in Greater China by Ji Xing, its affiliates and sublicensees, and (iii) tiered, deescalating royalties in the range of 15% to 5% of sublicensing income received by Ji Xing prior to the regulatory approval of the first Product in Greater China.

The $15.0 million upfront payments allocated to that single performance obligation was recognized on execution of the Ji Xing License during the year ended December 31, 2022. No contractual milestones were met under the Ji Xing License during the three months ended March 31, 2024 or 2023.

Key Trends and Factors Affecting Comparability Between Periods

- Our research and development costs increased slightly during the three months ended March 31, 2024, relative to the three months ended March 31, 2023, as our headcount increased in preparation for the potential NDA and commercial launch, pending FDA approval, while contract manufacturing expenses and clinical research

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expenses decreased as our Phase 3 CLARITY trials substantially completed in March 2024. We expect our research and development costs will decrease in 2024, relative to 2023, given the completion of the CLARITY trials and subsequent wind-down over 2024.

- We expect that selling, general and administrative expenses will increase in 2024, relative to 2023, as we expand our operating activities and number of employees in connection with a potential commercial launch of LNZ100, subject to FDA approval.
- We have built a cross-functional commercial team consisting of marketing, market access and commercial operations and will continue to strategically build our sales and commercial infrastructure with capabilities designed to scale when necessary to support a commercial launch if approval is received. These expenses increased during the three months ended March 31, 2024, as compared to the three months ended March 31, 2023, and we expect such expenses to continue to increase for the foreseeable future, in connection with our shift in focus towards a potential commercial launch of LNZ100, subject to FDA approval.
- As a result of the Merger, the Company's expenses will increase from those that we incurred in prior years as a privately held company, including as a result of costs incurred related to (i) compliance with the corporate restructuring rules and regulations of the SEC and those of Nasdaq, (ii) legal, accounting and other professional services, (iii) insurance, (iv) investor relations activities, and (v) other administrative and professional services.

Recent Developments

The Merger and PIPE Financing

On November 14, 2023, LENZ OpCo entered into the Merger Agreement with Graphite and Generate Merger Sub, pursuant to which LENZ OpCo merged with and into Generate Merger Sub at the closing of the Merger on March 21, 2024, with LENZ OpCo continuing after the Merger as the surviving company and a wholly-owned subsidiary of the Company. At the closing of the Merger, each outstanding share of LENZ OpCo capital stock was converted into the right to receive shares of Graphite common stock, par value $0.00001, as set forth in the Merger Agreement. Upon closing of the Merger, the combined company changed its name to "LENZ Therapeutics, Inc." and continued to be listed on the Nasdaq but commenced trading under the ticker symbol "LENZ" as of March 22, 2024.

Under the exchange ratio formula in the Merger Agreement, immediately following the closing of the Merger, the LENZ OpCo securityholders owned approximately 65% of the outstanding shares of the combined company's common stock on a fully-diluted basis and securityholders of Graphite as of immediately prior to the closing of the Merger owned approximately 35% of the outstanding shares of the combined company's common stock on a fully-diluted basis (prior to giving effect to the PIPE Financing and excluding shares reserved for future grants under the 2024 Equity Incentive Plan and the halting 2024 Employee Stock Purchase Plan).

Concurrently with the execution of research activities in the first quarter Merger Agreement, Graphite entered into the Subscription Agreement with the PIPE investors, pursuant to which, immediately following the closing of 2023, including severance the Merger, the PIPE investors subscribed for and purchased an aggregate of 3,559,565 shares of common stock at a price of $15.0299 per share for aggregate gross proceeds of approximately $53.5 million.

Basis of Presentation

The following discussion highlights our results of operations and the principal factors that haveaffected our financial condition as well as lease termination, loss on disposal our liquidity and capital resources for the periods described and provides information that management believes is relevant for an assessment and understanding of property the balance sheets and equipment, and impairment of assets held for sale.

Other Income (Expense), Net

Interest and other income, net, consists of interest income and miscellaneous income and expense unrelated to our core operations.

Results of Operations

Three Months Ended September 30, 2023 and 2022

The following table summarizes our statements of operations and comprehensive loss for presented herein. The following discussion and analysis are based on our audited financial statements and related notes thereto, which we have prepared in accordance with GAAP. You should read the respective periods (in thousands): discussion and analysis together with such audited financial statements and the related notes thereto.

	Three Months Ended September 30,	
	2023	2022
Operating expenses:		
Research and development	$ 2,384	$ 18,302
General and administrative	11,294	7,852
Restructuring and impairment costs	11,349	—
Total operating expenses	25,027	26,154
Loss from operations	(25,027)	(26,154)
Other income (expense), net:		
Interest income, net	2,955	1,472
Other income, net	(413)	—
Total other income (expense), net	2,542	1,472

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Net loss	$ (22,485)	$ (24,682)
Unrealized gain (loss) on investments	176	(563)
Comprehensive loss	$ (22,309)	$ (25,245)

Components of Statements of Operations and Comprehensive Loss

Operating Expenses

Research and Development Expenses

Research and development expenses, were $2.4 million which consist primarily of costs associated with our product research and development efforts, are expensed as incurred. Research and development expenses consist primarily of: (i) employee related costs, including salaries, benefits and share-based compensation expense for employees engaged in research and development activities; (ii) third-party contract costs relating to research, formulation, manufacturing, nonclinical studies and clinical trial activities; (iii) external costs of outside consultants who assist with technology development, regulatory affairs, clinical development and quality assurance; and (iv) allocated facility-related costs. We track research and development costs collectively for LNZ100 or LNZ101 because expenses incurred are interrelated and disaggregation would not be meaningful.

Costs for certain activities, such as manufacturing, nonclinical studies and clinical trials are generally recognized based on the evaluation of the progress of completion of specific tasks using information and data provided by our vendors and collaborators. Research and development activities are central to our business.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of salaries and related benefits, includingshare-based compensation, related to our executive, finance, business development, sales and marketing, human resources, andother corporate functions. Other general and administrative expenses include professional fees for legal, auditing, tax and business consulting services, insurance costs, intellectual property and patent costs, facility costs and travel costs.

Other Income (Expense), Net

Other income (expense), net consists of the change in fair value of preferred stock warrants liability and interest income earned on cash, cash equivalents, and short-term investments. Upon completion of the Merger, the preferred stock warrants became exercisable into shares of common stock and will no longer continue to be remeasured at each reporting date.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 and 2023

The following table presents the results of operations for the periods indicated (amounts in thousands, except percentages):

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
Research and development	$ 10,537	$ 10,325	$ 212	2 %
Selling, general and administrative	5,551	2,291	3,260	142 %
Total other income (expense), net	(560)	(54)	(506)	937 %

Research and Development

Substantially all of our research and development expenses incurred for the three months ended September 30, 2023 compared March 31, 2024 and 2023 were related to $18.3million the development of LNZ100 and LNZ101, which were both included together in our INSIGHT and CLARITY trials.

Research and development expenses increased $0.2 million, or 2%, from $10.3 million for the three months ended September 30, 2022, a decrease of $15.9 million. The decrease in research and development expenses was primarily attributable March 31, 2023 to a decrease of $8.6 million in clinical trial related activities and contract manufacturing activities for our clinical trials and drug supply, a decrease of $5.0 million in personnel costs, a decrease of $1.8 million in other research and development costs primarily related to facilities costs and lease expense, and a decrease of $0.5 million related to service agreements.

General and Administrative Expenses

General and administrative expenses were $11.3 million $10.5 million for the three months ended September 30, 2023 compared March 31, 2024. The increase was primarily driven by a $0.9 million increase in employee salaries and related expenses due to $7.9 million increased headcount, a $0.7 million increase in nonclinical research expense, and a $0.3 million increase in contract regulatory consulting expenses, offset by decreases of $1.2 million in contract manufacturing expenses for clinical drug product manufacturing and $0.8 million in contract research expense for our clinical trials, as our Phase 3 CLARITY trials wound down during the three months ended March 31, 2024 and were substantially completed in March 2024.

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Selling, General and Administrative

Selling, general and administrative expenses increased $3.3 million, or 142%, from $2.3 million for the three months ended September 30, 2022, an increase of $3.4 million. The increase in general and administrative expenses was comprised of an increase of $2.8 million related March 31, 2023 to facilities costs and lease expense, an increase of $0.3 million in personnel-related costs, including associated stock-based compensation expense, and an increase of $0.3 million in professional service agreements.

Restructuring and Impairment Costs

Restructuring and impairment costs $5.6 million for the three months ended September 30, 2023 consisted March 31, 2024. The increase was primarily of costs incurred driven by a $1.5 million increase in legal and other professional services (primarily related to the corporate restructuring, including $5.3 million legal fees incurred in connection with our potential NDA submission and consulting fees), a $1.0 million increase in employee salaries and related expenses due to the impairment and loss on disposal increased headcount (including a one-time, non-cash stock-based compensation charge for acceleration of property and equipment, $4.5 million related to severance expense incurred vesting of stock options as part a result of the Restructuring Plan, Merger), and $1.4 million of non-cash impairment related to the decision not to utilize the South San Francisco lease.

a $0.7 million increase in sales infrastructure and marketing expenses.

Other Income (Expense), Net

The other income (expense), net

Other expense, net for the three months ended September 30, 2023 and 2022 March 31, 2024, was comprised $0.6 million, compared to $0.1 million of income received from the asset purchase agreement, as well as interest income and income received from the sublease arrangement.

Nine Months Ended September 30, 2023 and 2022

The following table summarizes our statements of operations and comprehensive loss other expense, net for the respective periods (in thousands):

	Nine Months Ended September 30,	
	2023	**2022**
Operating expenses:		
Research and development	$ 32,136	$ 54,325
General and administrative	26,372	24,563
Restructuring and impairment costs	51,128	-
Total operating expenses	109,636	78,888
Loss from operations	(109,636)	(78,888)
Other income (expense), net:		
Interest income, net	8,387	2,435
Loss on disposal of assets	(71)	-
Other income, net	(413)	-
Total other income (expense), net	7,903	2,435
Net loss	$ (101,733)	$ (76,453)
Unrealized gain (loss) on investments	953	(1,596)
Comprehensive loss	$ (100,780)	$ (78,049)

Operating Expenses

Research and Development Expenses

Research and development expenses were $32.1 million for the nine three months ended September 30, 2023 compared to $54.3million for the nine months ended September 30, 2022, a decrease of $22.2 million March 31, 2023. The decrease in research and development expenses change was primarily attributable to a decrease of $13.6 million in clinical trial related activities and contract manufacturing activities for our clinical trials and drug supply, a $6.4 million decrease in personnel costs, a $1.2 million decrease in other research and development costs related to service agreements, and $1.0 million decrease in facilities costs and associated lease expense.

General and Administrative Expenses

General and administrative expenses were $26.4 million for the nine months ended September 30, 2023 compared to $24.6 million for the nine months ended September 30, 2022, driven by an increase of $1.8 million. The increase in general and administrative expense was comprised of an increase of $3.4 million in facilities costs, lease expense, and depreciation and amortization expense due to an increase $1.0 million in the allocation fair value of general the preferred stock warrants liability, resulting in a non-recurring, non-cash charge at the close of the Merger, and administrative use of facilities and $0.7 million in personnel-related costs, including associated stock-based compensation expense. This was partially offset by a decrease of $2.3 million $0.8 million increase in professional service fees and expenses.

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Restructuring and Impairment Costs

Restructuring and impairment costs for the nine months ended September 30, 2023 consisted primarily of costs incurred related to the corporate restructuring, including $35.0 million of non-cash impairment related to the decision not to utilize the Bayside Area Development lease, $7.9 million related to severance expense incurred as part of the Restructuring Plan, $6.8 million related to the impairment and loss on the disposal of property and equipment, and $1.4 million of non-cash impairment related to the decision not to utilize the South San Francisco lease.

Other Income (Expense), Net

The other income (expense), net for the nine months ended September 30, 2023 and 2022 was comprised of income received from the asset purchase agreement, as well as interest income and income received from the sublease arrangement.

income.

Liquidity and Capital Resources

We have incurred losses since inception and have incurred negative cash flows from operations from inception through September 30, 2023.

Sources of Liquidity

As of September 30, 2023 March 31, 2024, we had $234.0 million $213.3 million of cash, cash equivalents and marketable securities securities. We have incurred net losses in each year since inception and our as of March 31, 2024, we had an accumulated deficit was $344.1 million of $111.9 million. In June Our net losses were $16.6 million and July 2021, $12.7 million for the three months ended March 31, 2024 and 2023, respectively. These losses have resulted principally from costs incurred in connection with research and development activities and selling, general and administrative costs associated with our operations. We expect to continue to incur significant expenses and operating losses as we raised net proceeds seek approval and begin commercialization. These costs include expenses associated with the regulatory approval process for LNZ100, and the preparation for the potential commercial launch of $251.3 million in our IPO, pursuant product, subject to which FDA approval.

From inception through March 31, 2024, we sold an aggregate received funding of 16,100,000 shares of common stock.

Prior to $13.0 million from our IPO, we funded our operations primarily initial seed financing, $47.0 million from the sale of redeemable convertible preferred stock and issuance Series A Convertible Preferred Stock, $10.0 million from the sale of convertible promissory notes.

On July 21, 2022, we filed the 2022 Shelf with the SEC in relation to the registration of up to an aggregate offering price of $300.0 million of common stock, preferred stock, debt securities, warrants and units or any combination thereof. We also simultaneously entered into a Sales Agreement to provide for the offering, issuance and sale by us of up to an aggregate of $75.0 million of our common stock from time to time in "at-the-market" offerings under the 2022 Shelf and subject to the limitations thereof. We will pay to the Sales Agent

cash commissions of up to 3.0 percent of the Series A-1 Convertible Preferred Stock, gross proceeds of sales $83.5 million from the sale of common stock under Series B Convertible Preferred Stock, approximately $117.8 million in cash and cash equivalents from the Sales Agreement. We have not issued any shares or received any Merger, and approximately $53.5 million in gross cash proceeds from any offerings under the 2022 Shelf PIPE investors through November 13, 2023.

Future the PIPE Financing.

Funding Requirements

Historically, our primary uses of cash were to fund our operations, which consisted primarily of research and development expenditures related to our programs and, to a lesser extent, general and administrative expenditures. We anticipate that we will continue to incur significant general and administrative expenses for the foreseeable future as we pursue other strategic alternatives, advance potential product candidates, maintain our corporate infrastructure, including the costs associated with being a public company, scale our laboratory and manufacturing operations, and incur marketing costs associated with potential commercialization. We are subject to all of the risks typically related to the development of new drug candidates, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. We anticipate that we will need substantial additional funding in connection with our continuing operations.

Based upon our current operating plan, we believe that our existing cash, cash equivalents and marketable securities will enable allow us to continue to build infrastructure and commercialize LNZ100, subject to NDA submission and FDA approval, and such funds are anticipated to fund the Company to positive operating cash flow subsequent to such commercial launch. This belief is based on assumptions that may prove to be wrong, and we could use our available capital resources sooner than expected. Changing circumstances, some of which may be beyond our control, could cause us to consume capital significantly faster than currently anticipated, and we may need to seek additional funds sooner than planned.

Our future capital requirements will depend on many factors, including but not limited to:

- the results, costs, and timing of any additional clinical trials we are required to complete for LNZ100;
- the costs and timing of manufacturing for LNZ100 and commercial manufacturing if LNZ100 is approved;
- costs associated with establishing a sales, marketing, and distribution infrastructure to commercialize LNZ100 if we obtain marketing approval;
- our ability to generate positive operating expenses cash flow from sales of LNZ100 subsequent to commercial launch of LNZ100, if LNZ100 is approved;

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- the costs, timing, and outcome of regulatory review of LNZ100;
- the legal costs of obtaining, maintaining, and enforcing our patents and other intellectual property rights;
- our efforts to enhance operational systems and hire additional personnel to satisfy our obligations as a public company;

- the terms and timing of establishing and maintaining licenses and other similar arrangements;
- our ability to achieve sufficient market acceptance and adequate market share and revenue for LNZ100, if approved; and
- costs associated with any products or technologies that we may in-license or otherwise acquire or develop.

Prior to the Merger, LENZ OpCo funded its operations primarily through the sale and issuance of convertible preferred stock and it is possible that we may require additional financing. We intend to evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance and the condition of the capital expenditure requirements for markets at the next 12 months from time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance date of this Form 10-Q. Until we can generate sufficient revenues from the commercialization of product candidates or from collaboration agreements with third parties, if ever, we expect to finance our future cash needs through public or private equity or debt financings, collaborations and other strategic alliances and licensing arrangements, or any combination of these approaches. The sale of equity or convertible debt equity-linked securities, those securities may result in dilution to our stockholders and, in the case of preferred equity securities or convertible debt, those securities could provide for have rights, preferences or privileges senior to those the rights of our common stock. Debt financings stock, and our stockholders may experience dilution. If we raise additional funds through the incurrence of indebtedness, then we may be subject us to covenant increased fixed payment obligations and could be subject to restrictive covenants, such as limitations or restrictions on our ability to take specific actions, such as incurring incur additional debt, making capital expenditures or declaring dividends. Our ability to raise additional funds may be and other operating restrictions that could adversely impacted by negative global economic conditions and any disruptions to and volatility in the credit and financial markets in the United States and worldwide that have resulted and may result from inflationary pressures or other factors. There can be no assurance that we will be successful in acquiring additional funding at levels sufficient to fund our operations or on terms favorable or acceptable to us. If we are unable to obtain adequate financing when needed or on terms favorable or acceptable to us, we may be forced to delay, reduce the scope of or eliminate one or more of our research and development programs.

Because our resource requirements could materially change depending on the outcome of our ongoing strategic alternative review process, we are unable to estimate the exact amount of our working capital requirements. In addition to factors related to the strategic alternative review process, our future capital requirements may depend on many other factors, including:

- the timing, scope, progress, results and costs of research and development, discovery, preclinical and non-clinical studies and clinical trials for our current and future prod candidates;
- the number, scope and duration of clinical trials required for regulatory approval of our current and future product candidates;
- the outcome, timing and cost of seeking and obtaining regulatory approvals from the FDA and comparable foreign regulatory authorities for our product candidates, includ any requirement to conduct more studies or generate additional data beyond that which we currently expect would be required to support a marketing application;
- the cost of manufacturing clinical and commercial supplies of our current and future product candidates;
- the costs and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our product candidates for which receive marketing approval;
- impact our ability to maintain existing, and establish new, strategic collaborations, licensing or other arrangements and the financial terms of any such agreements, includ the timing and amount of any future milestone, royalty or other payments due under any such agreement;

- *any product liability or other lawsuits related to our products;*
- the revenue, if any, received from commercial sales of any product candidates for which we may receive marketing approval;
- our ability to establish a commercially viable pricing structure and obtain approval for coverage and adequate reimbursement from third-party and government payers;
- the costs to establish, maintain, expand, enforce and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may required to make, or that we may receive, in connection with licensing, preparing, filing, prosecuting, defending and enforcing our patents or other intellectual property righ
- expenses needed to attract, hire and retain skilled personnel; and
- the costs of operating as a public company.

A change in the outcome of any of these or other variables could significantly change the costs and timing associated with the development of our product candidates. Furthermore, our operating plans may change in the future, and we may need additional funds to meet operational needs and capital requirements associated with such change.

Cash Flows

The following table summarizes our sources and uses of cash flows for the periods years presented (in (amounts in thousands):

	Nine Months Ended September 30,

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	2023	2022
Net cash used in operating activities	$ (44,130)	$ (65,551)
Net cash provided by (used in) investing activities	179,264	(255,387)
Net cash provided by financing activities	124	353
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 135,258	$ (320,585)

	Three Months Ended March 31,	
	2024	2023
Net cash (used in) provided by:		
Operating activities	$ (23,937)	$ (12,798)
Investing activities	18,000	(6)
Financing activities	171,268	83,179
Net increase in cash and cash equivalents	$ 165,331	$ 70,375

Net Cash Used in Operating Activities

Net cash used in operating activities was $44.1 million primarily results from net loss adjusted for non-cash expenses, changes in working capital components, amounts due to contract research organizations to conduct our clinical programs, manufacturing of drug product and employee-related expenditures for research and development and selling, general and administrative activities. Cash flows from operating activities will continue to be impacted by spending to develop and pursue regulatory approval for LNZ100 and commercialization activities, if approval is obtained, and will also be impacted by our revenues from commercialization activities, if approval is obtained. Cash flows will also continue to be affected by other operating and general administrative activities, including operating as a public company.

For the nine three months ended September 30, 2023 March 31, 2024, which was primarily attributable to our net loss of $101.7 million, adjusted for net non-cash charges of $54.4 million and net changes in operating assets and liabilities of $3.3 million. Non-cash charges included $43.3 million of impairment expense, $8.3 million in stock-based compensation expense, and $3.9 million in non-cash lease expense, which is partially offset by $1.1 million in depreciation and amortization expenses.

Net cash used in operating activities was $65.6 million for the nine months ended September 30, 2022, which was primarily attributable to our $23.9 million and resulted from (i) net loss of $76.5 million $16.6 million plus an $8.5 million decrease in accounts payable and accrued liabilities and a $0.5 million increase in operating assets, offset by (ii) $1.7 million in non-cash adjustments primarily related to the change in the fair value of preferred warrants and share-based compensation expense.

For the three months ended March 31, 2023, cash used in operating activities was $12.8 million and resulted from (i) net changes loss of $12.7 million, plus a $0.7 million decrease in accounts payable and accrued liabilities, offset by (ii) a $0.4 million decrease in operating assets and liabilities of $4.6 million, adjusted for net noncash charges of $15.6 million. Noncash charges included $9.9 million $0.2 million in stock-based non-cash adjustments primarily related to share-based compensation expense, $4.5 million in noncash lease expense, and $1.2 million in depreciation and amortization expense.

Net Cash Used in Provided by (Used in) Investing Activities

Net cash

Cash provided by investing activities was $179.3 million for the nine three months ended September 30, 2023 March 31, 2024 was $18.0 million, which was primarily attributable due to cash received from the maturity of investments of $217.0 million and proceeds from sale maturities of property and equipment of $1.2 million. This was partially offset by cash used the investment in current and non-current marketable securities of $28.1 million and the purchases of tenant improvements and lab equipment at our headquarters of $10.8 million.

Net cash securities.

Cash used in investing activities was $255.4 million for the nine three months ended September 30, 2022, which March 31, 2023 was primarily attributable to the investment in current and non-current marketable securities of $339.8 million and the purchases of lab equipment for use at our headquarters of $5.6 million. This was partially offset by cash received from the maturity of investments of $90.0 million.

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Net Cash Provided by Financing Activities

Net cash provided by financing activities for

For the nine three months ended September 30, 2023 was $0.1 million for the nine months ended September 30, 2023 March 31, 2024, which consisted primarily of proceeds from issuance of common stock related to the employee stock purchase plan and exercise of options. This was partially offset by repurchases of unvested early exercised stock options and RSAs.

Net cash provided by financing activities was $0.4 million for $171.3 million and includes $117.8 million in cash and cash equivalents acquired in the nine Merger and $53.5 million in gross cash proceeds from the PIPE Financing.

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For the three months ended September 30, 2022 March 31, 2023, which cash provided by financing activities was $83.2 million and consisted primarily of $83.0 million in proceeds from issuance the sale by LENZ OpCo of common Series B Convertible Preferred Stock, and $0.2 million in net cash proceeds from the exercise of LENZ OpCo stock related to options.

Material Cash Requirements from Contractual Obligations

In February 2022, we entered into a lease for 2,930 square feet of office space in Del Mar, California. In March 2023, we entered into a lease amendment for a 647 square feet expansion of our office space at the employee stock purchase plan and stock grants.

Recently Adopted Accounting Pronouncements

For information on new accounting standards, see same facility. The term of the lease, as amended, is forty-eight months from the original commencement date, terminating March 31, 2026, unless terminated sooner. In April 2024, we entered into a lease for 9,795 square feet of office space in Solana Beach, California. The term of the lease is 39 months from the commencement date of July 1, 2024, ending September 30, 2027. See Note 2 11 to our condensed consolidated financial statements included elsewhere in this Quarterly Report.

Report on Form 10-Q for further details related to this lease.

Rent expense is recorded on a straight-line basis. Cash paid for rent for the three months ended March 31, 2024 and 2023 was $38,000 and $29,000, respectively. We expect cash paid for rent to increase during the three months ended June 30, 2024 due to the lease of office space in Solana Beach, California. See Note 6 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for details related to future lease payments as of March 31, 2024.

We also have contracts with various organizations to conduct research and development activities, including clinical trial organizations to manage clinical trial activities and manufacturing companies to manufacture the drug product used in the clinical trials. The scope of the services under these research and development contracts can be modified and the contracts cancelled by us upon written notice. In the event of a cancellation, the company would be liable for the cost and expenses incurred to date as well as any close out costs of the service arrangement.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in the rules and regulations of the SEC.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our the financial condition and results of operations are is based on our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, which have been prepared in accordance with accounting principles generally accepted in the United States of America. U.S. GAAP. The preparation of these our condensed consolidated financial statements requires us to make certain estimates, judgements and judgments assumptions that affect the reported amounts of assets liabilities, and expenses and the disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements, as well as the reported amounts of expenses during the periods presented. We believe that the estimates, judgments and assumptions are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our condensed consolidated financial statements will be affected. Historically, revisions to our estimates have not resulted in a material change to our condensed consolidated financial statements. On an ongoing basis,

While our significant accounting policies are described in more detail in the notes to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we evaluate believe the following accounting policies to be most critical to the judgments and estimates used in the preparation of our estimates condensed consolidated financial statements.

Preferred Stock Warrants Liability

LENZ OpCo had freestanding warrants to purchase shares of Series A convertible preferred stock, referred to herein as the Series A Warrants. Upon certain change in control events that were outside of LENZ OpCo's control, including liquidation, sale or transfer of control, holders of the preferred stock could cause redemption of such warrants. The Series A Warrants were revalued at each subsequent balance sheet date, with fair value changes recognized as increases or reductions to other income (expense), net in the accompanying statements of operations. See Note 2 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for information concerning certain of the specific assumptions we used in determining the value of the Series A Warrants at each reporting period. Upon completion of the Merger, the Series A Warrants became exercisable into shares of common stock and judgments, including but not limited will no longer continue to those related to accrued research and development costs, be remeasured at each reporting date.

Stock-Based Compensation Expense

Stock-based compensation expense represents the cost of the grant date fair value of equity awards recognized over the requisite service period of the awards (usually the vesting period) on a straight-line basis. We estimate the fair value of redeemable convertible preferred stock, investments in marketable securities, equity awards using the Black-Scholes option pricing model and common stock and stock-based compensation expense, recognize forfeitures as they occur. Estimating the valuation fair value of deferred tax assets, and uncertain income tax positions. We base our estimates on historical experience, known trends and events and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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Other than the disclosures below, there have been no significant changes in our critical accounting policies and estimates equity awards as compared to the critical accounting policies and estimates disclosed in Management's Discussion and Analysis of Financial Condition and Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Leases

ASU No. 2016-02, Leases (Topic 842), or ASC 842, requires the recognition of the right-of-use assets grant date using valuation models, such as the Black-Scholes option pricing model, is affected by assumptions regarding a number of variables, including the risk-free interest rate, the expected stock price volatility, the expected term of stock options, the expected dividend yield and related operating and finance lease liabilities on the balance sheet. For contracts entered into on or after the effective date, at the inception of a contract, we assess whether the contract is, or contains, a lease. The assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether we obtain the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether we have the right to direct the use of the asset. At inception of a lease, we allocate the consideration in the contract to each lease component based on its relative stand-alone price to determine the lease payments.

Leases are classified as either finance leases or operating leases. A lease is classified as a finance lease if any one of the following criteria are met: the lease transfers ownership of the asset by the end of the lease term, the lease contains an option to purchase the asset that is reasonably certain to be exercised, the lease term is for a major part of the remaining useful life of the asset or the present value of the lease payments equals or exceeds substantially all of the fair value of the asset. A lease underlying common stock on the date of grant. Changes in the assumptions can materially affect the fair value and ultimately how much stock-based compensation expense is classified recognized. We determine the inputs and assumptions to the Black-Scholes option pricing model in the following manner:

Fair Value of Common Stock—Prior to the Merger, since there was no public market for our common stock, our board of directors, with input from management, determined the fair value of our common stock on each grant date by considering a number of objective and subjective factors, the achievement of clinical and operational milestones by the Company, the significant risks associated with the Company's stage of development, capital market conditions for life science companies, particularly similarly situated, privately held, early-stage life science companies, the Company's available cash, financial condition, and results of operations, the most recent sales of the Company's convertible preferred stock, the preferential rights of the outstanding convertible preferred stock and Class B convertible common stock. Historically, these independent third-party valuations of our equity instruments were generally performed contemporaneously with identified value inflection points. Following the Merger, the fair market value of our common stock is based on its closing price as an operating lease reported on the date of grant on the primary stock exchange on which our common stock is traded, adjusted for special dividends, if any.

Expected Term—The Company uses the simplified method as prescribed by the Securities and Exchange Commission Staff Accounting Bulletin No. 107, *Share-Based Payment*, to calculate the expected term for options granted to employees as it does not meet any have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term.

Expected Volatility—Given our limited historical stock price volatility data, we derived the expected volatility from the average historical volatilities over a period approximately equal to the expected term of these criteria.

For all leases at comparable publicly traded companies within our peer group that were deemed to be representative of future stock price trends as we have limited trading history for our common stock. We will continue to apply this process until a sufficient amount of historical information regarding the lease commencement date, volatility of our own stock price becomes available.

Risk-Free Interest Rate—The risk-free interest rate is based on a right-of-use asset and a lease liability are recognized. The right-of-use asset represents United States Treasury instrument whose term is consistent with the right to use the leased asset for the lease term. The lease liability represents the present value expected term of the lease payments under stock options.

Expected Dividend Yield—The expected dividend yield is based on the lease.

Company's historical and expected dividend payouts. The right-of-use asset is initially measured at cost, which primarily comprises Company has historically paid no dividends, other than the initial amount special dividend paid by Graphite immediately prior to the close of the lease liability, plus any initial direct costs incurred, if any, less any lease incentives received. All right-of-use assets are reviewed for impairment. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit Merger, and does not anticipate dividends to be paid in the lease or, if that rate cannot be readily determined, our secured incremental borrowing rate for the same term as the underlying lease. For real estate leases and other operating leases, we use our secured incremental borrowing rate. For finance leases, we use the rate implicit in the lease or our secured incremental borrowing rate if the implicit lease rate cannot be determined. future.

Other Company Information

Lease payments included in the measurement of the lease liability comprise the following: the fixed noncancelable lease payments, payments for optional renewal periods where it is reasonably certain the renewal period will be exercised, and payments for early termination options unless it is reasonably certain the lease will not be terminated early.

Lease cost for operating leases consists of the lease payments plus any initial direct costs, primarily brokerage commissions and is recognized on a straight-line basis over the lease term. Included in lease cost are any variable lease payments incurred in the period that are not included in the initial lease liability and lease payments incurred in the period for any leases with an initial term of 12 months or less. Lease cost for finance leases consists of the amortization of the right-of-use asset on a straight-line basis over the lease term and interest expense determined on an amortized cost basis. The lease payments are allocated between a reduction of the lease liability and interest expense.

Leasehold improvements are not unique and are retained by the lessor at the end of the lease. However, we are the accounting owner of the leasehold improvements in the case of a space designed to be suitable for our specific real estate needs if we are also responsible for cost overruns.

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We elected to make an accounting policy of the short-term leases exemption to leases with a remaining lease term of less than 12 months as at the date of initial adoption.

Impairment of Long-Lived Assets

We assess the impairment of long-lived assets whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. In the case of property and equipment and right-of-use assets for our leases, we

determine whether there has been an impairment by comparing the carrying value of the asset to the anticipated undiscounted net cash flows associated with the asset. If such cash flows are less than the carrying value, we write down the asset to its fair value, which may be measured as anticipated discounted net cash flows associated with the asset.

As discussed in Note 11 to our condensed financial statements included elsewhere in this Quarterly Report, in connection with our Restructuring Plan, we have made the decision not to utilize the Bayside Area Development premises (the “Bayside lease”). We are currently seeking to sublease the vacated premises while still maintaining sufficient office and laboratory space for our normal operations. As a result, we reviewed the Bayside lease for impairment as of April 2023 when we received access to the premises and will subsequently review at each reporting date or as facts and circumstances changed. As part of our impairment evaluation of the Bayside lease, we separately compared the estimated undiscounted income to the net book value of the related long-term assets, which include right-of-use assets and certain property and equipment, primarily leasehold improvements. We estimated sublease income using market participant assumptions, including the length of time to enter into a sublease and sublease payments, which we evaluated using sublease negotiations or agreements where applicable, current real estate trends, and market conditions. If such income exceeded the net book value of the related assets, we did not record an impairment charge. Otherwise, we recorded an impairment charge by reducing the net book value of the assets to their estimated fair value, which we determined by discounting the estimated sublease cash flows using the estimated borrowing rate of a market participant subtenant. Determination of these key assumptions is complex and highly judgmental.

For certain impairment charges, we used the terms of active sublease negotiations or agreements to estimate sublease income. Jumpstart Our estimate of future cash flows on the remaining floors, including the time to enter into a sublease and the terms of sublease payments, including estimated free rent periods, are based on current real estate trends and market conditions. Accordingly, if our estimates for the time to enter the sublease and estimated free rent periods were longer (shorter), the impairment charge would be higher (lower), and if our estimates for the rental rates were lower (higher), the impairment charge would be higher (lower). Given the current office lease market rental conditions in the Bay Area, our estimates are subject to significant uncertainty. The ultimate amount of sublease income may be significantly lower or higher than the amounts used to record our impairment charges, and we may record additional impairment charges in future periods as our estimates change or when we enter into sublease negotiations or execute a sublease agreement. Business Startups Act (

Emerging Growth Company and Smaller Reporting Company Status “

JOBS Act”)

We are an emerging growth company, as defined in the JOBS Act. Under Act, and we may remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the initial public offering of Graphite’s common stock (i.e., December 31, 2026). For so long as we remain an emerging growth company, we are permitted and intend to rely on certain exemptions from various public company disclosure and reporting requirements, including not being required to have our internal control over financial reporting audited by our independent registered public accounting firm pursuant to Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and any golden parachute payments not previously approved. Accordingly, the information we disclose in our SEC filings may not be comparable with the information stockholders receive from other public companies in which they may hold stock.

Additionally, under the JOBS Act, emerging growth companies can delay the adoption of adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Other exemptions and reduced reporting requirements under Prior to the JOBS Act for emerging growth companies include presentation of only two years of audited financial statements in a registration statement for an initial public offering, an exemption from the requirement to provide an auditor’s report on internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, as amended, an exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation and less extensive disclosure about our executive compensation arrangements. We have Merger, Graphite elected to use, the and we intend to continue to use, this extended transition period for complying with certain or new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that (i) we are no longer an emerging growth company or (ii) we affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act.

However, as described in Note 2 to our condensed financial statements included elsewhere in this Quarterly Report, we early adopted certain accounting standards, as the JOBS Act does not preclude an emerging growth company from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies to the extent early adoption is permitted. As a result, our financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the earliest of (i) the last day of our first the fiscal year (a) following the fifth anniversary of the closing of Graphite's initial public offering (i.e., December 31, 2026), (b) in which we have total annual gross revenues revenue of at least $1.235 billion, or more, (ii) December 31, 2026, (iii) the date on (c) in which we are deemed to be a “large large accelerated filer,” under the rules of the SEC, which means the market value of equity securities our common stock that is held by non-affiliates exceeds $700.0 million as of the prior June 30th, and (iv) (ii) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period.

period, or (iii) if we affirmatively and irrevocably opt out of the extended transition period provided by the JOBS Act.

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We are also a “smaller reporting company” because the market value of Graphite’s stock held by non-affiliates was less than $700 million as of June 30, 2023 and its annual revenue was less than $100 million during the fiscal year ended December 31, 2023. We may continue to be a smaller reporting company in any given year if either (i) the market value of our stock held by non-affiliates is less than $250 million as of June 30 in the most recently completed fiscal year or (ii) our annual revenue is less than $100 million during the most recently completed fiscal year and the market value of our stock held by non-affiliates is less than $700 million as of June 30 in the most recently completed fiscal year. If we are a “smaller smaller reporting company” company at the time we cease to be an emerging growth company, we may continue to rely on exemptions from certain disclosure requirements that are available to smaller reporting companies. Specifically, as a smaller reporting company we may choose to present only the two most recent fiscal years of audited financial statements in our Annual Report on Form 10-K and, similar to emerging growth companies, smaller reporting companies have reduced disclosure obligations regarding executive compensation.

Recent Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Under SEC rules and regulations, as Risk

We are a smaller reporting company we as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are not required to provide the information required by under this item.

Item 4. Controls and Procedures.

Procedures

Evaluation of Disclosure Controls and Procedures

Our management,

The Company maintains disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Management, under the supervision and with the participation of our Chief Executive Officer who serves as our principal executive officer and our principal financial officer, has Chief Financial Officer, evaluated the effectiveness of our the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the pursuant to Exchange Act of 1934, as amended (the “Exchange Act”)) Rule 13a-15(b) as of the end of the period covered by this Quarterly Report. March 31, 2024. Based upon on that evaluation, our the Chief Executive Officer has and the Chief Financial Officer concluded that as of September 30, 2023, our these disclosure controls and procedures were effective to provide at the reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer, level as appropriate, to allow timely decisions regarding required disclosure.

of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There

On March 21, 2024, we completed the Merger. Other than any changes relating to the integration of internal controls in connection with the Merger, there were no changes in our internal control over financial reporting (as defined identified in Rules 13a-15(f) connection with the evaluation required by Rule 13a-15(d) and 15d-15(f) under 15d-15(d) of the Exchange Act) Act that occurred during the quarter three months ended September 30, 2023 March 31, 2024 that has have materially affected, or is are reasonably likely to materially affect, our internal control over financial reporting.

Inherent

Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system,

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

PART II—OTHER INFORMATION

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Part II. Other Information

Item 1. Legal Proceedings. Proceedings

Merger Proceedings

In connection with the Merger, one complaint was filed in the United States District Court for the Northern District of California captioned Glen Chew v. Graphite Bio, Inc. et al., Case No. 3:24-cv-00613 (filed February 1, 2024) (the "Chew Complaint") and one complaint was filed in the United States District Court for the District of Delaware captioned Kevin Turner v. Graphite Bio, Inc. et al., Case No. 1:24-cv-00241-UNA (filed February 22, 2024) (the "Turner Complaint" and collectively, the "Complaints"). The Complaints generally alleged that the

definitive proxy statement/prospectus (the "Proxy Statement/Prospectus") included in Graphite's Registration Statement on Form S-4 (File No. 333-275919), filed with the Securities and Exchange Commission (the "SEC"), misrepresents and/or omits certain purportedly material information relating to LENZ's financial projections, the analyses performed by the financial advisor to Graphite's Board of Directors in connection with the Merger, potential conflicts of interest of the financial advisor to Graphite's Board of Directors, potential conflicts of interest of Graphite's officers, and Graphite's liquidation analysis. The Complaints asserted violations of Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-9 promulgated thereunder against all defendants (Graphite, its Board of Directors and certain officers) and violations of Section 20(a) of the Exchange Act against Graphite's directors and officers. The Complaints sought orders rescinding the Merger or awarding rescissory damages, as well as costs, including attorneys' and experts' fees. On March 22, 2024, the Chew Complaint was voluntarily dismissed and on April 17, 2024, the Turner Complaint was dismissed.

Graphite also received twelve demand letters by purported Graphite stockholders from December 14, 2023 to March 20, 2024 seeking additional disclosures in the Proxy Statement/Prospectus (the "Demands").

We are not party cannot predict the outcome of any litigation or the Demands. The Company and the individual defendants intend to vigorously defend against the Demands and any material legal proceedings at this time. subsequently filed similar actions. It is possible additional lawsuits may be filed or additional demand letters may be received arising out of the Merger.

Other Proceedings

From time to time, we may become involved in various be subject to legal proceedings that arise and claims arising in the ordinary course of our business.

We are not currently a party to or aware of any proceedings that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors.

This Factors

An investment in our common stock involves a high degree of risk. In addition to the risk and uncertainties described under the section titled "Cautionary Note Regarding Forward-Looking Statements," in this Quarterly Report on Form 10-Q contains forward-looking you should consider carefully the risks and uncertainties described below, together with all of the other information based contained in this Quarterly Report on Form 10-Q, including our current expectations. Because condensed consolidated financial statements and related notes, before deciding to invest in our common stock. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our common stock could decline, and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business or results of operations.

Summary Risk Factors

Our business is subject to many numerous risks and uncertainties that you should consider before investing in our actual company, as more fully described below. The principal factors and uncertainties that make investing in our company risky include, among others:

- We are a late-stage biopharmaceutical company with limited operating history. We have incurred significant losses and negative cash flows from operations since our formation, and we anticipate that we will continue to incur losses as we seek approval and begin commercialization. We have no products approved for commercial sale, which may make it difficult for you to evaluate our current business and predict our future success and viability.
- Our business depends entirely on the development and commercialization of LNZ100, and we do not have additional product candidates in our current development pipeline. If we are unable to successfully complete our

clinical development program for LNZ100 and obtain the marketing approvals necessary to commercialize LNZ100, or experience significant delays in doing so, or if after obtaining marketing approvals, we fail to commercialize LNZ100, our business will be materially harmed. We currently generate no revenues from sales of any products and may never generate revenue or be profitable.

- Clinical trials are expensive, time-consuming, difficult to design and implement and involve an uncertain outcome. The outcome of preclinical testing and earlier clinical trials may not be predictive of the success of later clinical trials. The results of our clinical trials may differ not satisfy the requirements of the FDA, European Medicines Agency

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("EMA") or other comparable foreign regulatory authorities, and we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of such product candidate.

- Even if LNZ100 or any other product candidate receives marketing approval, they may fail to achieve market acceptance by eye care professionals ("ECPs") and patients, and the market opportunity for these products, if approved, may be smaller than we estimate.
- If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market our product candidates on acceptable terms, we may be unable to successfully commercialize our product candidates that obtain regulatory approval.
- If we are unable to obtain and maintain sufficient intellectual property protection for our technology and products and product candidates we may develop, or if the scope of the intellectual property protection obtained is not sufficiently broad, our competitors or other third parties could develop and commercialize products similar or identical to ours, and our ability to successfully develop and, if approved, commercialize our product candidates may be adversely affected.
- We face significant competition, and if our competitors develop and market technologies or products more rapidly than we do or that are more effective, safer or less expensive than the product candidates we develop, our commercial opportunities will be negatively impacted. Our product candidates may, if approved, also face competition from existing branded, generic and off-label products.
- We contract with third parties for the manufacture of our product candidates for our ongoing clinical trials, and expect to continue to do so for additional clinical trials and ultimately for commercialization. This reliance on third parties increases the risk that we will not have sufficient quantities of our product candidates or drugs or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.
- We have relied, and expect to continue to rely on third parties, including independent clinical investigators and CROs, to conduct, supervise and monitor certain aspects of our clinical trials and any future preclinical studies. If these third parties do not successfully carry out their contractual duties, comply with applicable regulatory requirements or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates, or such approval or commercialization may be delayed, and our business could be substantially harmed.
- Our success is highly dependent on our ability to attract and retain highly skilled executive officers and employees.
- An active trading market for our common stock may never develop or be sustained.
- The market price of our common stock is expected to be volatile, and the market price of the common stock may drop following the Merger.

Risks Related to Our Limited Operating History, Development and Commercialization of Our Product Candidates

We are a late-stage biopharmaceutical company with limited operating history. We have incurred significant losses and negative cash flows from operations since our formation, and we anticipate that we will continue to incur losses as we seek approval and begin commercialization. We have no products approved for commercial sale, which may make it difficult for you to evaluate our current business and predict our future success and viability.

We are a late-stage biopharmaceutical company with limited operating history. Our operations to date have been limited to organizing the company, raising capital, developing our product candidates and beginning to prepare for commercialization, including building our commercial strategy, supply chain and distribution network. Consequently, any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history. In addition, as a new business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If LNZ100 is approved by the FDA, we will need to further expand our commercialization infrastructure to successfully launch such product. We have not yet demonstrated our ability to successfully obtain marketing approvals, complete arrangements for third parties to manufacture the commercial-scale product on our behalf, or conduct sales and marketing activities necessary for successful product commercialization, and we may not be successful in such a transition.

We do not have any products approved for sale, we have not generated any revenue from the sale of products, we have incurred significant net losses since the company's formation and have funded our operations primarily from the sale and issuance of redeemable convertible preferred stock, and recently the Merger and PIPE Financing. Our net losses were $16.6 million and $12.7 million for the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024, we had an accumulated deficit of $111.9 million. Additionally, the net losses we incur may fluctuate significantly from quarter to quarter such that a period-to-period comparison of our results of operations may not be a good indicator of our future performance. The size of our future net losses and our ability to potentially achieve profitability will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue.

We expect to continue incurring significant expenses and increasing operating losses as we seek approval and begin commercialization. We anticipate that our expenses will increase substantially if and as we:

- initiate additional clinical and other studies for our product candidates;
- change or add additional manufacturers or suppliers, some of which may require additional permits or other governmental approvals;
- create additional infrastructure to support our operations as a public company and our product development and planned future commercialization efforts;
- seek marketing approvals for our product candidates;
- establish a sales, marketing, and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- seek to identify, acquire, and develop additional product candidates;
- acquire or in-license other product candidates and technologies;
- make milestone or other payments in connection with the development or approval of our product candidates;

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- maintain, protect, and expand our intellectual property portfolio; and
- experience any delays or encounter issues with any of the above.

Our prior losses and expected future losses have had and will continue to have an adverse effect on our working capital and ability to achieve and maintain profitability.

Our business depends entirely on the development and commercialization of LNZ100, and we do not have additional product candidates in our current development pipeline. If we are unable to successfully complete our clinical development program for LNZ100 and obtain the marketing approvals necessary to commercialize LNZ100, or experience significant delays in doing so, or if after obtaining marketing approvals, we fail to commercialize LNZ100, our business will be materially harmed. We currently generate no revenues from sales of any forward-looking statements made products and may never generate revenue or be profitable.

We have devoted a significant portion of our financial resources and business efforts to the development of LNZ100 and LNZ101, both of which include aceclidine as an active ingredient, for the treatment of presbyopia. Based on the results of our Phase 3 CLARITY trials, we selected LNZ100 as our lead product candidate, for which we plan to submit an NDA in mid-2024. We do not currently have other product candidates in our development pipeline, and our success depends entirely on LNZ100. We have no products approved for commercial sale and do not anticipate generating any revenue unless LNZ100 receives the regulatory approval necessary for commercialization. Our ability to generate revenues from product sales will depend on us obtaining marketing approval for and commercializing LNZ100, and we cannot accurately predict when or if LNZ100 will be determined by the FDA to be effective in humans for the proposed indication or whether it will receive marketing approval. Our ability to generate revenue and achieve profitability also depends significantly on behalf our ability, or any future collaborator's ability, to achieve a number of us, objectives, including:

- successful and timely completion of clinical development of LNZ100 and any other future product candidates;
- effective investigational new drug applications ("INDs") from the discussion FDA or comparable foreign applications that allow the commencement of our clinical trials or future clinical trials for such product candidates;
- completion of clinical studies in compliance with the FDA's current Good Clinical Practices ("GCPs") with positive results;
- the prevalence and severity of adverse events experienced with any of our product candidates;
- establishing and maintaining relationships with CROs and clinical sites for the clinical development, both in the United States and internationally, of our product candidates, including LNZ100 and any other future product candidates;
- timely receipt of marketing approvals from applicable regulatory authorities for any product candidates for which we successfully complete clinical development for their intended uses;
- making any required post-marketing approval commitments to applicable regulatory authorities;
- establishing and maintaining commercially viable supply and manufacturing relationships with third parties that can provide adequate products and services, in both amount and quality, to support clinical development and meet the market demand for product candidates that we develop, if approved;
- successful commercial launch following any marketing approval, including the development of a commercial infrastructure, whether in-house or with one or more collaborators;
- maintaining compliance with regulatory requirements, including the FDA's current Good Manufacturing Practice ("cGMP") requirements;
- a continued acceptable safety profile both prior to and following any marketing approval of our product candidates;
- commercial acceptance of our product candidates by patients and the medical community;
- identifying, assessing and developing new product candidates;
- obtaining, maintaining and expanding patent protection, trade secret protection and regulatory exclusivity, both in the United States and internationally;
- protecting our rights in our intellectual property portfolio;
- defending against third-party interference or infringement claims, if any;
- obtaining favorable terms in any collaboration, licensing or other arrangements that may be necessary or desirable to develop, manufacture or commercialize our existing or acquired product candidates;
- addressing any competing therapies and technological and market developments; and
- attracting, hiring and retaining qualified personnel.

We may never be successful in achieving our objectives and, even if we are successful, we may never generate revenue that is significant or large enough to achieve profitability. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. If we fail to become and remain profitable, the value of our company could decrease. This could impair our ability to maintain or expand our research and development efforts, raise necessary additional capital, grow our business, and continue our operations.

Our current product candidate, LNZ100, is based on an active pharmaceutical ingredient ("API") that has been previously approved and marketed outside of the United States, which exposes us to additional risks.

The API in LNZ100, aceclidine, was previously approved by the EMA as a therapeutic for glaucoma by decreasing interocular pressure and had been marketed in more than 12 countries throughout Europe. Although we expect to obtain

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NCE exclusivity in the United States if we are the first to obtain FDA approval of a product candidate containing aceclidine as an API, such determination is only made at the time of approval. Accordingly, no regulatory authority, including the FDA, has established or provided any confirmation that our product candidate will in fact be regarded as an NCE, and there can be no assurance that LNZ100 will be the first product containing aceclidine to be approved by the FDA.

Additionally, we anticipate that manufacturers in Europe could make and sell aceclidine in generic form in the future, which could compete with our ability to commercialize in Europe. Previously, aceclidine was used as a treatment for glaucoma at concentrations higher than the concentrations used in LNZ100. It is possible that if aceclidine is used again in Europe, it could be used at the wrong dosage and increase the possibility that patients experience adverse side effects related to aceclidine. Any adverse side effects that arise from the use of any form of aceclidine could prevent or inhibit the commercialization of LNZ100 and seriously harm our business. Furthermore, if manufacturer demand for aceclidine increases in the future, particularly as a result of generic forms of aceclidine becoming available, we may not be able to continue to obtain aceclidine on commercially reasonable terms, which would seriously harm our business.

In addition, any approved or commercial drug product having the same API, including off-label use of such approved drug products, such as Glaucostat and other generic forms of the API, could reduce the profitability of LNZ100 even if we obtain marketing approval from FDA or regulatory authorities outside of the United States. Any commercially available drug product having the same API could prevent us from or limit our ability to commercialize or to establish market share in the same jurisdiction even if we were to obtain marketing authorization in such jurisdiction.

Clinical trials are expensive, time-consuming, difficult to design and implement and involve an uncertain outcome. The outcome of preclinical testing and earlier clinical trials may not be predictive of the success of later clinical trials. The results of our clinical trials may not satisfy the requirements of the FDA, EMA or other comparable foreign regulatory authorities, and we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of such product candidate.

Research and development of pharmaceutical products is inherently risky. We cannot give any assurance that any of our product candidates will receive regulatory, including marketing, approval, which is necessary before they can be commercialized. The clinical trials and manufacturing of our product candidates are, and the manufacturing and marketing of our products, if approved, will be, subject to extensive and rigorous review and regulation by numerous government authorities in the United States and in other countries where we intend to test and market our product candidates. Before obtaining regulatory approvals for the commercial sale of any of our product candidates, we must demonstrate through lengthy, complex and expensive preclinical studies and clinical trials that our product candidates are both safe and effective for use in each target indication. Product candidates in later stages of clinical trials may fail to show the desired safety, efficacy and durability profile despite having progressed through preclinical studies and initial clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety issues, notwithstanding promising results in earlier trials. Most product candidates that begin clinical trials are never approved by regulatory authorities for commercialization.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. We cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. Failure can occur at any time during the clinical trial process. Even if our ongoing and any future clinical trials are completed as planned, we cannot be certain that our results will support the safety and effectiveness of our product candidates for their targeted indications or support continued clinical development of such product candidates. Product candidates in later stages of clinical studies may fail to show the desired safety and efficacy data or meet endpoints despite having progressed through preclinical and clinical studies.

The results of our preclinical and clinical studies of product candidates may not be predictive of the results of early-stage or later-stage clinical trials, and results of early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. The results of clinical trials in one set of subjects may not be predictive of those obtained in another. In some instances, there can be significant variability in safety, efficacy or durability results between different clinical trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, changes in and adherence to the dosing regimen and other clinical trial protocols and the rate of dropout among clinical trial participants.

In addition, even if such clinical trials are successfully completed, we cannot guarantee that the FDA or foreign regulatory authorities will interpret the results as we do, and more trials could be required before we submit our product candidates for approval. For example, although we have sought and received feedback from FDA on the designs of our clinical trials, FDA may ultimately disagree that our Phase 3 trials support approval for LNZ100. Moreover, results acceptable to support approval in one jurisdiction may be deemed inadequate by another regulatory authority to support regulatory approval in that other jurisdiction. To the extent that the results of the trials are not satisfactory to the FDA or foreign regulatory authorities for support of a marketing application, we may be required to expend significant resources, which may not be available, to conduct additional trials in support of potential approval of LNZ100 or any future product candidates. Even if we secure regulatory approval for any of our product candidates, the terms of such approval may limit the scope and use of the product candidate, which may also limit its commercial potential.

We may also experience issues in conducting our clinical trials that would delay or prevent us from satisfying the applicable requirements of the FDA and other regulatory authorities, including:

- inability to generate sufficient preclinical, toxicology, or other in vivo or in vitro data to support the initiation of clinical trials for any future product candidates;
- delays in sufficiently developing, characterizing or controlling a manufacturing process suitable for advanced clinical trials;
- delays in reaching agreement with the FDA or other regulatory authorities as to the design or implementation of our clinical trials;
- obtaining regulatory authorization to commence a clinical trial;
- delays in reaching, or failure to reach, agreement on acceptable terms with clinical trial sites or prospective CROs, the terms of which can be subject to extensive negotiation and may vary significantly among different clinical trial sites;
- obtaining institutional review board (“IRB”) approval at each trial site;
- recruiting suitable patients to participate in a clinical trial;
- having patients complete a clinical trial or return for post-treatment follow-up;

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- inspections of clinical trial sites or operations by applicable regulatory authorities, or the imposition of a clinical hold;
- clinical sites, CROs or other third parties deviating from trial protocol or dropping out of a trial;
- failure to perform in this Form 10-Q accordance with applicable regulatory requirements, including the FDA's GCP requirements, or applicable regulatory requirements in other countries;
- addressing patient safety concerns that arise during the course of a trial, including occurrence of adverse events associated with the product candidate that are viewed to outweigh its potential benefits;
- adding a sufficient number of clinical trial sites;
- manufacturing sufficient quantities of product candidate for use in clinical trials; or
- suspensions or terminations by IRBs of the institutions at which such trials are being conducted, by the Data Safety Monitoring Board ("DSMB"), for such trial or by the FDA or other regulatory authorities due to a number of factors, including those described above.

While we have completed our Phase 3 CLARITY trials, we may experience numerous unforeseen events during, or as a result of, any future clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our product candidates or significantly increase the cost of such trials, including:

- changes in regulatory requirements or guidance, or receiving feedback from regulatory authorities, that requires us to modify the design of our clinical trials;
- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon development programs;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials at a higher rate than we anticipate;
- third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- we or our investigators might have to suspend or terminate clinical trials of our product candidates for various reasons, including non-compliance with regulatory requirements, a finding that our product candidates have undesirable side effects or other unexpected characteristics, or a finding that the participants are being exposed to unacceptable health risks;
- the cost of clinical trials of our product candidates may be greater than we anticipate and we may not have funds to cover the costs;
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate;
- regulators may revise the requirements for approving our product candidates, or such requirements may not be as we anticipate; and
- any future collaborators that conduct clinical trials may face any of the above issues, and may conduct clinical trials in ways they view as advantageous to them but that are suboptimal for us.

If we are required to conduct additional clinical trials or other testing of LNZ100 beyond our Phase 3 CLARITY trials, if we are unable to successfully complete clinical trials of any future product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- incur unplanned costs;
- be delayed in obtaining marketing approval for LNZ100 or any future product candidates or not obtain marketing approval at all;
- obtain marketing approval in some countries and not in others;
- obtain marketing approval for indications or patient populations that are not as broad as intended or desired;
- obtain marketing approval with labeling that includes significant use or distribution restrictions or safety warnings, including boxed warnings or a Risk Evaluation Mitigation Strategy ("REMS");
- be subject to additional post-marketing testing requirements;
- be subject to changes in the way the product is administered; or
- have regulatory authorities withdraw or suspend their approval of the product.

We cannot be certain that any future clinical trials will be successful. For example, use of LNZ100 requires the patient to follow a prescribed technique to administer the eye drops. In our Phase 2 clinical trial, patients were dosed by clinical staff in the office while in our Phase 3 clinical trials the product was self-administered by patients on the vast majority of days. While under our current trial design patients are only measured for efficacy on days they are in the office during the trial, during which they will be dosed by clinical staff, failure to properly administer the eye drops by the patient or inappropriate technique demonstration by the eye care professional ("ECP"), may adversely affect the outcome of LNZ100 in demonstrating safety or efficacy in one or more clinical trials. Additionally, any safety concerns observed in any one of our clinical trials in our targeted indications could limit the prospects for regulatory approval of our product candidates in those and other indications, which could have a material adverse effect on our business, financial condition and results of operations.

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Even if LNZ100 or any other product candidate receives marketing approval, they may fail to achieve market acceptance by ECPs and patients, and the market opportunity for these products, if approved, may be smaller than we estimate.

If LNZ100 or any other product candidate we develop receives marketing approval, they may nonetheless fail to gain sufficient market acceptance by ECPs, patients, and others in the medical community. Presbyopia is typically self-diagnosed and self-managed with over-the-counter reading glasses, or managed, after evaluation by an ECP, with prescription reading or bifocal glasses or multifocal contact lenses. LNZ100, if approved, would require a prescription by an ECP, which would require a visit to an ECP, which can be perceived to be more burdensome to an individual who has never previously visited an ECP and limit the number of prescriptions that are written. Some ECPs may also be deterred by the potential loss of revenue from the sale of contact lenses and glasses or feel uncomfortable prescribing a new product.

Currently, there is only one pharmacologic option for presbyopia marketed by AbbVie under the brand Vuity. Despite an initial strong commercial launch with over 120,000 prescriptions filled in 2022, the refill rate for Vuity has lagged due to a variety of reasons. Based on a survey of 40 ECPs in a study we commissioned, the majority of ECPs reported that the barrier to Vuity adoption was that the product either did not work or did not work long enough.

An additional survey of 18 optometrists indicated that 66% of their patients did not see duration past four hours despite one of the Vuity clinical trial results showing some effectiveness to the sixth hour. While the reported patient experience at three hours post-treatment aligns with the primary endpoint of Vuity efficacy at three hours in both Phase 3 trials, the limited functional benefit of Vuity at and beyond three hours was reportedly not sufficient to drive continued usage by patients. In fact, the ECPs and their patients identified both the low rate of effectiveness and the short duration of effectiveness as the key factors for discontinuing use. Because Vuity's clinical success did not translate to commercial success, it is possible that prior users of Vuity may be reluctant to try another miotic as a result of their negative experiences with Vuity. Similarly, even if we believe that the clinical data supporting LNZ100 may offer advantages over Vuity, the products have not been evaluated head-to-head, and LNZ100 may not, in fact, provide meaningful advantages resulting in greater adoption or acceptance by ECPs and patients, even if LNZ100 obtains marketing authorization.

Additionally, Vuity is marketed by AbbVie, a much larger pharmaceutical company with established brand recognition. As a result, even if LNZ100 demonstrates promising or superior clinical results, including the treatment of presbyopia, it is possible that ECPs may continue to rely on these treatments rather than LNZ100 or any other product candidate we develop, even if approved for marketing by the FDA. In addition, if generic versions of any products that compete with any of our product candidates are approved for marketing by the FDA, they would likely be offered at a substantially lower price than we expect to offer for our product candidates, if approved. As a result, ECPs, patients and others may choose to rely on such products rather than our product candidates.

If LNZ100 or any other product candidate does not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable. The degree of market acceptance of LNZ100 or any other product candidate that we develop, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and potential advantages of our product candidates compared to alternative treatments, including the existing standard of care;
- our ability to offer products for sale at competitive prices, particularly in light of the lower cost of alternative treatments;
- the clinical indications for which the product is approved;
- the convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try new therapies and of ECPs to prescribe these therapies;
- the strength of our marketing and distribution support;
- the timing of market introduction of competitive products;
- the potential for our competitors to limit our access to the market through anti-competitive contracts or other arrangements;
- the prevalence and severity of any side effects; and
- any restrictions on the use of our products together with other medications.

Our assessment of the potential market opportunity for LNZ100 and other product candidates is based on industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties, some of which we commissioned. Industry publications and third-party research, surveys and studies generally indicate that our information has been obtained from sources believed to be reliable, although we do not guarantee the accuracy or completeness of such information. Our estimates of the potential market opportunities for our product candidates include several key assumptions based on our industry knowledge, industry publications, third-party research and other surveys, which may be based on a small sample size and fail to accurately reflect market opportunities. Further, we have commissioned a number of market studies that are specific to us and to our product candidates and used the results of these studies to help assess our market opportunity. If any of our assumptions or estimates, or these publications, research, surveys or studies prove to be inaccurate, then the actual market for LNZ100 or any other product candidates we may develop may be smaller than we expect, and as a result our product revenue may be limited and we may be more difficult for us to achieve or maintain profitability.

Interim, initial, "top-line" and preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publicly disclose interim, preliminary or top-line data from our preclinical studies and clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available or as patients from our clinical trials continue other treatments for their condition. Preliminary or top-line data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, interim, preliminary and top-line data should be read together viewed with caution until the final data are available. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the top-line or preliminary results that we report may differ from future results of the same studies or trials, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and could have a material adverse effect on the success of our business. In addition, the information we choose to publicly disclose regarding a particular study or clinical trial is based on what is typically extensive information, and you or others may not agree with what we determine is material or otherwise appropriate information to include in our disclosure. If the

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interim, top-line or preliminary data that we report differ from actual results, or if others, including regulatory authorities, disagree with the risk factors contained conclusions reached, our ability to obtain approval for, and commercialize, our product candidates may be harmed, which could harm our business, results of operations, prospects or financial condition. Further, disclosure of interim, top-line or preliminary data by us or by our competitors could result in Item 1A volatility in the price of our Annual Report on Form 10-K common stock.

If we experience delays or difficulties in the enrollment and/or retention of subjects in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented.

Trials may be subject to delays as a result of patient enrollment taking longer than anticipated or patient withdrawal. While we have completed our three Phase 3 clinical trials for year ended December 31, 2022 filed LNZ100, if we are required to conduct additional trials, we may not be able to initiate or continue such clinical trials if we are unable to locate and enroll a sufficient number of subjects to participate in these trials to such trial's conclusion as required by the FDA, EMA or other comparable foreign regulatory authorities. Patient enrollment is a significant factor in the timing of clinical trials.

Patient enrollment may be affected if our competitors have ongoing clinical trials for product candidates that are under development for the same indications as our product candidates, and subjects who would otherwise be eligible for our clinical trials instead enroll in clinical trials of our competitors' product candidates. Patient enrollment for any of our future clinical trials may be affected by other factors, including:

- size and nature of the patient population, and process for identifying patients;
- severity and difficulty of diagnosing the condition under investigation;
- availability and efficacy of approved drugs and other competing therapeutic candidates for the condition under investigation;
- the eligibility and exclusion criteria for the trial in question as defined in the protocol;
- our ability to recruit clinical trial investigators with the SEC appropriate competencies and experience;
- the design of the clinical trial;
- perceived risks and benefits of the product candidate under study;
- ECPs' and participants' perceptions as to the potential advantages of the product candidate being studied in relation to other available therapies, including any new products that may be approved for the indications we are investigating;
- efforts to facilitate timely enrollment in clinical trials;
- participant referral practices of ECPs;
- our ability to monitor participants adequately during and after treatment;
- proximity and availability of clinical trial sites for prospective trial subjects;

- continued enrollment of prospective subjects by clinical trial sites; and
- the risk that subjects enrolled in clinical trials will drop out of the trials before completion.

Our inability to enroll a sufficient number of subjects for our clinical trials would result in significant delays or may require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates and jeopardize our ability to obtain marketing approval for the sale of our product candidates. Furthermore, we expect to rely on March 20, 2023 (as amended, CROs and clinical trial sites to ensure the "Annual Report") proper and timely conduct of our clinical trials and we will have limited influence over their performance. Even if we are able to enroll a sufficient number of subjects for our clinical trials, we may have difficulty maintaining enrollment of such subjects in subsequent periodic filings our clinical trials.

Changes in methods of product candidate manufacturing or formulation may result in additional costs or delay.

As product candidates progress through preclinical and clinical trials to marketing approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods and formulation, are altered along the way in an effort to optimize yield and manufacturing batch size, minimize costs and achieve consistent quality and results. Such changes carry the risk that they will not achieve these intended objectives. Any of these changes could cause our product candidates to perform differently and affect the results of planned clinical trials or other future clinical trials conducted with the SEC, altered materials. This could delay completion of clinical trials, require the conduct of bridging clinical trials or the repetition of one or more clinical trials, increase clinical trial costs, delay approval of product candidates and jeopardize our ability to commercialize our product candidates, if approved, and generate revenue.

We face significant competition, and if our competitors develop and market technologies or products more rapidly than we do or that are more effective, safer or less expensive than the product candidates we develop, our commercial opportunities will be negatively impacted. Our product candidates may, if approved, also face competition from existing branded, generic and off-label products.

The development and commercialization of new drug products is highly competitive. We face competition with respect to LNZ100 and will face competition with respect to any other product candidates that we may seek to develop or commercialize in the future from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. As LNZ100 is for the treatment of presbyopia, we may face competition from a variety of companies developing or marketing other pharmaceutical presbyopia therapies, including AbbVie (formerly Allergan), Bausch & Lomb, Eyenovia, Glaukos, Johnson & Johnson, Orasis, OSRX Pharmaceuticals (an affiliate of Ocular Science), Viatris (through licensing of Ocuphire's presbyopia products), Visus Therapeutics and Vyluma. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Presbyopia is typically self-diagnosed and self-managed with over-the-counter reading glasses, or managed, after evaluation by an ECP, with prescription reading or bifocal glasses or multifocal contact lenses. LNZ100, if approved, would require a prescription by an ECP, which describe would require a visit to an ECP, which can be perceived to be more burdensome to an individual who has never previously visited an ECP and limit the number of prescriptions that are written. Some ECPs may also be deterred by the potential loss of revenue from the sale of contact lenses and glasses or feel uncomfortable prescribing a new product.

LNZ100 may not demonstrate sufficient additional clinical benefits to ECPs, patients or payors to justify a higher price compared to using glasses, which are potentially just a one-time purchase.

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Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than LNZ100, if approved, or any other products we develop that are approved. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for LNZ100 or any other products, which could result in our competitors establishing a strong market position before we are able to enter the market.

Many of the companies against which we are competing or against which we may compete in the future have substantially greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to sell and market our product candidates on acceptable terms, we may be unable to successfully commercialize our product candidates that obtain regulatory approval.

We plan to use the proceeds of the Merger and the PIPE Financing, in part, to continue to build the sales and marketing infrastructure required to successfully commercialize LNZ100, subject to FDA approval. We plan to launch with our own sales organization in the United States, which we envision expanding to a substantially larger number of individuals, focused on partnering with ECPs, while also deploying, in parallel, a highly targeted consumer strategy. In order to achieve these commercialization goals for LNZ100, if approved, we must build marketing, sales, distribution, managerial and other non-technical capabilities or make arrangements with third parties to perform these services for each of the territories in which we may have approval to sell and market LNZ100. We may not be successful in accomplishing these required tasks.

Establishing and building out an internal sales and marketing team with technical expertise and supporting distribution capabilities to commercialize LNZ100, if approved, will be expensive and time-consuming and will require significant attention of our executive officers to manage. Any failure or delay in the development of our internal sales, marketing and distribution capabilities could adversely impact the commercialization of LNZ100 or any other product candidates that we obtain approval to market, if we do not have arrangements in place with third parties to provide such services on our behalf. Alternatively, if we choose to collaborate, either globally or on a territory-by-territory basis, with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems, we will be required to negotiate and enter into arrangements with such third parties relating to the proposed collaboration. If we are unable to enter into such arrangements when needed, on acceptable terms, or at all, we may not be able to successfully commercialize LNZ100 or any other product candidates that receive regulatory approval, or any such commercialization may experience delays or limitations. If we are unable to successfully commercialize our approved product candidates, either on our own or through collaborations with one or more third parties, our future product revenue will suffer, and we may incur significant additional losses.

Our commercial strategy is focused on targeting and partnering with the estimated 15,000 ECPs that prescribed over 85% of the pharmaceutical presbyopia prescriptions in the United States in 2022. If we are unable to obtain access to these ECPs or successfully demonstrate the clinical benefits of our products to adequate numbers of ECPs, if approved, our efforts to commercialize such products will be severely inhibited, which would have a material adverse effect on our business.

Additionally, a direct-to-consumer (“DTC”) strategy can potentially be extremely costly. We intend to deploy a targeted, cost-effective, digitally focused DTC strategy, but if we are unable to be sufficiently effective with a limited budget and are required to spend more than anticipated, we may need to raise more capital, divert resources from other strategies or just fail to reach the intended market. As a result, a DTC strategy that is not sufficiently cost-effective can have a material adverse effect on our business.

We may need to raise additional financing in the future to fund our operations, which may not be available to us on favorable terms or at all.

If we are unsuccessful in generating sufficient revenue and operating cash flow from sales of LNZ100, if approved, we may require additional financing to fund our operations. Our future capital requirements will depend upon a number of factors, including: the rate and degree of market acceptance of LNZ100, if approved, or any other product candidate that we develop; the number and timing of future product candidates in the pipeline; progress with and results from preclinical testing and clinical trials; the ability to manufacture sufficient drug supplies to complete preclinical and clinical trials; the costs involved in preparing, filing, acquiring, prosecuting, maintaining and enforcing patent and other intellectual property claims; and the time and costs involved in obtaining regulatory approvals and favorable reimbursement or formulary acceptance. Raising additional capital may be costly or difficult to obtain and could, for example, through the sale of common stock or securities convertible or exchangeable into common stock, significantly dilute our stockholders' ownership interests or inhibit our ability to achieve our business objectives. If we raise additional funds through public or private equity offerings, the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. In addition, any debt financing may subject us to fixed payment obligations and covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish certain valuable intellectual property or other rights to our product candidates, technologies, future revenue streams or research programs, or grant licenses on terms that may not be favorable to us. Even if we were to obtain funding, there can be no assurance that it will be available on terms acceptable to us or our stockholders.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our products, if approved.

Our business exposes us to significant product liability risks inherent in the development, testing, manufacturing and marketing of therapeutic treatments. Product liability claims could delay or prevent completion of our development programs. If LNZ100 or any future product candidates are approved for marketing, such claims could still result in an FDA, EMA or other regulatory authority investigation of the safety and effectiveness of such products, our manufacturing processes and facilities or our marketing programs. These investigations could potentially lead to a recall of our products or more serious enforcement action, limitations on the approved indications for which they may be used or suspension or withdrawal of approvals. Regardless of the merits or eventual outcome, liability claims may also result in injury to our reputation, withdrawal of clinical trial participants, costs to defend the related litigation, a diversion of management's time and our resources, initiation of investigations by regulators, substantial monetary awards to patients or other claimants, the inability to commercialize our product candidates and decreased demand for our product candidates, if approved for commercial sale. We currently have product liability insurance that we believe is appropriate for our stage of development and may need to obtain higher levels prior to marketing LNZ100, if approved. Any insurance we have or may obtain may not provide sufficient coverage against potential liabilities and, if judgments exceed our insurance coverage, could adversely affect our results of operations and business and cause our stock price to decline. Furthermore, clinical trial and product liability insurance is becoming increasingly expensive. As a result, we may be unable to maintain or obtain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses, including those caused by product liability claims.

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A variety of risks associated with marketing our product candidates internationally could materially adversely affect our business.

We are developing regulatory strategies for LNZ100 outside the United States and, accordingly, we expect that we or our partners would seek regulatory approval of our product candidates outside of the United States. As such, we expect that we will be subject to additional risks related to operating in foreign countries if we or such partners obtain the necessary approvals, including:

- differing regulatory requirements and drug pricing regimes in foreign countries;
- potential issues due to aceclidine having been previously marketed and sold in Europe as a treatment for glaucoma, including, but not limited to potential competition from or for manufacturers and suppliers, and potential assumptions, concerns or biases resulting from the limited efficacy of the prior marketed products;
- unexpected changes in tariffs, trade barriers, price and exchange controls and other regulatory requirements;
- economic weakness, including inflation, or political instability in particular foreign economies and markets;
- compliance with tax, employment, immigration and labor laws for employees living or traveling abroad;
- foreign taxes, including withholding of payroll taxes;
- foreign currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incident to doing business in another country;
- difficulties staffing and managing foreign operations;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- potential liability under the U.S. Foreign Corrupt Practices Act (“FCPA”) or comparable foreign regulations;
- challenges enforcing our contractual and intellectual property rights, especially in those foreign countries that do not respect and protect intellectual property rights to the same extent as the United States;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geopolitical actions, including war and terrorism.

These and other risks associated with our international operations or those of any applicable international partners may materially adversely affect our ability to attain or maintain profitable operations.

In particular, there is currently significant uncertainty about the future relationship between the United States and various other countries, most significantly China, with respect to trade policies, treaties, tariffs, taxes, and other limitations on cross-border operations. The U.S. government has made and continues to make significant additional changes in U.S. trade policy and may continue to take future actions that could negatively impact U.S. trade. For example, legislation has been introduced in Congress to limit certain U.S. biotechnology companies from using equipment or services produced or provided by select Chinese biotechnology companies, and others in Congress have advocated for the use of existing executive branch authorities to limit those Chinese service providers' ability to engage in business in the U.S. We cannot predict what actions may ultimately be taken with respect to trade relations between the United States and China or other countries, what products and services may be subject to such actions or what actions may be taken by the other countries in retaliation. If we are unable to obtain or use services from existing service providers or become unable to export or sell our products to any of our customers or service providers, our business, liquidity, financial condition, and/or results of operations would be materially and adversely affected.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain sufficient intellectual property protection for our technology and products and product candidates we may develop, or if the scope of the intellectual property protection obtained is not sufficiently broad, our competitors or other third parties could develop and commercialize products similar or identical to ours, and our ability to successfully develop and, if approved, commercialize our product candidates may be adversely affected.

We rely upon a combination of patents, trademarks, trade secret protection, and confidentiality agreements to protect the intellectual property related to our development programs and product candidates. Our success depends in part on our ability to obtain and maintain patent protection in the United States and other countries with respect to LNZ100 or any future product candidates. If we are unable to obtain or maintain patent protection with respect to LNZ100 or any future product candidates, and their uses, our business, financial condition, resultant operations and prospects could be materially harmed.

We generally seek to protect our proprietary position by filing patent applications in the United States and abroad related to LNZ100, any of our future product candidates, our development programs, product candidates and novel discoveries that are important to our business, as appropriate. Our pending and future patent applications cannot be enforced against third parties practicing the technology claimed in such applications unless, and until, patents issue from such applications, and then only to the extent the issued claims cover the technology. There can be no assurance that our patent applications will result in patents being issued or that issued patents will afford sufficient protection against competitors with similar technology, nor can there be any assurance that the patents issued will not be infringed, designed around or invalidated by third parties, including generics. The patent prosecution process is expensive and time-consuming, and we may not be able to file, prosecute, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner.

The patents and patent applications that we own may fail to result in issued patents with claims that protect LNZ100 or any future product candidate in the United States or in other foreign countries. There is no assurance that all of the potentially relevant prior art relating to our patents and patent applications has been found, which can prevent a patent from issuing from a pending patent application, or be used to invalidate a patent. Even if patents do successfully issue and even if such patents cover LNZ100 or any future product

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candidate, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed, invalidated or held unenforceable. Any successful opposition to these patents or any other patents owned by or licensed to us could deprive us of rights necessary for the successful commercialization of any product candidates that we may develop. Further, the scope and coverage of such patents may be so narrow that a third party could successfully design around our patents without materially impacting the therapeutic effectiveness of the resulting drug product. Further, if we encounter delays in regulatory approvals, the period of time during which we could market a product candidate under patent protection could be reduced.

The patent application process is subject to numerous risks and uncertainties, to which and there can be no assurance that we are or may become subject. any of our potential future collaborators will be successful in protecting our product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process, the noncompliance with which can result in abandonment or lapse of a patent or patent application, and partial or complete loss of patent rights in the relevant jurisdiction;

- the USPTO requires us to disclose all material references to the Patent Examiner during prosecution of our patent applications at the USPTO, and failure to do so could result in a third party successfully challenging our ability to enforce a patent against an infringer;
- patent applications may not result in any patents being issued;
- granted patents may not have a claim scope that covers LNZ100 or any future product candidates;
- patents may be challenged, invalidated, modified, revoked, circumvented, found to be unenforceable or otherwise may not provide any competitive advantage;
- our competitors, many of whom have substantially greater resources than we do and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with or block our ability to make, use and sell our product candidates;
- there may be significant pressure on the U.S. government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for treatments of diseases or conditions that prove successful, as a matter of public policy regarding worldwide health concerns; and
- countries other than the United States may have patent laws less favorable to patentees than those upheld by U.S. courts, allowing foreign competitors a better opportunity to create, develop and market competing products.

The patent prosecution process is also expensive and time-consuming, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications or maintain and/or enforce patents that may issue based on our patent applications, at a reasonable cost or in a timely manner or in all jurisdictions where protection may be commercially advantageous. We may not be able to obtain or maintain patent applications and patents due to the subject matter claimed in such patent applications and patents being in disclosures in the public domain. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, if we choose to license certain patent rights in the future from third parties, we may not have the right to control the preparation, filing, and prosecution of such patent applications, or to maintain the patents, directed to technology that we license from those third parties. We may also require the cooperation of our future licensor, if any, in order to enforce the licensed patent rights, and such cooperation may not be provided. Therefore, any licensed patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. We cannot be certain that patent prosecution and maintenance activities by any of our future licensors have been or will be conducted in compliance with applicable laws and regulations, which may affect the validity and enforceability of such patents or any patents that may issue from such applications. If they fail to do so, this could cause us to lose rights in any applicable intellectual property that we in-license, and as a result our ability to develop and commercialize products or product candidates may be adversely affected and we may be unable to prevent competitors from making, using and selling competing products.

If the patent applications we hold or may in-license in the future with respect to our development programs and product candidates fail to issue, if their breadth or strength of protection is threatened, or if they fail to provide meaningful exclusivity for LNZ100 or any future product candidate, it could dissuade other companies from collaborating with us to develop product candidates, and threaten our ability to commercialize LNZ100 or future product candidates. Any such outcome could have a materially adverse effect on our business.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been and will continue to be the subject of litigation and new legislation, resulting in court decisions, including Supreme Court decisions, which have increased uncertainties as to the ability to enforce patent rights in the future. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. For example, many countries restrict the patentability of methods of treatment of the human body. Publications in scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot know with certainty whether we were the first to make the inventions claimed in our own patents or pending patent applications, or that we were the first to file for patent protection of such inventions. As a result of these and other factors, the issuance, scope, validity, enforceability, and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products.

Changes in either the patent laws or interpretation of the patent laws in the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection. For example, the America Invents Act created new administrative post-grant proceedings, including post-grant review, inter partes review, and derivation proceedings that allow third parties to challenge the validity of issued patents. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in U.S. federal courts necessary to invalidate a patent claim, a third party could potentially provide

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evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Moreover, we may be subject to a third-party pre-issuance submission of prior art to the USPTO or become involved in opposition, derivation, reexamination, inter partes review, post-grant review or interference proceedings challenging our patent rights or the patent rights of others. The costs of defending patents or enforcing proprietary rights in post-issuance administrative proceedings and litigation can be substantial and the outcome can be uncertain. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability, and our owned and licensed patents and patent applications may be challenged in the courts or patent offices in the United States and abroad. Even issued patents may later be found invalid or unenforceable or may be modified or revoked in proceedings instituted by third parties before various patent offices or in courts. An adverse decision in any such challenges may result in loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Generally, issued patents are granted a term of 20 years from the earliest claimed non-provisional filing date. In certain instances, patent term can be adjusted to recapture a portion of delay incurred by the USPTO in examining the patent application (patent term adjustment). The scope of patent protection may also be limited.

Without patent protection for our current or future product candidates, we may be open to competition from generic versions of such products. Given the amount of time required for the development, testing, and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

We cannot be certain that the claims in patents or our pending patent applications directed to LNZ100 or any of our future product candidates will be considered patentable by the USPTO, by patent offices in foreign countries, by the courts, or by other relevant authority. One aspect of the determination of patentability of our inventions depends on the scope and content of the “prior art,” information that was or is deemed available to a person of skill in the relevant art prior to the priority date of the claimed invention. There may be prior art of which we are not aware that may affect the patentability of our patent claims or, if issued, affect the validity or enforceability of a patent claim relevant to our business. There is no assurance that there is not prior art of which we are aware, but which we do not believe is relevant to our business, which may, nonetheless, ultimately be found to limit our ability to make, use, sell, offer for sale or import our products that may be approved in the future, or impair our competitive position. Even if the patents do issue based on the patent applications we own, co-own or exclusively license, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. Furthermore, even if they are unchallenged, patents in our portfolio may not adequately exclude third parties from practicing relevant technology or prevent others from designing around our claims. If the breadth or strength of our intellectual property position with respect to our product candidates is threatened, it could dissuade companies from collaborating with us to develop, and threaten our ability to commercialize, our product candidates. In the event of litigation or administrative proceedings, we cannot be certain that the claims in any of our issued patents will be considered valid by courts in the United States or foreign countries.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.

We rely on patent, trademark, trade secret and other intellectual property protection in the discovery, development, manufacturing and sale of LNZ100 and any future product candidates. In particular, patent protection is important in the development and eventual commercialization of LNZ100 or any of our future product candidates. Patents covering LNZ100 or any of our future product candidates normally provide market exclusivity, which is important in order for LNZ100 or any of our future product candidates to become profitable.

Patent rights are of limited duration. In the United States, if all maintenance fees are paid timely, the natural expiration of a patent is generally 20 years after its first effective filing date. Various extensions may be available, but the life of a patent, and the protection it affords is limited. Given the amount of time required for the development, testing, and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such product candidates are commercialized. Even if patents covering our product candidates are obtained, once the patent life has expired for a product, we may be open to competition from generic products. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing product candidates similar or identical to ours. Upon issuance in the United States, the term of a patent can be increased by patent term adjustment, which is based on certain delays caused by the USPTO, but this increase can be reduced or eliminated based on certain delays caused by the patent applicant during patent prosecution. The term of a U.S. patent may also be shortened if the patent is terminally disclaimed over an earlier-filed patent.

Depending upon the timing, duration and specifics of FDA marketing approval of LNZ100 and future product candidates, one or more of our U.S. patents may be eligible for limited patent term restoration under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years beyond the normal expiration of the patent as compensation for patent term lost during drug development and the FDA regulatory review process, which is limited to the approved indication (or any additional indications approved during the period of extension). This extension is based on the first approved use of a product and is limited to only one patent that covers the approved product, the approved use of the product, or a method of manufacturing the product. Such patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval. However, the applicable authorities, including the FDA and the USPTO in the United States, and any equivalent regulatory authority in other countries, may not agree with our assessment of whether such extensions are available, and may refuse to grant extensions to our patents, or may grant more limited extensions than we request. We may not be granted an extension because of, for example, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents or otherwise failing to satisfy applicable requirements. Moreover, the applicable time-period or the scope of patent protection afforded could be less than we request. If we are unable to extend the expiration date of our existing patents or obtain new patents with longer expiry dates, our competitors may be able to take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data to obtain approval of competing products following our patent expiration and launch their product earlier than might otherwise be the case.

In addition, upon approval of a drug, each of the patents listed in the application for the drug is then published in the FDA’s Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book. Upon submission of an ANDA or a 505(b)(2) NDA, an applicant must certify to the FDA that (1) no patent information on the

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drug product that is the subject of the application has been submitted to the FDA; (2) such patent has expired; (3) the date on which such patent expires; or (4) such patent is invalid or will not be infringed upon by the manufacture, use or sale of the drug product for which the application is submitted. Generally, the ANDA or 505(b)(2) NDA cannot be approved until all listed patents have expired, except where the ANDA or 505(b)(2) NDA applicant challenges a listed patent through the last type of certification, also known as a paragraph IV certification. We cannot guarantee that a patent that may cover LNZ100 or a future product candidate can or will be appropriately listed in the Orange Book.

Laws governing analogous patent term extension ("PTE") in foreign jurisdictions vary widely, as do laws governing the ability to obtain multiple patents from a single patent family. Additionally, we may not receive an extension if we fail to exercise due diligence during the testing phase or regulatory review process, apply within applicable deadlines, fail to apply prior to expiration of relevant patents or otherwise fail to satisfy applicable requirements. If we are unable to obtain PTE or restoration, or the term of any such extension is less than we request, the period during which we will have the right to exclusively market our product will be shortened and our competitors may obtain approval of competing products following our patent expiration and may take advantage of our investment in development and clinical trials by referencing our clinical and preclinical data to launch their product earlier than might otherwise be the case, and our revenue could be reduced, possibly materially.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for noncompliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other government fees on patents and/or patent applications will be due to be paid to the USPTO and other foreign patent agencies in several stages over the lifetime of our patents and patent applications. The USPTO and various foreign national or international patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of patent rights include, but are not limited to, failure to timely file national and regional stage patent applications based on our international patent application, failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. We employ reputable law firms and other professionals to help us comply with these provisions. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. If such an event were to occur, it could have a material adverse effect on our business. If we or any of our licensors fail to maintain the patents and patent applications covering LNZ100 or any future product candidate, our competitors may be able to enter the market, which would have an adverse effect on our business, financial conditions, results of operations and growth prospects. We do not have granted patents in certain major markets, including Europe, and cannot guarantee that we will obtain patent coverage in such markets that cover LNZ100 or any future product candidate.

We may not identify relevant third-party patents or may incorrectly interpret the relevance, scope or expiration of a third-party patent, which might adversely affect our ability to develop and market our products.

As the biopharmaceutical industry expands and more patents are issued, the risk increases that LNZ100 or any of our future product candidates may be subject to claims of infringement of the patent rights of third parties. There can be no assurance that our operations do not, or will not in the future, infringe, misappropriate or otherwise violate existing or future third-party patents or other intellectual property rights. Identification of third-party patent rights that may be relevant to our operations is difficult because patent searching is imperfect due to differences in terminology among patents, incomplete databases and the difficulty in assessing the meaning of patent claims. We cannot provide any assurances that third-party patents do not exist which might be enforced against our existing products or current technology, including our research programs, LNZ100, any of our future product candidates, their respective methods of use, and manufacture thereof, and could result in either an injunction prohibiting our manufacture or future sales, or, with respect to our future sales, an obligation on our part to pay royalties and/or other forms of compensation to third parties, which could be significant. We cannot guarantee that any of our patent searches or analyses, including the identification of relevant patents, the scope of patent claims or the expiration of relevant patents, are complete or thorough, nor can we be certain that we have identified each and every third-party patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our current and future product candidates in any jurisdiction.

Numerous U.S. and foreign patents and pending patent applications exist in our market that are owned by third parties. Our competitors in both the United States and abroad, many of which have substantially greater resources and have made substantial investments in patent portfolios and competing technologies, may have applied for or obtained or may in the future apply for and obtain, patents that will prevent, limit or otherwise interfere with our ability to make, use and sell our product candidates. We do not always conduct independent reviews of pending patent applications and patents issued to third parties. Patent applications in the United States and elsewhere are typically published approximately 18 months after the earliest filing for which priority is claimed, with such earliest filing date being commonly referred to as the priority date. Certain U.S. applications that will not be filed outside the United States can remain confidential until patents issue. In addition, patent applications in the United States and elsewhere can be pending for many years before issuance, or unintentionally abandoned patents or applications can be revived. Furthermore, pending patent applications that have been published can, subject to certain limitations, be later amended in a manner that could cover our product candidates or the use of our product candidates. As such, there may be applications of others now pending or recently revived patents of which we are unaware. These patent applications may later result in issued patents, or the revival of previously abandoned patents, that may be infringed by the manufacture, use or sale of our product candidates or will prevent, limit or otherwise interfere with our ability to make, use or sell our product candidates.

The scope of a patent claim is determined by an interpretation of the law, the written disclosure in a patent and the patent's prosecution history. Our interpretation of the relevance or the scope of a patent or a pending application may be incorrect, which may negatively impact our ability to market our products. For example, we may incorrectly determine that our product candidates are not covered by a third-party patent or may incorrectly predict whether a third party's pending application will issue with claims of relevant scope. Our determination of the expiration date of any patent in the United States or abroad that we consider relevant may be incorrect, and our failure to identify and correctly interpret relevant patents may negatively impact our ability to develop and market our products.

We may become involved in third-party claims of intellectual property infringement, which may delay or prevent the development and commercialization of LNZ100 and any future product candidate.

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Our commercial success depends in part on our ability to develop, manufacture, market and sell LNZ100 and any future product candidates, while avoiding infringement and other violations of the patents and proprietary rights of third parties. There is a substantial amount of litigation, both within and outside the United States, involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries, including patent infringement lawsuits, interferences, derivation, and administrative law proceedings, inter partes review, and post-grant review before the USPTO, as well as oppositions and similar processes in foreign jurisdictions. We may be exposed to, or threatened with, future litigation by third parties having patent or other intellectual property rights who allege that our product candidates, uses and/or other proprietary technologies infringe their intellectual property rights. Numerous U.S. and foreign issued patents and pending patent applications, which are owned by third parties, exist in the fields in which we and our collaborators are developing product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, and as we gain greater visibility and market exposure as a public company, the risk increases that our product candidates or other business activities may be subject to claims of infringement of the patent and other proprietary rights of third parties. Third parties may assert that we are infringing their patents or employing their proprietary technology without authorization.

Litigation or other legal proceedings relating to intellectual property claims, with or without merit, is unpredictable and generally expensive and time consuming and, even if resolved in our favor, is likely to divert significant resources from our core business, including distracting our technical and management personnel from their normal responsibilities. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

Also, there may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the use or manufacture of our current and future product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our current or future product candidates may infringe.

In addition, third parties may obtain patent rights in the future and claim that use of our technologies infringes upon their rights. If any third-party patents were held by a court of competent jurisdiction to cover the manufacturing process of any of our product candidates, any molecules formed during the manufacturing process, methods of treating certain diseases or conditions that we are pursuing with our product candidates, our formulations including combination therapies, or any final product itself, the holders of any such patents may be able to block our ability to commercialize such product candidate unless we obtained a license under the applicable patents, or until such patents expire. Such a license may not be available on commercially reasonable terms or at all. In addition, we may be subject to claims that we are infringing other intellectual property rights, such as trademarks or copyrights, or misappropriating the trade secrets of others, and to the extent that our employees, consultants or contractors use intellectual property or proprietary information owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Parties making claims against us may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our current and future product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful infringement or other intellectual property claim against us, we may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, obtain one or more licenses from third parties, pay royalties or redesign our affected products, which may be impossible or require substantial time and monetary expenditure. We cannot predict whether any such license would be available at all or whether it would be available on commercially reasonable terms. Furthermore, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates,

and we have done so from time to time. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to further develop and commercialize one or more of our product candidates, which could harm our business significantly. We cannot provide any assurances that third-party patents do not exist which might be enforced against our product candidates, resulting in either an injunction prohibiting our sales, or, with respect to our sales, an obligation on our part to pay royalties or other forms of compensation to third parties.

During the course of any intellectual property litigation, there could be public announcements of the initiation of the litigation as well as results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our existing products, programs or intellectual property could be diminished. Accordingly, the market price of shares of our common stock may decline. Such announcements could also harm our reputation or the market for our future products, which could have a material adverse effect on our business.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property rights, or the patents or other intellectual property rights of any licensors, which could be expensive, time consuming, and unsuccessful, and could result in a court or administrative body finding our patents to be invalid or unenforceable.

Competitors may challenge, infringe or otherwise violate our patents, the patents of our licensors or our other intellectual property rights. To counter challenges, infringement or unauthorized use or misappropriations, we or any future licensors may be required to file or defend legal claims, which can be expensive and time-consuming. In addition, in such a proceeding, a court may decide that one or more patent of ours or any of our current or future licensors is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation or defense proceedings could put one or more of our patents at risk of being invalidated or interpreted narrowly and could put our patent applications at risk of not issuing. The initiation of a claim against a third party may also cause the third party to bring counter claims against us such as claims asserting that our patents are invalid or unenforceable. In patent litigation in the United States, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness (inventive step), non-enablement, insufficient written description, or failure to claim patent-eligible subject matter. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant material information from the USPTO, or made a materially misleading statement, during prosecution. Third parties may also raise similar validity claims before the USPTO in post-grant proceedings such as ex parte reexaminations, inter partes review, or post-grant review, or oppositions or similar proceedings outside the United States, in parallel with litigation or even outside the context of litigation. The outcome following legal assertions of invalidity and unenforceability is unpredictable. In any patent infringement proceeding, there is a risk that a court will decide that a patent of ours or any future licensors is invalid or unenforceable, in whole or in part, and that we do not have the right to stop the other party from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the other party from using the invention at issue on the grounds that it or any future licensors' patent claims do not cover the invention, or decide that the other party's use of our or any future

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licensors' patented technology falls under the safe harbor to patent infringement under 35 U.S.C. §271(e)(1). An adverse outcome in a litigation or proceeding involving our or any future licensors' patents could limit our ability to assert our own or any future licensors' patents against those parties or other competitors and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Any of these occurrences could adversely affect our competitive position, and our business, financial condition, results of operations and prospects. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

We cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. For any patents and patent applications that we may license from third parties in the future, we may have limited or no right to participate in the defense of such licensed patents against challenge by a third party. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our current or future product candidates. Such a loss of patent protection could harm our business.

We may not be able to prevent, alone or with our licensees, misappropriation of our intellectual property rights, particularly in countries where the laws may not protect those rights as fully as in the United States. Our business could be harmed if in litigation the prevailing party does not offer us a license on commercially reasonable terms. Any litigation or other proceedings to enforce our intellectual property rights may fail, and even if successful, may result in substantial costs and distract our management and other employees.

Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may or may not be an adequate remedy. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have an adverse effect on the price of our common stock. Moreover, we cannot assure you that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

Because of the expense and uncertainty of litigation, we may not be in a position to enforce our intellectual property rights against third parties.

Because of the expense and uncertainty of litigation, we may conclude that even if a third party is infringing our patents, any patents that may be issued as a result of our future patent applications, or other intellectual property rights, the risk-adjusted cost of bringing and enforcing such a claim or action may be too high or not in the best interest of our company or our stockholders. In such cases, we may decide that the more prudent course of action is to simply monitor the situation or initiate or seek some other non-litigious action or solution.

Changes in U.S. patent law or the patent law of other countries or jurisdictions could diminish the value of patents in general, thereby impairing our ability to protect our products.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents relating to LNZ100 and any future product candidates. Obtaining, defending, maintaining and enforcing patents in the biopharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in the United States could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents, and may diminish our ability to protect our inventions, obtain, maintain, enforce and protect our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our future owned and licensed patents. The United States has enacted and implemented wide-ranging patent reform legislation. The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on actions by Congress, the federal courts, and the USPTO, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce patents that we have licensed or that we might obtain in the future. Similarly, changes in patent law and regulations in other countries or jurisdictions or changes in the governmental bodies that enforce them or changes in how the relevant governmental authority enforces patent laws or regulations may weaken our ability to obtain new patents or to enforce patents that we have licensed or that we may obtain in the future. For example, the complexity and uncertainty of European patent laws have also increased in recent years. In Europe, a new unitary patent system took effect June 1, 2023, which will significantly impact European patents, including those granted before the introduction of such a system. Under the unitary patent system, European applications have the option, upon grant of a patent, of becoming a Unitary Patent which will be subject to the jurisdiction of the Unitary Patent Court (the "UPC"). As the UPC is a new court system, there is no precedent for the court, increasing the uncertainty of any litigation. Patents granted before the implementation of the UPC have the option of opting out of the jurisdiction of the UPC over the first seven years of the court's existence and remaining as national patents in the UPC countries. Patents that remain under the jurisdiction of the UPC will be potentially vulnerable to a single UPC-based revocation challenge that, if successful, could invalidate the patent in all countries who are signatories to the UPC. We cannot predict with certainty the long-term effects of any potential changes. We may decide to opt out our future European patents from the UPC, but doing so may preclude us from realizing the benefits of the UPC. Moreover, if we do not meet all of the formalities and requirements for opt-out under the UPC, our future European patents could remain under the jurisdiction of the UPC. The UPC will provide our competitors with a new forum to centrally revoke our European patents and allow for the possibility of a competitor to obtain pan-European injunction. Such a loss of patent protection could have a material adverse impact on our business and our ability to commercialize our technology and product candidates due to increased competition and, resultantly, on our business, financial condition, prospects and results of operations.

We may not be able to protect our intellectual property rights throughout the world, which could impair our business.

Patents are of national or regional effect, and filing, prosecuting, and defending patents covering LNZ100 and any future product candidate throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States can be less extensive than those in the United States. In addition, the laws of

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some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States, even in jurisdictions where we do pursue patent protection. Consequently, we may not be able to prevent third parties from practicing our or any future licensors' inventions in all countries outside the United States, even in jurisdictions where we or any future licensors do pursue patent protection, or from selling or importing products made using our or any future licensors' inventions in and into the United States or other jurisdictions. Competitors may use our or any future licensors' technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we may have or obtain patent protection, but where patent enforcement is not as strong as that in the United States. These competitors' products may compete with our products in such jurisdictions and take away our market share where we do not have any issued or licensed patents and any future patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our intellectual property and proprietary rights generally. In addition, certain jurisdictions do not protect to the same extent or at all inventions that constitute new methods of treatment. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license. Furthermore, while we intend to protect our intellectual property rights in our expected significant markets, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our product candidates. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which may have an adverse effect on our ability to successfully commercialize LNZ100 or any of our future product candidates in all of our expected significant foreign markets.

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. As a result, the patent owner may have limited remedies in certain circumstances, which could materially diminish the value of such patent. If we or any of our licensors are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected. Accordingly, our efforts to protect or enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license. Furthermore, while we intend to protect our intellectual property rights in our expected significant markets, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our product candidates. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which may have an adverse effect on our ability to successfully commercialize LNZ100 or any of our future product candidates in all of our expected significant foreign markets.

Further, the standards applied by the USPTO and foreign patent offices in granting patents are not always applied uniformly or predictably. As such, we do not know the degree of future protection that we will have on our technologies, products and product candidates. While we will endeavor to try to protect our technologies, products and product candidates with intellectual property rights such as patents, as appropriate, the process of obtaining patents is time-consuming, expensive and unpredictable.

Further, geo-political actions in the United States and in foreign countries (such as the Russia and Ukraine conflict) could increase the uncertainties and costs surrounding the prosecution or maintenance of our patent applications or those of any current or future licensors and the maintenance, enforcement or defense of our issued patents or those of any current or future licensors. Accordingly, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected.

Furthermore, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws within the United States. We may need to share our trade secrets and proprietary know-how with current or future partners, collaborators, contractors and others located in countries at heightened risk of theft of trade secrets, including through direct intrusion by private parties or foreign actors, and those affiliated with or controlled by state actors. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. In addition, some courts inside and outside the United States are sometimes less willing or unwilling to protect trade secrets. If we choose to go to court to stop a third party from using any of our trade secrets, we may incur substantial costs. Even if we are successful, these types of lawsuits may consume our time and other resources. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to the protection afforded by patents, we may seek to rely on trade secret protection to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our product discovery and development processes that involve proprietary know-how, information, or technology that is not covered by our patents. We may not be able to meaningfully protect our trade secrets. Although we require all of our employees to assign their inventions to us, and require all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information, or technology to enter into confidentiality agreements, we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed to our competitors or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Furthermore, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws within the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially adversely affect our business, operating results, and financial condition.

Because we expect to rely on third parties to manufacture LNZ100 and any future product candidates, and we expect to collaborate with third parties on the continuing development of LNZ100 and any future product candidates, we must, at times, share trade secrets with them. We also expect to conduct R&D programs that may require us to share trade secrets under the terms of our partnerships or agreements with CROs. We seek to protect our proprietary technology in part by entering into agreements containing confidentiality and use restrictions and obligations, including material transfer agreements, consulting agreements, manufacturing and supply agreements, confidentiality agreements or other similar agreements with our advisors, employees, contractors, CMOs, CROs, other service providers and consultants prior to disclosing proprietary information. These agreements typically limit the rights of the third parties to use or disclose our confidential information, including our trade secrets. Despite the contractual provisions employed when working with third parties, the need to share trade secrets and other confidential information increases the risk that such trade secrets become known by our competitors, are inadvertently incorporated into the technology of others, or are disclosed or used in violation of these agreements. Given that our proprietary position is based, in part, on our know-how and trade

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secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure would impair our competitive position and may have an adverse effect on our business and results of operations.

In addition, these agreements typically restrict the ability of our advisors, employees, third-party contractors CMOs, CROs, other service providers and consultants to publish data potentially relating to our trade secrets, although such agreements may contain certain limited publication rights. Despite our efforts to protect our trade secrets, our competitors may discover such trade secrets, either through breach of our agreements with third parties, independent development or publication of information by any of our third-party collaborators. A competitor's discovery of our trade secrets would impair our competitive position and have an adverse impact on our business.

Monitoring unauthorized disclosure and detection of unauthorized disclosure is difficult, and we do not know whether the steps we have taken to prevent such disclosure are, or will be, adequate. If we were to enforce a claim that a third party had illegally obtained and was using our trade secrets, it would be expensive and time-consuming, and the outcome would be unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. If we choose to go to court to stop a third party from using any of our trade secrets, we may incur substantial costs. These lawsuits may consume our time and other resources even if we are successful. For example, significant elements of our products, including confidential aspects of sample preparation, methods of manufacturing, and related processes and software, are based on unpatented trade secrets. Although we take steps to protect our proprietary information and trade secrets, including through contractual means with our employees and consultants, third parties may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets or disclose our technology.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed confidential information of their former employers or other third parties or claims asserting ownership of what we regard as our own intellectual property.

We employ individuals who were previously employed at other biotechnology or pharmaceutical companies, or at research institutions, including our competitors or potential competitors. Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that these individuals have or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Further, although we seek to protect our ownership of intellectual property rights by ensuring that our agreements with our employees, collaborators, and other third parties with whom we do business include provisions requiring such parties to assign rights in inventions to us, we may be subject to claims that we or our employees, consultants or independent contractors have inadvertently or otherwise used or disclosed confidential information of our employees' former employers or other third parties. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. An inability to incorporate such technologies or features would harm our business and may prevent us from successfully commercializing our technologies or product candidates. In addition, we may lose personnel as a result of such claims and any such litigation, or the threat thereof, may adversely affect our ability to hire employees or contract with independent contractors. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our technologies or product candidates, which could adversely affect our business, financial condition, results of operations and prospects. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, we may also be subject to claims that former employers, consultants or other third parties have an ownership interest in our patents or patent applications as an inventor or co-inventor. The failure to name the proper inventors on a patent application can result in the patents issuing thereon being unenforceable. Inventorship disputes may arise from conflicting views regarding the contributions of different individuals named as inventors, the effects of foreign laws where foreign nationals are involved in the development of the subject matter of the patent, conflicting obligations of third parties involved in developing our product candidates or as a result of questions regarding co-ownership of potential joint inventions. Litigation may be necessary to resolve these and other claims challenging inventorship and/or ownership. Alternatively, or additionally, we may enter into agreements to clarify the scope of our rights in such intellectual property. There is no guarantee of success in defending these claims, and if we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, valuable intellectual property. Such challenges may also result in our inability to develop, manufacture or commercialize our technologies and product candidates without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future technologies and product candidates. Even if we are successful, litigation could result in substantial cost and be a distraction to our management and other employees. Any of the foregoing could adversely affect our business, financial condition, results of operations and prospects.

If our future trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our markets of interest and our business may be adversely affected.

We intend to use registered or unregistered trademarks or trade names to brand and market ourselves and our products. Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. During trademark registration proceedings, we may receive rejections of our applications by the USPTO or in other foreign jurisdictions. Although we are given an opportunity to respond to such rejections, we may be unable to overcome them. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, which may not survive such proceedings.

We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our markets of interest. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. We may license our trademarks and trade names to third parties, such as distributors. Though these license agreements may provide guidelines for how our trademarks and trade names may be used, a breach of these agreements or misuse of our trademarks and trade names by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names. Our efforts to enforce or protect our proprietary rights related to trademarks, trade names, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our financial condition or results of operations.

In addition, any proprietary name we propose to use with our current or future product candidates in the United States must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. The FDA typically conducts a review of proposed product names, including an evaluation of the potential for confusion with other product names. If the FDA objects to any of our proposed proprietary product names, we may be required to expend significant additional resources in an effort to identify a suitable proprietary product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. Furthermore, in many countries, owning and maintaining a trademark registration may not provide an adequate defense against a subsequent infringement claim asserted by the owner of a senior trademark.

Intellectual property rights do not necessarily address all potential threats to our competitive advantage.

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The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to make formulations or compositions that are the same as or similar to our current and future product candidates, but that are not covered by the pending patent applications or patents that we own or any pending patent applications or patents that we may in-license in the future;
- others may be able to make product that is similar to our current and future product candidates that we intend to commercialize and that is not covered by the patents that we exclusively licensed and have the right to enforce;
- we, any of our future licensors or collaborators might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in-license in the future;
- we or any of our future licensors might not have been the first to file patent applications covering certain of its or those licensors' inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing or otherwise violating our owned intellectual property rights or any patent applications that we may license in the future;
- it is possible that our pending patent applications or those that we may own or license in the future will not lead to issued patents;
- issued patents that we either own or that we may license in the future may be revoked, modified or held valid or unenforceable, as a result of legal challenges by our competitors;
- issued patents that we either own or that we may license in the future may not provide us with any competitive advantages;
- others may have access to the same intellectual property rights licensed to us in the future on a non-exclusive basis;
- our competitors might conduct research and development activities in the United States and other countries that provide a safe harbor from patent infringement claims for certain research and development activities, as well as in countries where we do not have patent rights, and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may not develop additional proprietary technologies that are patentable;
- we cannot predict the scope of protection of any patent issuing based on our or any future licensors' patent applications, including whether the patent applications that we own, or, in the future, in-licenses will result in

  issued patents with claims directed to our product candidates or uses thereof in the United States or in other foreign countries;
- the claims of any patent issuing based on our patent applications may not provide protection against competitors or any competitive advantages, or may be challenged by third parties;
- if enforced, a court may not hold that our patents are valid, enforceable or infringed;
- we may need to initiate litigation or administrative proceedings to enforce and/or defend our patent rights which will be costly whether we win or lose;
- we may choose not to file a patent application in order to maintain certain trade secrets or know-how, and a third party may subsequently file a patent application covering such intellectual property;
- we may fail to adequately protect and police our trademarks and trade secrets; and
- the patents of others may have an adverse effect on our business, including if others obtain patents claiming subject matter similar to or improving that covered by our patent applications.

Any collaboration or partnership arrangements that we may enter into in the future may not be successful, which could adversely affect our ability to develop and commercialize our products.

Any future collaborations that we enter into may not be successful. The success of our collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Collaborations are subject to numerous risks, which may include that:

- collaborators have significant discretion in determining the efforts and resources that they will apply to collaborations;
- collaborators may not pursue development and commercialization of our products or may elect not to continue or renew development or commercialization programs based on trial or test results, changes in our strategic focus due to the acquisition of competitive products, availability of funding or other external factors, such as a business combination that diverts resources or creates competing priorities;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our current and future product candidates;
- a collaborator with marketing, manufacturing and distribution rights to one or more products may not commit sufficient resources to or otherwise not perform satisfactorily in carrying out these activities;

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- we could grant exclusive rights to our collaborators that would prevent us from collaborating with others;
- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and a collaborator that causes the delay or termination of the research, development or commercialization of our current or future product candidates or that results in costly litigation or arbitration that diverts management attention and resources;
- collaborations may be terminated, and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable current or future product candidates;
- collaborators may own or co-own intellectual property covering our products that results from our collaborating with them, and in such cases, we would not have the exclusive right to develop or commercialize such intellectual property; and
- a collaborator's sales and marketing activities or other operations may not be in compliance with applicable laws resulting in civil or criminal proceedings.

If we fail to comply with our obligations under any license, collaboration or other agreements, such agreements may be terminated, we may be required to pay damages and could lose intellectual property rights that are necessary for developing and protecting our product candidates.

We may in the future license or otherwise acquire development or commercialization rights to current and future product candidates or data from third parties. If any future licensors fail to prosecute, maintain, enforce, and defend such patents, or lose rights to those patents, the rights we have licensed may be reduced or eliminated, and our right to develop and commercialize future product candidates that may be subject of such licensed rights could be adversely affected. In spite of our efforts, any future licensors might conclude that we are in material breach of obligations under our license agreements. If we breach any material obligations, or use the intellectual property licensed to us in an unauthorized manner, we may be required to pay damages and the licensor may have the right to terminate the license, which could result in us being unable to develop, manufacture, and sell products that are covered by the licensed technology or enable a competitor to gain access to the licensed technology. If such in-licenses are terminated, or if the underlying patents fail to provide the intended exclusivity, our competitors will have the freedom to seek regulatory approval of, and to market, products identical to our product candidates and the licensors to such in-licenses could prevent us from developing or commercializing product candidates that rely upon the patents or other intellectual property rights which were the subject matter of such terminated agreements. Any of these events could adversely affect our business, financial condition, results of operations, and prospects.

Disputes may arise between us and our licensors regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- either party's financial or other obligations under the license agreement;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patents and other rights under our collaborative development relationships to third parties;
- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our product candidates, and what activities satisfy those diligence obligations;
- our right to transfer or assign the license;
- the inventorship or ownership of inventions and know-how resulting from the joint creation or use of intellectual property by any of our licensors and us and our partners; and
- the priority of invention of patented technology.

If disputes over intellectual property that we license prevent or impair our ability to maintain our licensing arrangements on acceptable terms, we may not be able to successfully develop and commercialize the affected product candidates, which would have a material adverse effect on our business.

In addition, certain of our current or future agreements with third parties may limit or delay our ability to consummate certain transactions, may impact the value of those transactions, or may limit our ability to pursue certain activities.

Further, we or our current or future licensors, if any, may fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, we may miss potential opportunities to strengthen our patent position. It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, for example with respect to proper priority claims, inventorship, ownership, claim scope, or requests for patent term adjustments. If such defects are identified in a granted patent, we may reissue the granted patent, which would require us to relinquish the patent, and subject the patent to subsequent reissue patent examination. During reissue examination, there is no guarantee that a similar scope of claim would again be granted or that any claim would be granted at all. In addition, if defects in ownership or assignment of rights are identified, there is no guarantee that we would be able to perfect such ownership or assignment of rights. If our current or future licensors are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised. If there are material defects in the form, preparation, prosecution, or enforcement of our patents or patent applications, such patents may be invalid and/or unenforceable, and such applications may never result in valid, enforceable patents. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

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In addition, even where we have the right to control patent prosecution of patents and patent applications under a license from third parties, we may still be adversely affected or prejudiced by actions or inactions of our predecessors or licensors and their counsel that took place prior to us assuming control over patent prosecution.

Our acquired technologies and current or future licensed technology may be subject to retained rights. Our predecessors or licensors may retain certain rights under their agreements with us, including the right to use the underlying technology for noncommercial academic and research use, to publish general scientific findings from research related to the technology, and to make customary scientific and scholarly disclosures of information relating to the technology. It is difficult to monitor whether our predecessors or future licensors limit their use of the technology to these uses, and we could incur substantial expenses to enforce our rights to our licensed technology in the event of misuse.

If we are limited in our ability to utilize acquired technologies or current or future licensed technologies, or if we lose our rights to critical acquired or in-licensed technology, we may be unable to successfully develop, out-license, market and sell our products, which could prevent or delay new product introductions. Our business strategy depends on the successful development of acquired technologies, and current or future licensed technology, into commercial products. Therefore, any limitations on our ability to utilize these technologies may impair our ability to develop, out-license or market and sell our product candidate.

We may not be able to license or acquire new or necessary intellectual property rights or technology from third parties.

Because our development programs may in the future require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire, in-license, or use these third-party proprietary rights. Further, other parties, including our competitors, may have patents and have filed and are likely filing patent applications potentially relevant to our business. In order to avoid infringing these patents, we may find it necessary or prudent to obtain licenses to such patents from such parties. The licensing or acquisition of intellectual property rights is a competitive area, and several more established companies may pursue strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, capital resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. No assurance can be given that we will be successful in licensing any additional rights or technologies from third parties. Our inability to license the rights and technologies that we have identified, or that we may in the future identify, could have a material adverse impact on our ability to complete the development of our product candidates or to develop additional product candidates. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and it could require us to make substantial licensing and royalty payments. Failure to obtain any necessary rights or licenses may detrimentally affect our planned development of our current or future product candidates could be impacted and costs could increase, extending timelines associated with the development of such other product candidates if we fail to acquire necessary rights or licenses. We may even have to abandon the development of the relevant program or product candidate. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may enter into license agreements in the future with others to advance our existing or future research or allow commercialization of our existing or future product candidates. These licenses may not provide exclusive rights to use such intellectual property and technology in all relevant fields of use and in all territories in which we may wish to develop or commercialize our technology and product candidates in the future. In that event, we may be required to expend significant time and resources to redesign our product candidates, or the methods for manufacturing them, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize the affected product candidates, which could harm our business, financial condition, results of operations, and prospects significantly. We cannot provide any assurances that third-party patents do not exist which might be enforced against our current manufacturing methods, product candidates, or future methods or product candidates resulting in either an injunction prohibiting their manufacture or future sales, or, with respect to their future sales, an obligation on our part to pay royalties and/or other forms of compensation to third parties, which could be significant.

Risks Related to Our Regulatory Approval and Other Legal Compliance Matters

The regulatory approval processes of the FDA and other comparable foreign regulatory authorities are lengthy, time consuming and inherently unpredictable. If we are not able to obtain, or if there are delays in obtaining, required regulatory approvals for our product candidates, we will not be able to commercialize, or will be delayed in commercializing, our product candidates, and our ability to generate revenue will be materially impaired.

Our product candidates, including LNZ100 and any future product candidates we may seek to develop, and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale, distribution, import and export are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by comparable foreign regulatory authorities. Before we can commercialize any of our product candidates, we must obtain marketing approval.

Obtaining approval by the FDA and other comparable foreign regulatory authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the type, complexity and novelty of the product candidates involved. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. Further, securing regulatory approval also requires the submission of information about the drug manufacturing process to, and inspection of manufacturing facilities by, the relevant regulatory authority.

Prior to obtaining approval to commercialize any drug product candidate in the United States or abroad, we must demonstrate with substantial evidence from well-controlled clinical trials, and to the satisfaction of the FDA or foreign regulatory agencies, that such product candidates are safe and effective for their intended uses. Results from preclinical studies and clinical trials can be interpreted in different ways. Even if we believe the preclinical or clinical data for our product candidates are promising, such data may not be sufficient to support approval by the FDA and other regulatory authorities. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional nonclinical, clinical or other data. Even if we eventually complete clinical testing and receive approval for our product candidates, the FDA and other comparable foreign regulatory authorities may approve our product candidates for a more limited indication or a narrower patient population than we originally requested or may impose other prescribing limitations or warnings that limit the product's commercial potential. The FDA may also require us to conduct additional preclinical studies or clinical trials for our product candidates either prior to or after approval, or may object to elements of our clinical development programs. We have not submitted for, or obtained, regulatory approval for any product candidate, and it is possible that none of our product candidates will ever obtain regulatory approval. Further, development of our product candidates or regulatory approval may be delayed for reasons beyond our control.

Applications for LNZ100 or any future product candidates could fail to receive regulatory approval for many reasons, including the following:

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- the FDA or other comparable foreign regulatory authorities may disagree with the design, implementation or results of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA or other comparable foreign regulatory authorities that a product candidate is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA or comparable foreign regulatory authorities for approval;
- the population studied in the clinical trials may not be sufficiently broad or representative to assure efficacy and safety in the full population for which we seek approval;
- the FDA or other comparable foreign regulatory authorities may disagree with our interpretation of data from nonclinical studies or clinical trials;
- we may be unable to demonstrate to the FDA or other comparable foreign regulatory authorities that our product candidate's risk-benefit ratio for its proposed indication is acceptable;
- the FDA or other comparable foreign regulatory authorities may fail to approve the manufacturing processes, test procedures and specifications or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and
- the approval policies or regulations of the FDA or other comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval or resulting in delays in their regulatory approval.

Of the large number of drugs in development, only a small percentage successfully complete the FDA or comparable foreign regulatory approval processes and are commercialized. The lengthy approval processes as well as the unpredictability of future clinical trial results may result in us failing to obtain regulatory approval to market our product candidates, which would significantly harm our business, results of operations and prospects.

This lengthy approval process, as well as the unpredictability of the results of clinical trials, may result in us failing to obtain regulatory approval to market LNZ100 or any future product candidates, which would significantly harm our business, results of operations and prospects. In addition, even if we obtain approval of LNZ100 or any future product candidates, regulatory authorities may approve any of such product candidates for fewer or more limited indications than we request, may impose significant limitations in the form of narrow indications, warnings, or a REMS. In addition, the FDA or comparable foreign regulatory authorities may change its policies, issue additional regulations or revise existing regulations, or take other actions, which may prevent or delay approval of LNZ100 or any future product candidates on a timely basis. Such policy or regulatory changes could impose additional requirements upon us that could delay our ability to obtain approvals, increase the costs of compliance or restrict our ability to maintain any marketing authorizations we may have obtained.

Our current or future product candidates may fail to demonstrate substantial evidence of their safety and efficacy or cause significant adverse events or other undesirable side effects may be identified during the development of our product candidates, which could prevent, delay or limit the scope of regulatory approval of our product candidates, prevent market acceptance, limit our commercial potential or result in significant negative consequences.

To obtain the requisite regulatory approvals for the commercial sale of our product candidates, we must demonstrate through lengthy, complex and expensive preclinical testing and clinical trials that our product candidates are safe and effective for use in each target indication. Preclinical studies and clinical trials are expensive and time-consuming, and their outcomes are inherently uncertain. Failures can occur at any time during the development process. Product candidates often fail to demonstrate safety or efficacy of the product candidate studied for the target indication, and most product candidates that begin clinical trials are never approved.

While we believe our Phase 3 CLARITY trials were completed successfully, we may fail to demonstrate with substantial evidence from adequate and well-controlled trials, and to the satisfaction of the FDA or comparable foreign regulatory authorities, that LNZ1000 or any future product candidates are safe and effective for their intended uses.

If our product candidates are associated with undesirable side effects or have unexpected characteristics in nonclinical studies or clinical trials when used alone or in combination with other approved products or investigational new drugs, we may decide or be required to perform additional clinical studies or to interrupt, delay or abandon our development or limit development to more narrow uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. Treatment-related side effects could also affect patient recruitment or the ability of enrolled subjects to complete the clinical trial, or result in potential product liability claims. Any of these occurrences may prevent us from achieving or maintaining market acceptance of the affected product candidate and may harm our business, financial condition, and prospects significantly. Moreover, if we elect, or are required, to not initiate, delay, suspend or terminate any future clinical trial of any of our product candidates, the commercial prospects of such product candidates may be harmed and our ability to generate product revenues from any of these product candidates may be delayed or eliminated. Any of these occurrences may harm our ability to develop other product candidates, and may harm our business, financial condition, and prospects significantly.

Patients in our clinical trials may in the future suffer significant adverse events or other side effects not observed in our nonclinical studies or previous clinical trials. Some of our product candidates may be used as chronic therapies or be used in populations for which safety concerns may be particularly scrutinized by regulatory agencies. In addition, if our product candidates are used in combination with other therapies, our product candidates may exacerbate adverse events associated with the therapy. Patients treated with our product candidates may also be undergoing separate treatments which can cause side effects or adverse events that are unrelated to our product candidates, but may still impact the success of our clinical trials, including, for example, by interfering with the effects of our product candidates.

If significant adverse events or other side effects are observed in any of our future clinical trials, we may have difficulty recruiting patients to the clinical trials, patients may drop out of our clinical trials, or we may be required to abandon the clinical trials or our development efforts of that product candidate altogether. We, the FDA or other comparable regulatory authorities, or an IRE may suspend clinical trials of a product candidate at any time for various reasons, including a belief that subjects in such clinical trials are being exposed to unacceptable health risks or adverse side effects. Some potential therapeutics developed in the biotechnology industry that initially showed therapeutic promise in early-stage clinical trials have later been found to cause side effects that prevented their further development. Even if the side effects do not preclude the product candidate from obtaining or maintaining marketing approval, undesirable side effects may inhibit market acceptance due to its tolerability versus other therapies. Any of these developments could materially harm our business, financial condition, and prospects.

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Further, if any of our product candidates obtains marketing approval, and we or others later identify adverse events or other side effects associated with such products, a number of potentially negative consequences could result, including:

- regulatory authorities may suspend, withdraw or limit approvals of that product, or seek an injunction against its manufacture or distribution;
- regulatory authorities may require additional warnings on the label;
- we may decide to remove the product from the market;
- we may be required to conduct post-marketing studies or change the way the product is administered;
- we may be sued and held liable for harm caused to subjects or patients;
- we may be subject to fines, injunctions or the imposition of criminal penalties; and
- our reputation and physician or patient acceptance of our products may suffer.

There can be no assurance that we will resolve any issues related to any product-related adverse events to the satisfaction of the FDA or any foreign regulatory agency in a timely manner or at all. Moreover, any of these events could diminish the usage or otherwise limit the commercial success of our product candidates and prevent us from achieving or maintaining market acceptance of the affected product, if approved by applicable regulatory authorities.

Additional time may be required to develop and obtain regulatory approval for LNZ100 because we expect it will be regulated as a drug-device combination product.

We expect LNZ100 to be regulated as a drug-device combination product that will require coordination within the FDA and comparable foreign regulatory authorities and notified bodies for review of its drug and device components. Although the FDA and comparable foreign regulatory authorities and notified bodies have systems in place for the review and approval of drug-device combination products such as LNZ100, we may experience delays in the development, approval and commercialization of LNZ100 due to regulatory timing constraints and uncertainties in the product development and approval process.

Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not mean that we will be successful in obtaining regulatory approval of our product candidates in other jurisdictions.

Obtaining and maintaining regulatory approval of our product candidates in one jurisdiction does not guarantee that we will be able to obtain or maintain regulatory approval in any other jurisdiction. For example, even if the FDA grants marketing approval of a product candidate, comparable regulatory authorities in foreign jurisdictions must also approve the manufacturing, marketing and promotion and pricing of the product candidate in those countries. However, a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in others. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from those in the United States, including additional nonclinical studies or clinical trials as clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions. In many jurisdictions outside the United States, the pricing of a prescription drug candidate is subject to regulatory approval before it can be approved for sale in that jurisdiction. In some cases, the price that we intend to charge for our products is also subject to approval.

We may also submit marketing applications in other countries. Regulatory authorities in jurisdictions outside of the United States have requirements for approval of product candidates with which we must comply prior to marketing in those jurisdictions. Obtaining foreign regulatory approvals and establishing and maintaining compliance with foreign regulatory requirements could result in significant delays, difficulties, and costs for us and could delay or prevent the introduction of our products in certain countries. If we or any future collaborator fail to comply with the regulatory requirements in international markets or fail to receive applicable marketing approvals, our target market will be reduced and our ability to realize the full market potential of our potential product candidates will be harmed.

Even if we receive regulatory approval of LNZ100 or any future product candidates, we will be subject to ongoing regulatory obligations and continued regulatory oversight, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our product candidates.

Even if we obtain any regulatory approval for LNZ100 or any future product candidates, such product candidates will be subject to ongoing regulatory requirements applicable to manufacturing, labeling, packaging, storage, advertising, promoting, sampling, record-keeping and submission of safety or other post-market information, among other things. Any regulatory approvals that we receive for our product candidates will require surveillance to monitor the safety and efficacy of the product candidate. The FDA may also require a REMS, limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or requirements that we conduct potentially costly post-market testing and surveillance studies, including Phase 4 trials and surveillance to monitor the quality, safety and efficacy of the drug. An unsuccessful post-marketing study or failure to complete such a study could result in order to approve our product candidates, which could entail requirements for a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools.

Any new legislation addressing drug safety issues could result in delays in our product development or commercialization, or increased costs to assure compliance. We will also have to comply with requirements concerning advertising and promotion for our products. Promotional communications with respect to prescription drug products are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved label. As such, we will not be allowed to promote our products for indications or uses for which they do not have approval, commonly known as off-label promotion. The holder of an approved NDA must submit new or supplemental applications and obtain prior approval for certain changes to the approved product, product labeling, or manufacturing process. A company that is found to have improperly promoted off-label uses of its products may be subject to significant civil, criminal and administrative penalties.

In addition, drug manufacturers are subject to payment of user fees and continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP requirements and adherence to commitments made in the NDA or foreign marketing application. If we, the FDA or a comparable foreign regulatory authority, discover previously unknown problems with our product candidates, such as adverse events of unanticipated severity or frequency, or problems with the facility where the drug is manufactured or if a regulatory authority disagrees with the promotion, marketing or labeling of that drug, a regulatory authority may impose restrictions relative to that drug, the manufacturing facility or us including requesting a recall or requiring withdrawal of the drug from the market or suspension of manufacturing.

Failure by us to comply with applicable regulatory requirements following approval of any product candidates, may result in, among other things:

- restrictions on the marketing or manufacturing of our product candidates, withdrawal of the product from the market or voluntary or mandatory product recalls;

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- manufacturing delays and supply disruptions where regulatory inspections identify observations of noncompliance requiring remediation;
- revisions to the labeling, including limitation on approved uses or the addition of additional warnings, contraindications or other safety information, including boxed warnings;
- imposition of a REMS, which may include distribution or use restrictions;
- requirements to conduct additional post-market clinical trials to assess the safety of the product;
- suspension or withdrawal of regulatory approvals;
- issuance of fines, untitled letters, warning letters or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by us or suspension or revocation of approvals;
- product seizure or detention, or refusal to permit the import or export of our product candidates; and
- injunctions or the imposition of civil or criminal penalties.

The FDA's and other regulatory authorities' policies may change, and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, and we may not achieve or sustain profitability. We also cannot predict the likelihood, nature, or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. It is difficult to predict how current and future legislation, executive actions, and litigation, including the executive orders, will be implemented, and the extent to which they will impact our business, our clinical development, and the FDA's and other agencies' ability to exercise their regulatory authority, including FDA's pre-approval inspections and timely review of any regulatory filings or applications we submit to the FDA. To the extent any executive actions impose constraints on FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

Moreover, the FDA strictly regulates the promotional claims that may be made about drug products. In particular, a product may not be promoted for uses that are not approved by the FDA as reflected in the product's approved labeling. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant civil, criminal and administrative penalties. The occurrence of any event or penalty described above may inhibit our ability to commercialize our product candidates and generate revenue and could require us to expend significant time and resources in response and could generate negative publicity.

Disruptions at the FDA, the SEC, and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire and retain key leadership and other personnel, or otherwise prevent new or modified products from being developed, approved or commercialized in a timely manner or at all, or otherwise prevent those agencies from performing normal business functions on which the operation of our business may rely, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, ability to hire and retain key personnel and accept the payment of user fees, and statutory, regulatory, and policy changes, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities, is subject to the political process, which is inherently fluid and unpredictable.

Disruptions at the FDA and other agencies may also slow the time necessary for new drugs to be reviewed or approved by necessary government agencies, which would adversely affect our business. If a prolonged government shutdown or other disruption occurs, or if global health or other concerns prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities in a timely manner, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, future government shutdowns or delays could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

Separately, in response to the COVID-19 pandemic, the FDA announced its intention to postpone most inspections of foreign and domestic manufacturing facilities at various points. Even though the FDA has since resumed standard inspection operations of domestic facilities, if a prolonged government shutdown occurs, either for global health related reasons or other reasons, preventing the FDA or other regulatory authorities from conducting business as usual or conducting inspections, reviews or other regulatory activities, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material effect on our business.

We may face difficulties from changes to current regulations and future legislation. Healthcare legislative measures aimed at reducing healthcare costs may have a material adverse effect on our business and results of operations.

The United States and many foreign jurisdictions have enacted or proposed legislative and regulatory changes affecting the healthcare system that could prevent or delay marketing approval of our product candidates or any future product candidates, restrict or regulate post-approval activities and affect our ability to profitably sell a product for which we obtain marketing approval. Changes in regulations, statutes or the interpretation of existing regulations could impact our business in the future by requiring, for example:

- changes to our manufacturing arrangements;
- additions or modifications to product labeling;

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- the recall or discontinuation of our products; or
- additional record-keeping requirements, if any such changes were to be imposed on us, could adversely affect the operation of our business.

LNZ100, if approved, will be directed to the out-of-pocket, cash-pay market in the United States, which we believe makes the market less sensitive to changes in insurance coverage and reimbursement. That said, changes in healthcare legislation and healthcare cost containment measures could impact the pricing of other products and procedures that compete with LNZ100, which can indirectly impact our pricing strategy and profitability. If a competitor treatment is covered by health plans or has more favorable pricing for consumers, the pricing of LNZ100 may be negatively impacted, which could have a material adverse effect on our ability to generate revenue and to attain profitability. Additionally, the out-of-pocket, cash-pay market for our patient population may be negatively impacted by other price increases and market conditions, including rising costs of other consumer goods, which patients may prioritize over any product candidates we may commercialize.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs. For example, in 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the “ACA”), was passed, which substantially changed the way healthcare is financed by both governmental and private insurers, and significantly impacted the U.S. pharmaceutical industry. The ACA contained provisions that may reduce the profitability of drug products through, among other things, increased rebates for drugs reimbursed by Medicaid programs, extension of Medicaid rebates to Medicaid managed care plans, mandatory discounts for certain Medicare Part D beneficiaries and annual fees based on pharmaceutical companies’ share of sales to federal health care programs.

There has been increasing legislative and enforcement interest in the United States with respect to specialty drug pricing practices. In August 2022, Congress passed the Inflation Reduction Act of 2022 (the “IRA”), which includes prescription drug provisions that have significant implications for the pharmaceutical industry and Medicare beneficiaries, including allowing the federal government to negotiate a maximum fair price for certain high-priced single source Medicare drugs, imposing penalties and excise tax for manufacturers that fail to comply with the drug price negotiation requirements, requiring inflation rebates for all Medicare Part B and Part D drugs, with limited exceptions, if their drug prices increase faster than inflation, and redesigning Medicare Part D to reduce out-of-pocket prescription drug costs for beneficiaries, among other changes. HHS has and will continue to issue and update guidance as these programs are implemented. On August 29, 2023, CMS announced the list of the first ten drugs that will be subject to price negotiations. However, various industry stakeholders, including pharmaceutical companies, the U.S. Chamber of Commerce, and the Pharmaceutical Research and Manufacturers of America, have initiated lawsuits against the federal government asserting that the price negotiation provisions of the IRA are unconstitutional. The impact of these judicial challenges as well as future legislative, executive, and administrative actions and any future healthcare measures and agency rules implemented by the government on our company and the pharmaceutical industry as a whole is unclear. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our product candidates if approved.

In addition, President Biden has issued multiple executive orders that have sought to reduce prescription drug costs. In February 2023, HHS also issued a proposal in response to an October 2022 executive order from President Biden that includes a proposed prescription drug pricing model that will test whether targeted Medicare payment adjustments will sufficiently incentivize manufacturers to complete confirmatory trials for drugs approved through FDA’s accelerated approval pathway. Further, in response to the Biden administration’s October 2022 executive order, on February 14, 2023, HHS released a report outlining three new models for testing by the CMS Innovation Center which will be evaluated on their ability to lower the cost of drugs, promote accessibility, and improve quality of care. It is unclear whether the models will be utilized in any health reform measures in the future. Although a number of these and other proposed measures may require authorization through additional legislation to become effective, and the Biden administration may reverse or otherwise change these measures, both the Biden administration and Congress have indicated that they will continue to seek new legislative measures to control drug costs.

At the state level, individual states are increasingly aggressive in passing legislation and implementing regulations designed to control prescription drug pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. A number of states are considering or have recently enacted state drug price transparency and reporting laws that could substantially increase our compliance burdens and expose us to greater liability under such state laws once we begin commercialization after obtaining regulatory approval for any of our products. We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our product candidates or additional pricing pressures.

Our revenue prospects could be affected by changes in healthcare spending and policy in the United States and abroad. We operate in a highly regulated industry and new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to healthcare availability, the method of delivery or payment for healthcare products and services could negatively impact our business, operations and financial condition.

There have been, and likely will continue to be, legislative and regulatory proposals at the foreign, federal, and state levels directed at broadening the availability of healthcare and containing or lowering the cost of healthcare. We cannot predict the initiatives that may be adopted in the future. The continuing efforts of the government, insurance companies, managed care organizations, and other payors of healthcare services to contain or reduce costs of healthcare or impose price controls may adversely affect:

- the demand for our product candidates, if we obtain regulatory approval;
- our ability to set a competitive price that we believe is fair for our products;
- our ability to generate revenue and achieve or maintain profitability;
- the level of taxes that we are required to pay; and
- the availability of capital.

The implementation of cost containment measures or other healthcare reforms may lower the pricing of competitor products or procedures, which in turn may constrain the pricing of our product candidates, if approved, and prevent us from being able to generate revenue, attain profitability or commercialize our product candidates.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for biotechnology products. We cannot be sure to what extent the trajectory of these legislative and regulatory proposals will be implemented by the federal and state governments, whether additional legislative changes will be enacted, whether FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of our product candidates, if any, may be. In addition, increased scrutiny by Congress of the FDA’s approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent product labeling and post-marketing testing and other requirements.

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We may be subject to federal and state healthcare fraud and abuse laws, false claims laws, transparency laws, and health information privacy and security laws, which could expose us to, among other things, criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens, and diminished profits and future earnings.

Although we expect that LNZ100, if approved, will be directed to the out-of-pocket, cash-pay market in the United States, our current and future arrangements with healthcare professionals, clinical investigators, CROs, and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval.

The laws that may affect our ability to operate include, but are not limited to:

- the federal Anti-Kickback Statute, which prohibits, among other things, persons from knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash flows, strategies, or in kind, to induce, or in return for, either the referral of an individual, or the purchase, lease, order or recommendation of any good, facility, item or service for which payment may be made, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution, but the exceptions and safe harbors are drawn narrowly and require strict compliance in order to offer protection. Violations are subject to civil and criminal fines and penalties for each violation, plus up to three times the remuneration involved, imprisonment, and exclusion from government healthcare programs.

- federal civil and criminal false claims laws, including the False Claims Act (“FCA”), which can be enforced through civil “qui tam” or “whistleblower” actions, and civil monetary penalty laws, impose criminal and civil penalties against individuals or entities for, among other things, knowingly presenting, or causing to be presented, claims for payment or approval from Medicare, Medicaid, or other federal health care programs that are false or fraudulent; knowingly making or causing a false statement material to a false or fraudulent claim or an obligation to pay money to the federal government; or knowingly concealing or knowingly and improperly avoiding or decreasing such an obligation. Manufacturers can be held liable under the FCA even when they do not submit claims directly to government payors if they are deemed to “cause” the submission of false or fraudulent claims. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA. The FCA also permits a private individual acting as a “whistleblower” to bring actions on behalf of the federal government alleging violations of the FCA and to share in any monetary recovery. When an entity is determined to have violated the federal civil FCA, the government may impose civil fines and penalties for each false claim, plus treble damages, and exclude the entity from participation in Medicare, Medicaid and other federal healthcare programs.

- the federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity can be found guilty of violating HIPAA without actual knowledge of the statute or specific intent to violate it.

- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009 (“HITECH”), and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates and their subcontractors that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information without appropriate authorization. HITECH also created new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys’ fees and costs associated with pursuing federal civil actions.

- the federal Physician Payments Sunshine Act, created under the ACA and its implementing regulations, which require manufacturers of drugs, devices, biologicals and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to CMS information related to payments or other transfers of value made to covered recipients, including physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors), certain non-physician healthcare professionals (such as physician assistants and nurse practitioners, among others), and teaching hospitals, as well as information regarding ownership and investment interests held by physicians and their immediate family members.

- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers.

- analogous state and foreign laws and regulations, such as state and foreign anti-kickback, false claims, consumer protection, and unfair competition laws which may apply to pharmaceutical business practices, including but not limited to, research, distribution, sales and marketing arrangements as well as submitting claims involving healthcare items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry’s voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government that otherwise restricts payments that may be made to healthcare providers and other potential referral sources; state laws that require drug manufacturers to file reports with states regarding pricing and marketing information, such as the tracking and reporting of gifts, compensations and other remuneration and items of value provided to healthcare professionals and entities; state and local laws requiring the registration of pharmaceutical sales representatives; and state and

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foreign laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of available statutory exceptions and regulatory safe harbors, it is possible that some of our business activities, including our advisory board arrangements with physicians, some of whom receive stock or stock options as compensation for services provided, and any sales and marketing activities after a product candidate has been approved for marketing in the United States, could be subject to legal challenge and enforcement actions. If our operations are found to be in violation of any of the federal and state laws described above or any other governmental regulations that apply to us, we may be subject to significant civil, criminal, and administrative penalties, including, without limitation, damages, fines, disgorgement, imprisonment, additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

Our employees, independent contractors, consultants, commercial collaborators, principal investigators, CROs, suppliers and vendors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, independent contractors, consultants, commercial collaborators, principal investigators, CROs, suppliers, and vendors may engage in misconduct or other improper activities. Misconduct by these parties could include failures to comply with FDA regulations, provide accurate information to the FDA, comply with federal and state health care fraud and abuse laws and regulations, accurately report financial information or data, or disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the health care industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs, and other business arrangements. Misconduct by these parties could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct by these parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant penalties, including civil, criminal and administrative penalties, damages, fines, disgorgement, imprisonment, integrity oversight and reporting obligations, contractual damages, reputational harm, diminished profits and future earnings, and the curtailment or restructuring of our operations.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment, and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological and radioactive materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties. Although we maintain workers' compensation insurance to cover our company for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or commercialization efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

We are subject to certain U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations and can face serious consequences for violations.

Among other matters, U.S. and foreign anti-corruption, anti-money laundering, export control, sanctions, and other trade laws and regulations, which are collectively referred to as Trade Laws, prohibit companies and their employees, agents,

clinical research organizations, legal counsel, accountants, consultants, contractors, and other partners from authorizing, promising, offering, providing, soliciting, or receiving directly or indirectly, corrupt or improper payments or anything else of value to or from recipients in the public or private sector. Violations of trade laws can result in substantial criminal fines and civil penalties, imprisonment, the loss of trade privileges, debarment, tax reassessments, breach of contract and fraud litigation, reputational harm, and other consequences. We have direct or indirect interactions with officials and employees of government agencies or government-affiliated hospitals, universities, and other organizations. We also expect our non-U.S. activities to increase over time. We plan to engage third parties for clinical trials or to obtain necessary permits, licenses, patent registrations, and other regulatory approvals and we can be held liable for the corrupt or other illegal activities of our personnel, agents, or partners, even if we do not explicitly authorize or have prior knowledge of such activities.

Risks Related to Our Reliance on Third Parties

We contracted with third parties for the manufacture of our product candidates for our clinical trials for LNZ100, and expect to continue to do so for any additional clinical trials and ultimately for commercialization. This reliance on third parties increases the risk that we will not have sufficient quantities of LNZ100 or such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We do not currently have the infrastructure or internal capability to manufacture supplies of LNZ100 for use in development and commercialization. We relied on third-party manufacturers for the production of our product candidates for our clinical trials under the guidance of members of our organization, and would expect to continue to do so for any additional clinical trials. Furthermore, the raw materials for our product candidates are sourced, in some cases, from a single-source supplier. For any future clinical trials, if we were to experience an unexpected loss of supply of LNZ100 or any of our future product candidates for any reason, whether as a result of manufacturing, supply or storage issues or otherwise, we could experience delays, disruptions, suspensions or terminations of, or be required to restart or repeat, any such clinical trials.

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We also expect to continue to rely on third-party manufacturers for the commercial supply of LNZ100 if we obtain marketing approval. We may be unable to maintain or establish required agreements with third-party manufacturers or to do so on acceptable terms. Even if we are able to establish agreements with third-party manufacturers, reliance on third-party manufacturers entails additional risks, including:

- the failure of the third party to manufacture LNZ100 according to our schedule, or at all, including if our third-party contractors give greater priority to the supply of other products over the supply of LNZ100 or otherwise do not satisfactorily perform according to the terms of the agreements between us and them;
- the reduction or termination of production or deliveries by suppliers, or the raising of prices or renegotiation of terms;
- the termination or nonrenewal of arrangements or agreements by our third-party contractors at a time that is costly or inconvenient for us;
- the breach by the third-party contractors of their agreements with us;
- the failure of third-party contractors to comply with applicable regulatory requirements;
- the failure of the third party to manufacture LNZ100 according to our specifications;
- the mislabeling of clinical supplies for any future clinical trials we conduct, potentially resulting in the wrong dose amounts being supplied or active drug or placebo not being properly identified;
- clinical supplies not being delivered to clinical sites on time for any future clinical trials we conduct, leading to clinical trial interruptions, or drug supplies not being distributed to commercial vendors in a timely manner, resulting in lost sales; and
- the misappropriation of our proprietary information, including our trade secrets and know-how.

We do not have complete control over all aspects of the manufacturing process of, and are dependent on, our contract manufacturing partners for compliance with cGMP regulations for manufacturing both active drug substances and finished drug products. Third-party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside of the United States. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA, EMA or others, we will not be able to secure and/or maintain marketing approval for our manufacturing facilities. In addition, we do not have control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA, EMA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of LNZ100 or any future product candidates we may seek to develop, or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain marketing approval for, or market LNZ100 or any such product candidates, if approved. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or drugs, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our product candidates or drugs and harm our business and results of operations. Our current and anticipated future dependence upon others for the manufacture of LNZ100 may adversely affect our future profit margins and our ability to commercialize LNZ100, if approved, on a timely and competitive basis.

The manufacture of drugs is complex and our third-party manufacturers may encounter difficulties in production. If any of our third-party manufacturers encounter such difficulties, our ability to provide adequate supply of LNZ100 for patients, if approved, could be delayed or prevented.

Manufacturing drugs, especially in large quantities, is complex and may require the use of innovative technologies. Each lot of an approved drug product must undergo thorough testing for identity, strength, quality, purity, potency, and stability. Manufacturing drugs requires facilities specifically designed for and validated for this purpose, and sophisticated quality assurance and quality control procedures are necessary. Slight deviations anywhere in the manufacturing process, including filling, labeling, packaging, storage and shipping and quality control and testing, may result in lot failures, product recalls or spoilage. When changes are made to the manufacturing process, we may be required to provide preclinical and clinical data showing the comparable identity, strength, quality, purity or potency of the products before and after such changes. If microbial, viral or other contaminations are discovered at the facilities of our manufacturer, such facilities may need to be closed for an extended period of time to investigate and remedy the contamination, which could adversely harm our business. If our manufacturers are unable to produce sufficient quantities for any future clinical trials or for commercialization as a result of these challenges, or otherwise, our development and commercialization efforts would be impaired, which would have an adverse effect on our business, financial condition, results of operations and growth prospects.

We have relied, and expect to continue to rely on third parties, including independent clinical investigators and CROs, to conduct, supervise and monitor certain aspects of our clinical trials and any future preclinical studies. If these third parties do not successfully carry out their contractual duties, comply with applicable regulatory requirements or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates, or such approval or commercialization may be delayed, and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon third parties, including independent clinical investigators and third-party CROs, to conduct certain aspects of our prior preclinical studies and clinical trials and to monitor and manage data for our ongoing clinical programs and any future preclinical studies or clinical trials.

We rely on these parties for execution of our trials, and generally do not control their activities. Nevertheless, we are responsible for ensuring that each of our studies and trials is conducted in accordance with the applicable clinical investigation plan and protocol, legal, regulatory and scientific standards, and our reliance on these third parties does not relieve us of our regulatory responsibilities. We and our third-party contractors and CROs are required to comply with GCP requirements, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for all of our product candidates in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of these third parties or our CROs fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply or, with respect to completed clinical trials, complied with GCP regulations. In addition, our clinical trials must be conducted with product produced under cGMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process. Moreover, our business may be adversely affected if any of these third parties violates federal or state fraud and abuse or false claims laws and regulations or healthcare privacy and security laws.

Further, these investigators and CROs are not our employees and we are not able to control, other than by contract, the amount of resources, including time, which they devote to our product candidates and clinical trials. These third parties may also have relationships with other commercial entities, including our competitors, for whom they may also be

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conducting clinical trials or other product development activities, which could affect their performance on our behalf. If independent investigators or CROs fail to devote sufficient resources to the development of our product candidates, if CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements, or for other reasons, our clinical trials may be extended, delayed or terminated, and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed or precluded entirely.

Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated. If any of our relationships with these third parties terminate, we may not be able to timely enter into arrangements with alternative third parties or to do so on commercially reasonable terms, if at all. Switching or adding CROs involves substantial cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Though we intend to carefully manage our relationships with our CROs, there can be no assurance that we will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition, and prospects.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Additionally, CROs may lack the capacity to absorb higher workloads or take on additional capacity to support our needs. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition, and prospects.

We entered into a collaboration agreement with Ji Xing and depend on Ji Xing to develop and commercialize its products within Greater China. We have limited control over how Ji Xing will conduct development and commercialization activities for LNZ100 or LNZ101.

In April 2022, we entered into the Ji Xing License, pursuant to which we granted Ji Xing an exclusive license to certain of our intellectual property rights to develop, use, import, and sell products containing LNZ100 or LNZ101 (“LNZ Products”) for the treatment of presbyopia in humans in mainland China, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan (collectively, “Greater China”) and the first right of negotiation for Ji Xing to license any other product that we develop or commercialize containing aceclidine or brimonidine for uses outside of the treatment of presbyopia in Greater China. Under the terms of the Ji Xing License, we shall refrain from developing or commercializing any competing product, or knowingly enabling a third party to develop or commercialize a product containing aceclidine or brimonidine that would reasonably be expected to result in off-label sales of such products, for the treatment of presbyopia in humans in Greater China.

As a result of the Ji Xing License Agreement, we are dependent upon Ji Xing for the development, regulatory, and commercialization activities for LNZ Products in Greater China, and we have limited control over the amount and timing of resources that Ji Xing devotes to such activities. In addition, payments associated with development, regulatory and commercial milestones that we may be eligible to receive, as well as royalties, will be dependent upon further advancement of LNZ Products by Ji Xing. If these milestones are not met and no LNZ Products are commercialized in Greater China, we will not receive future revenues from the collaboration. Ji Xing may fail to develop or effectively commercialize any LNZ Product for a variety of reasons and the Ji Xing License Agreement subjects us to a number of risks, including:

- Ji Xing may not commit sufficient resources to the development, regulatory approval, marketing, or distribution of any LNZ Product;
- Ji Xing may be unable to successfully complete the clinical development of any LNZ Product or obtain all necessary approvals from foreign regulatory agencies in any of the Greater China territories required to market any LNZ Product;
- Ji Xing may develop or commercialize (or attempt to develop or commercialize) an LNZ Product in a manner that may adversely impact our development or commercialization of either such product candidate and/or future product candidates outside of such collaboration, including for example (1) the risk that any clinical trials conducted by Ji Xing may result in unfavorable safety or efficacy results that negatively impact our ability to obtain regulatory approval of our products in jurisdictions outside Greater China and (2) the risk that, if approved and commercialized, patients report that the products developed by Ji Xing are not effective, or not effective for long enough, and it negatively impacts our ability to market any products outside Greater China, if approved;
- Ji Xing may not properly maintain our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- Ji Xing may terminate its agreement with us prior to completing development or commercialization of any LNZ Product under the collaboration, in whole or in part, adversely impacting the potential approval and our revenue from the licensed product;
- Ji Xing may fail to manufacture any applicable LNZ Product in compliance with requirements of applicable foreign regulatory agencies and in commercial quantities sufficient to meet market demand;
- there may be disputes between us and Ji Xing, including disagreements regarding the Ji Xing License Agreement, that may result in (1) the delay or prevention of the achievement of development, regulatory and commercial objectives that would result in milestone payments, (2) the delay or termination of the development or commercialization of any LNZ Product in Greater China, costly litigation or arbitration that diverts our management’s attention and resources and/or termination of the underlying agreement;
- Ji Xing may not comply with applicable regulatory guidelines with respect to developing or commercializing any LNZ Product, which could adversely impact the development of or sales thereof, either in Greater China or (depending on the scope of the noncompliant activities) by us in other jurisdictions, and could result in administrative or

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judicially imposed sanctions, including warning letters, civil and criminal penalties, injunctions, product seizures or detention, product recalls, total or partial suspension of production and refusal to approve any new drug applications;

- Ji Xing may experience financial difficulties; and
- business combinations or significant changes in the business strategy of Ji Xing may also adversely affect its ability to perform its obligations under its license agreement with us.

If Ji Xing does not perform in the manner we expect or fulfill its responsibilities in a timely manner, or at all, the development, regulatory approval, and commercialization efforts related to an LNZ Product in Greater China could be delayed and it may be necessary for us to either assume the responsibility at our own expense for the development of LNZ100 or LNZ101 in Greater China or seek out a different collaboration partner for such efforts. In that event, our potential to generate future revenues from the Greater China region could be significantly reduced and our business could be materially and adversely harmed.

Risks Related to Our Business Operations

Our success is highly dependent on our ability to attract and retain highly skilled executive officers and employees.

To succeed, we must recruit, retain, manage and motivate qualified executives as we build out the management team, and we face significant competition for experienced personnel. We are highly dependent on the principal members of our management and need to add executives with operational and commercialization experience as we plan for commercialization of our product candidates and build out a leadership team that can manage our operations as a public company. If we do not succeed in attracting and retaining qualified personnel, particularly at the management level, it could adversely affect our ability to execute our business plan and harm our operating results. In particular, the loss of one or more of our executive officers could be detrimental to us if we cannot recruit suitable replacements in a timely manner. The competition for qualified personnel in the biotechnology field is intense and as a result, we may be unable to continue to attract and retain qualified personnel necessary for the future success of our business. We could, in the future, have difficulty attracting experienced personnel and may be required to expend significant financial resources in employee recruitment and retention efforts.

Many of the other biotechnology companies that we compete against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than we do. They also may provide more diverse opportunities and better prospects for career advancement. Some of these characteristics may be more appealing to high-

quality candidates than what we have to offer. If we are unable to continue to attract and retain high-quality personnel, the rate and success at which we can discover, develop and commercialize our product candidates will be limited and the potential for successfully growing our business will be harmed.

If we engage in acquisitions, in-licensing or strategic partnerships, this may increase our capital requirements, dilute our stockholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

We may engage in various acquisitions and strategic partnerships in the future, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of indebtedness or contingent liabilities;
- the issuance of equity securities which would result in dilution to our stockholders;
- assimilation of operations, intellectual property, products and product candidates of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of management's attention from our existing product candidates and initiatives in pursuing such an acquisition or strategic partnership;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or product candidates and regulatory approvals; and
- our inability to generate revenue from acquired intellectual property, technology and/or products sufficient to meet our objectives or even to offset the associated transaction and maintenance costs.

In addition, if we undertake such a transaction, we may incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense.

We expect to significantly expand our organization, including building sales and marketing capability and creating additional infrastructure to support our operations as a public company, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of sales and marketing and finance and accounting. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and our limited experience in managing such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert or stretch our management and business development resources in a way that we may not anticipate. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We could be subject to securities class action litigation, which is expensive and could divert management attention.

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In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because pharmaceutical companies have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business, operating results, or financial condition. We have been subject to litigation and received the Demands in connection with the Merger as described in Part II, Item 1 "Legal Proceedings" of this Quarterly Report on Form 10-Q.

Our business and operations would suffer in the event of system failures.

Our computer systems, as well as those of our contractors and consultants, are vulnerable to damage from computer viruses, unauthorized access, natural disasters (including hurricanes), terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our product candidate development programs. For example, the loss of preclinical study or clinical trial data from completed, ongoing or planned trials could result in delays in regulatory approval efforts and significantly increase costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of personal, confidential or proprietary information, we could incur liability and the further development of our product candidates could be delayed.

The secure processing, maintenance and transmission of this information is critical to our operations. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or internal bad actors, or breached due to employee error, a technical vulnerability, malfeasance or other disruptions. Although, to our knowledge, we have not experienced any such material security breach to date, any such breach could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, significant regulatory penalties, and such an event could disrupt our operations, damage our reputation, and cause a loss of confidence in us and our ability to conduct clinical trials, which could adversely affect our reputation and delay clinical development of our product candidates.

Risks Related to Our Common Stock

An active trading market for our common stock may never develop or be sustained.

Prior to the Merger, there was no public trading market for LENZ OpCo common stock. Although our common stock is listed on the Nasdaq Global Select Market, if an active trading market does not develop, or develops but is not maintained, you may have difficulty selling any of our common stock due to the limited public float. We cannot predict the prices at which our common stock will trade. It is possible that in one or more future periods our results of operations and progression of our product pipeline may not meet the expectations of public market analysts and investors, and, as a result of these and other factors, the price of our common stock may fall. Accordingly, we cannot assure you of your ability to sell your shares of our common stock when desired or at prices at or above the price you paid for your shares or at all.

The market price of our common stock is expected to be volatile, and the market price of the common stock may drop.

The market price of our common stock following the Merger has been, and may continue to be, subject to significant fluctuations. For example, from the commencement of trading on March 22, 2024 following completion of the Merger through April 30, 2024, the closing price for our common stock ranged from a low of $15.45 to a high of $22.33 per share. Some of the factors that may cause the market price of our common stock to fluctuate include:

- price and volume fluctuations in the overall stock market from time to time;
- the timing and results of clinical trials for LNZ100 and any future product candidates that we may develop;
- our ability to obtain regulatory approvals for LNZ100 or any future product candidates that we may develop, and any delays or failures to obtain such approvals;
- commencement or termination of collaborations for our product development and research programs;
- failure to achieve development, regulatory or commercialization milestones under our collaborations;
- failure or discontinuation of any of our product development and research programs;
- results of preclinical studies, clinical trials or regulatory approvals of product candidates of our competitors, or announcements about new research programs or product candidates of our competitors;
- the level of expenses related to any of our research programs, clinical development programs or product candidates that we may develop;
- the results of our efforts to develop additional product candidates or products;
- regulatory actions with respect to our products or those of our competitors;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- announced or completed acquisitions of businesses, products or intellectual property by us or our competitors;
- actual or anticipated changes in the financial projections or development timelines we may provide to the public or our failure to meet those projections or timelines;
- market conditions in the biotechnology, pharmaceutical and ophthalmology sectors;
- changes in the structure of healthcare payment systems;
- sales of shares of our common stock by us or our stockholders, or expectations that such sales may occur, and the expiration of market stand-off or lock-up agreements;
- the recruitment or departure of key personnel;

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- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- fluctuations in the trading volume of our shares or the size of our public float;
- actual or anticipated changes or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses, or changes in the market valuations of similar companies and the competitive landscape generally;
- changes in the market valuations of similar companies;
- failure of securities analysts to maintain coverage of us, changes in actual or future expectations of investors or securities analysts, or our failure to meet these estimates or the expectations of investors;
- litigation involving us, our industry or both;
- governmental or regulatory actions or audits;
- regulatory or legal developments in the United States and other countries;
- general economic conditions and trends;
- announcement or expectation of additional financing efforts;
- sales of securities by us or our securityholders in the future;
- if we do not achieve the perceived benefits of the Merger as rapidly or to the extent anticipated by financial or industry analysts; and
- changes in accounting standards, policies, guidelines, interpretations, or principles.

Moreover, the stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of individual companies. These broad market fluctuations may also adversely affect the trading price of our common stock. In addition, a recession, depression or other sustained adverse manner. There market event could materially and adversely affect our business and the value of our common stock. In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted class action securities litigation against such companies. Furthermore, market volatility may lead to increased shareholder activism if we experience a market valuation that activists believe is not reflective of our intrinsic value. Activist campaigns that contest or conflict with our strategic direction or seek changes in the composition of our board of directors could have an adverse effect on our operating results, financial condition and cash flows.

Our board of directors is authorized to issue and designate shares of our convertible preferred stock in additional series without stockholder approval.

Our amended and restated certificate of incorporation authorizes our board of directors, without the approval of our stockholders, to issue shares of convertible preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of our amended and restated certificate of incorporation, as shares of convertible preferred stock in series, to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The powers, preferences and rights of these additional series of convertible preferred stock may be senior to or on parity with our common stock, which may reduce its value.

We will continue to be an emerging growth company and a smaller reporting company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies and smaller reporting companies will make our common stock less attractive to investors.

We are an emerging growth company, as defined in the JOBS Act enacted in April 2012. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in this prospectus and our periodic reports and proxy statements, and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the closing of Graphite's initial public offering (i.e., December 31, 2026), (b) in which we have total annual gross revenue of at least $1.235 billion, or (c) in which we are deemed to be a large accelerated filer, which requires, among other things, that the market value of our common stock that is held by non-affiliates to exceed $700 million as of the prior June 30th, and (2) the date on which we have issued more than $1 billion in non-convertible debt during the prior three-year period.

Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company," which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (if we are also a non-accelerated filer at that time) and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. It cannot be predicted if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. It is expected that we will elect to use this extended transition period under the JOBS Act. As a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make comparison of our financials to those of other public companies more difficult. As a result, changes in rules of U.S. generally accepted accounting principles or their interpretation, the adoption of new guidance, or the application of existing guidance to changes in our business could significantly affect our financial position and results of operations.

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Once we are no material changes longer an emerging growth company, a smaller reporting company or otherwise no longer qualify for applicable exemptions, we will be subject to additional laws and regulations affecting public companies that will increase our costs and the demands on management and could harm our operating results and cash flows.

We are subject to the reporting requirements of the Exchange Act, which requires, among other things, that we file with the SEC, annual, quarterly and current reports with respect to our business and financial condition as well as other disclosure and corporate governance requirements. However, as an emerging growth company, we may take advantage of exemptions from various requirements such as an exemption from the risk factors requirement to have our independent auditors attest to our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 as previously disclosed well as an exemption from the "say on pay" voting requirements pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. We will no longer qualify as an emerging growth company after December 31, 2026 (or upon such earlier time as we no longer meet the other applicable requirements). After we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company," as such term is defined in Rule 12b-2 under the Exchange Act, which may allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in this prospectus and in our periodic reports and proxy statements. Once we are no longer an emerging growth company or a smaller reporting company or otherwise no longer qualify for these exemptions, we will be required to comply with these additional legal and regulatory requirements applicable to public companies and will incur significant legal, accounting and other expenses to do so. If we are not able to comply with the requirements in a timely manner or at all, our financial condition or the market price of our common stock may be harmed.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of Nasdaq. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Annual Report. Report on Form 10-K filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. As a private company, LENZ OpCo was not required to test its internal controls within a specified period. Doing so will require that we incur substantial professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. We may experience difficulty in meeting these reporting requirements in a timely manner.

We may discover weaknesses in our system of internal financial and accounting controls and procedures that could result in a material misstatement of our financial statements. Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our common stock could decline and we could be subject to sanctions or investigations by Nasdaq, the SEC or other regulatory authorities.

Our certificate of incorporation and bylaws and provisions under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our management.

Provisions in our certificate of incorporation and bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which our common stockholders might otherwise receive a premium price for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors will be responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- authorize "blank check" preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- create a classified board of directors whose members serve staggered three-year terms;
- specify that special meetings of our stockholders can be called only by our board of directors;
- prohibit stockholder action by written consent;
- establish an advance notice procedure for stockholder approvals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board of directors;
- provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- provide that our directors may be removed (i) only for cause and (ii) only by the affirmative vote of the holders of 75% or more of the outstanding shares of capital stock then entitled to vote at an election of directors;
- expressly authorize our board of directors to make, alter, amend or repeal our amended and restated bylaws; and
- require supermajority votes of the holders of our common stock to amend specified provisions of our amended and restated certificate of incorporation and amended and restated bylaws; however, if our board of directors recommends that the stockholders approve the amendment at a meeting of stockholders, the amendment shall only require the affirmative vote of the majority of the outstanding shares of capital stock entitled to vote on such amendment.

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Moreover, we are governed by the provisions of Section 203 of the DGCL, which prohibits stockholders owning in excess of 15% of the outstanding voting stock from merging or combining with us. Although we believe these provisions collectively will provide for an opportunity to receive higher bids by requiring potential acquirors to negotiate with our board of directors, they would apply even if the offer may be considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove then current management by making it more difficult for stockholders to replace members of the board of directors, which is responsible for appointing the members of management.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, certain designated courts will be the sole and exclusive forum for certain legal actions between us and our stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (i) any derivative action or proceeding brought on the company's behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our current or former directors, officers or employees to the company or its stockholders; (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our bylaws (including their interpretation, validity or enforceability); or (iv) any action asserting a claim governed by the internal affairs doctrine. Unless we consent in writing to the selection of an alternate forum, the United States federal district courts shall be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933 (the "Securities Act"). In addition, our bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to these exclusive forum provisions. The forum selection provisions in our bylaws may limit our stockholders' ability to litigate disputes with us in a judicial forum that they find favorable for disputes with us or our directors, officers or employees, which may discourage the filing of lawsuits against the company and its directors, officers and employees, even though an action, if successful, might benefit the company's stockholders. In addition, these forum selection provisions may impose additional litigation costs for stockholders who determine to pursue any such lawsuits against the company or its directors, officers or employees.

Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

Our certificate of incorporation and bylaws provide that we will indemnify our directors and officers, in each case to the fullest extent permitted by Delaware law. In addition, as permitted by Section 145 of the Delaware General Corporation Law, our bylaws and the indemnification agreements that we plan to enter into with our directors and officers provide that:

- We may, at our discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law;
- We are required to advance expenses, as incurred, to our directors and officers in connection with defending a proceeding, except that such directors or officers shall undertake to repay such advances if it is ultimately determined that such person is not entitled to indemnification;
- We are not obligated pursuant to our bylaws to indemnify a person with respect to proceedings initiated by that person against us or our other indemnitees, except with respect to proceedings authorized by our board of directors or brought to enforce a right to indemnification;
- The rights conferred in our bylaws are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents, and to obtain insurance to indemnify such persons; and
- We may not retroactively amend our bylaw provisions to reduce our indemnification obligations to directors, officers, employees, and agents.

We will indemnify our directors and officers for serving us in those capacities or for serving other business enterprises at our request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal proceeding, had no reasonable cause to believe such person's conduct was unlawful.

To the extent that a claim for indemnification is brought by any of our directors or officers, it would reduce the amount of funds available for use in our business.

Transfers of our securities utilizing Rule 144 of the Securities Act may be limited.

A significant portion of our securities are restricted from immediate resale. Holders should be aware that transfers of our securities pursuant to Rule 144 may be limited as Rule 144 is not available, subject to certain exceptions, for the resale of securities initially issued by shell companies (other than business combination related shell companies) or issuers that have been at any time previously a shell company. The disposal of Graphite's historical assets and operations in connection with the Merger made Graphite subject to the SEC requirements applicable to reporting shell company business combinations. Following the Merger, we are no longer a shell company. As a result, we anticipate that holders will not be able to sell their restricted securities pursuant to Rule 144 without registration until one year after March 22, 2024, the date that we filed the Current Report on Form 8-K following the closing of the Merger that includes the required Form 10 information that reflects we are no longer a shell company.

The disposal of Graphite's historical assets and operations in connection with the Merger made us subject to the SEC requirements applicable to reporting shell company business combinations. As a result, we will be subject to more stringent reporting requirements, offering limitations, and resale restrictions.

According to SEC guidance, the requirements applicable to reporting shell company business combinations apply to any company that sells or otherwise disposes of its historical assets or operations in connection with or as part of a plan to combine with a non-shell private company in order to convert the private company into a public one. Prior to the completion of the Merger, Graphite had no remaining ongoing development programs and disposed of its legacy technology and intellectual property. As such, we are subject to the SEC requirements applicable to reporting shell company business combinations, which are as follows:

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 we were required to file a Form 8-K to report the Form 10 type information after closing of the Merger with the SEC reflecting our status as an entity that is not a shell company;

- we will not be eligible to use a Form S-3 until 12 full calendar months after closing of the Merger;
- we will need to wait at least 60 calendar days after closing of the Merger to file a Form S-8;
- we will be an "ineligible issuer" for three years following the closing of the Merger, which will prevent us from (i) incorporating by reference in our Form S-1 filings, (ii) using a free writing prospectus, or (iii) taking advantage of the well-known seasoned issuer (WKSI) status regardless of our public float;
- investors who (i) were affiliates of LENZ OpCo or Graphite at the time the Merger was submitted for the vote or consent of the respective company's stockholders, (ii) received securities in the Merger (i.e., Rule 145(c) securities) and (iii) publicly offer or sell such securities will be deemed to be engaged in a distribution of such securities, and therefore to be underwriters with respect to resales of those securities, and accordingly such securities may not be included in any resale registration statement unless such securities are sold only in a fixed price offering in which such investors are named as underwriters in the prospectus; and
- Rule 144(i)(2) will limit the ability to publicly resell Rule 145(c) securities per Rule 145(d), as well as any other "restricted" or "control" securities per Rule 144 until one year after the Form 10 information is filed with the SEC.

The foregoing SEC requirements will increase our time and cost of raising capital, offering stock to under equity plans, and compliance with securities laws. Further, such requirements will add burdensome restrictions on the resale of our shares by affiliates and any holders of "restricted" or "control" securities.

If equity research analysts do not publish research or reports, or publish unfavorable research or reports, about us, our business, or our market, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that equity research analysts publish about us and our business. Equity research analysts may elect to not provide research coverage of our common stock after the completion of the Merger, and such lack of research coverage may adversely affect the market price of our common stock. In the event we do have equity research analyst coverage, we will not have any control over the analysts or the content and opinions included in their reports. The price of our common stock could decline if one or more equity research analysts downgrade our stock or issue other unfavorable commentary or research. If one or more equity research analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which in turn could cause our stock price or trading volume to decline.

We may be subject to adverse legislative or regulatory tax changes that could negatively impact our financial condition.

The rules dealing with U.S. federal, state, and local income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect us or our stockholders. For example, the United States recently enacted the Inflation Reduction Act of 2022, which implements, among other changes, a 1% excise tax on certain stock buybacks. In addition, beginning in 2022, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") eliminated the option to deduct research and development expenditures and required taxpayers to amortize them generally over five (for R&D performed in the United States) or fifteen years (for R&D performed outside the United States). We will assess the impact of various tax reform proposals in all jurisdictions where we have operations to determine the potential effect on our business and any assumptions we will make about our future taxable income. We cannot predict whether any specific proposals will be enacted, the terms of any such proposals or what effect, if any, such proposals would have on our business if they were to be enacted. Such changes, among others, may adversely affect our effective tax rate, results of operation, and general business condition.

Our ability to use net operating loss carryforwards and other tax attributes may be limited, including those obtained as a result of the Merger.

At December 31, 2023, LENZ OpCo had federal and state net operating loss ("NOL") carryforwards of $18.1 million and $17.9 million, respectively. The federal NOL carryforwards of $18.1 million may be carried forward indefinitely. State NOL carryforwards totaling $17.2 million begin to expire in 2040, unless previously utilized, and $0.6 million that carryforward indefinitely. In addition, LENZ OpCo also had federal and state R&D credit carryforwards totaling $6.5 million and $0.5 million, respectively. The federal R&D credit carryforwards will begin to expire in 2040 unless previously utilized. $0.1 million of the state R&D credit carryforwards will begin to expire in 2037 unless previously utilized, and the remaining carryforward indefinitely.

At December 31, 2023, Graphite had U.S. federal net operating loss carryforwards of $146.5 million and minimal state net operating loss carryforwards. The federal NOL carryforwards may be carried forward indefinitely. In addition, Graphite also had federal and state R&D credit carryforwards totaling $6.4 million and $4.7 million, respectively. The federal R&D credit carryforwards will begin to expire in 2041 unless previously utilized. The state R&D credit carryforward indefinitely.

Under current law, U.S. federal net operating loss carryforwards generated in taxable periods beginning after December 31, 2017, may be carried forward indefinitely, but the deductibility of such net operating loss carryforwards is limited to 80% of taxable income for taxable periods beginning after December 31, 2020. Many state jurisdictions conform to federal law for this purpose or have similar provisions that limit the deductibility of state net operating loss carryfowards in a taxable period. In addition, under Sections 382 and 383 of the Code, U.S. federal net operating loss carryforwards and other tax attributes may become subject to an annual limitation in the event of certain cumulative changes in ownership. An "ownership change" pursuant to Section 382 of the Code generally occurs if one or more stockholders or groups of stockholders who own at least 5% of a company's stock increase their ownership by more than 50 percentage points (by value) over their lowest ownership percentage within a rolling three-year period. We may have experienced such ownership changes in the past, and in connection with the Merger and the PIPE Financing. To the extent we have or will experience an ownership change(s), our ability to utilize our net operating loss carryforwards and other tax attributes to offset future taxable income or tax liabilities may be limited as a result of ownership changes, including, as discussed above, in connection with the Merger and the PIPE Financing or other transactions. Similar rules may apply under state tax laws. If we earn taxable income, such limitations could result in increased future income tax liability to us, and our future cash flows could be adversely affected.

Unfavorable global economic conditions could adversely affect our business, financial condition, results of operations, or cash flows.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn could result in a variety of risks to our business, including weakened demand for our product candidates and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could also strain our suppliers, possibly resulting in supply disruption, or cause our customers to delay making payments for our services. Any

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of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Proceeds

(a) **Recent Sales There were no sales of Unregistered Equity Securities**

None.

(b) **Use of Proceeds from unregistered securities by us during the Initial Public Offering of Common Stock**

On June 29, 2021, we completed our IPO and issued 14,000,000 shares of our common stock at an initial offering price of $17.00 per share. On July 2, 2021, we issued 2,100,000 shares of our common stock to the underwriters of the IPO pursuant to the exercise of their option to purchase additional shares at a price of $17.00 per share less underwriting discounts and commissions.We received net proceeds from the IPO of approximately $251.3 million, after deducting underwriting discounts and commissions of approximately $19.1 million and offering expenses of approximately $3.2 million. None of the expenses associated with the IPO quarter ended March 31, 2024 that were paid to directors, officers, persons owning 10% or more of any class of equity securities, or to their associates. Morgan Stanley& Co. LLC, BofA Securities, Inc., Cowen and Company, LLC and SVB Leerink, LLC acted as book-running managers for the IPO.

Shares of our common stock began trading on The Nasdaq Global Market on June 25, 2021. The offer and sale of the shares were registered under the Securities Act on a registration statement not previously reported in current reports on Form S-1 (Registration No. 333-256838), which was declared effective on June 24, 2021.

As of September 30, 2023, we have used approximately $179.5 million of the net proceeds received in the IPO. Cash used since the IPO is described elsewhere in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our periodic reports 8-K filed with the SEC. There has been no material change in the planned use of proceeds from our IPO as described in the registration statement on Form S-1. We invested the funds received in cash equivalents and other marketable securities in accordance with our investment policy.

(c)

Issuer Purchases of Equity Securities

The following table provides stock repurchase activity during each of the months of the three months ended September 30, 2023:

	Total number of shares purchased[1]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
July 1, 2023 - July 31, 2023	15,087	$ 0.30	—	—
August 1, 2023 - August 31, 2023	7,282	0.30	—	—
September 1, 2023 - September 30, 2023	5,361	0.22	—	—
Total	27,730	$ 0.28	—	—

(1) Represents shares of unvested common stock that were repurchased by us from former employees upon termination of employment in accordance with the terms of the employees' option agreements. We purchased the shares from the former employees at the respective original exercise prices.

Item 3. Defaults Upon Senior Securities.

Securities

None.

Item 4. Mine Safety Disclosures.

Disclosures

Not applicable.

Item 5. Other Information.

None.

Information

Securities Trading Plans of Directors and Executive Officers

During our last fiscal quarter, none of our directors or officers, as defined in Rule 16a-1(f), adopted and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408.

Item 6. Exhibits.

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Exhibits

Exhibit Number	Description
2.1†	Agreement and Plan of Merger, dated as of November 14, 2023, by and among Graphite Bio, Inc., Generate Merger Sub, Inc. and LENZ Therapeutics, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2023).
3.1	Amended and Restated Certificate of Incorporation, as current

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gistrant's Company's Current Report on Form 8-K (File No. 001-40532) filed

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with the SEC on June 30, 2021 March 22, 2024).

3.2 Amended and Restated Bylaw

was currently in effect (incorporated by reference to Exhibit 3.2 to the

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Registrant's Company's Current Report on Form - 8 - K (File No . 001 - 40532) fil

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Exhibit 4.1 to Amendment No. 14 to the Registrant's Company

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ny's Registration Statement Form S-4 filed with the SEC on December 6, 2

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10.1+	2020 Stock Option and Grant Plan and forms of award agreements thereunder (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-256838) filed with the SEC on June 11, 2021) June 4, 2021).	
4.2		A
10.2+		m e n d e d 2 0 2 1 S t o c k O p t i o n a n d R e s t a t e d I n v e s t o r s' R i g h t s A g

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r (incorporated by reference to Exhibit 4.2 10.2 to Amendment No. 2 to

- The Registrant's Company's Registration Statement On Form - S - 1 (File filed w

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	it h t h e S E C o n J u n e 2 1 , 2 0 2 1).
10.3+	2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.3 to Amendment No. 333-256838) 2 to the Company's Registration Statement on Form S-1 filed with the SEC on June 4, 2021) June 21, 2021).
10.1#	2020 Equity Incentive Plan and related form agreements (incorporated by reference to Exhibit 10.31 to the Company's
10.4+	Registration Statement on Form S-4 filed with the SEC on February 9, 2024).
10.5	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).
10.6+	2024 Equity Incentive Plan and related form agreements (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).
10.7+	2024 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).

Exhibit Number	Description
10.8+	Employment offer letter, Offer Letter between LENZ Therapeutics, Inc. and Evert Schimmelpennink dated as March 21, 2024 (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).
10.9+	Employment Offer Letter between LENZ Therapeutics, Inc. and Marc Odrich dated March 21, 2024 (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).
10.10+	Employment Offer Letter between LENZ Therapeutics, Inc. and Shawn Olsson dated March 21, 2024 (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).
10.11+	Employment Offer Letter between LENZ Therapeutics, Inc. and Dan Chevallard dated March 21, 2024 (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).
10.12+	Executive Change in Control and Severance Policy and form of August 21, 2023 participation agreement (incorporated by reference to Exhibit 10.41 to the Company's Registration Statement on Form S-4 filed with the SEC on December 6,

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	2023).
10.13+	Outside Director Compensation Policy (incorporated by reference to Exhibit 10.16 to the Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).
10.14+	Employee Incentive Compensation Plan (incorporated by reference to Exhibit 10.43 to the Company's Registration Statement on Form S-4 filed with the SEC on February 9, 2024).
10.15	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.44 to the Company's Registration Statement on Form S-4 filed with the SEC on February 9, 2024).
10.16#	License and Collaboration Agreement by and between LENZ and Ji Xing Pharmaceuticals Hong Kong Limited, dated April 12, 2022 (incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-4 filed with the SEC on January 18, 2024).
10.17	Registration Rights Agreement, dated March 21, 2024, by and between among LENZ Therapeutics, Inc. and certain parties thereto (incorporated by reference to Exhibit 10.21 to the Registrant and Kimberlee C. Drapkin. Company's Current Report on Form 8-K filed with the SEC on March 22, 2024).
10.2 31.1	Separation and Release Agreement dated as of Se

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ptember 7, 2023, by and between the Registrant and Josh Lehrer.

31	Certifi

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cationofPrincipalExecutiveOfficerPursuantto RulesS13a-14(a)and1

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5d-14(a)undertheSecuritiesExchangeActof1934.asAdoptedPursu

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		ant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2		Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**		
32.1*		Certification

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of Principal Executive Officer and Principal Financial and Accounting Officer Pursuan

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rsuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS		Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	32.2*	.
	101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document

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* Filed herewith.

# Indicates a management contract or compensatory plan.

† Schedules and exhibits to this Exhibit omitted pursuant to Regulation S-K Item 601(b)(2). The Registrant agrees to furnish supplementally a copy of any compensatory plan, contract omitted schedule or arrangement. exhibit to the SEC upon request.

** This certification will not be deemed "filed" for purposes of Section 18 # Portions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject exhibit were omitted pursuant to Regulation S-K Item 601(b)(10). The Registrant agrees to furnish to the liability SEC a copy of any omitted portions of the exhibit upon request.

* The certifications attached as Exhibit 32.1 and 32.2 that section. Such certification will accompany this Quarterly Report on Form 10-Q are deemed furnished and not be deemed filed with the SEC and are not to be incorporated by reference into any filing of LENZ Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act except to of 1934, as amended, whether made before or after the extent specifically incorporated by reference into date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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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 hereunto duly authorized.

LENZ THERAPEUTICS, INC.

Dated: May 8, 2024

By: /s/ Evert Schimmelpennink

GRAPHITE BIO, INC. Evert Schimmelpennink

Name:

Title:

Date: November 8, 2023

By: /s/ Kimberly Lee

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(Principal Executive Officer)

Dated: May 8, 2024

By: /s/ Daniel Chevallard

Name: Daniel Chevallard

Title: Chief Financial Officer

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Exhibit 10.1

August 18, 2023
Kim Drapkin
Via Electronic Delivery
Dear Kim:

It is my great pleasure to present this offer letter to you to join Graphite Bio, Inc. (the "Company") as our Chief Executive Officer. The entire board of directors of the Company (the "Board") and I are very excited to have you as a member of the Graphite Bio team. Your experiences and accomplishments are consistent with the impact we hope to have at Graphite Bio on science and on patients, and we look forward to your many contributions to the Company.

1. Position. Your initial title will be Chief Executive Officer, and you will initially report to the Board. This is a full-time position. While you render services to the Company, you will not engage in any other employment, consulting or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company. By signing this letter agreement, you confirm to the Company that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company.

2. Base Salary. The Company will pay you a starting salary at the rate of $550,000 per year, payable in accordance with the Company's standard payroll schedule and subject to applicable deductions and withholdings. This salary will be subject to periodic review and adjustments at the Company's discretion.

3. Employee Benefits. As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, you will be entitled to paid vacation in accordance with the Company's vacation policy, as in effect from time to time.

4. Severance Benefits. In the event your employment with the Company is terminated for any reason, the Company shall pay or provide you with any earned but unpaid salary, unpaid expense reimbursements in accordance with Company policy, accrued but unused vacation or leave entitlement, and any vested benefits you may have under any employee benefit plan of the Company in accordance with the terms and conditions of such employee benefit plan (collectively, the "Accrued Benefits"), within the time required by law but in no event more than sixty (60) days after the Date of Termination. For the avoidance of doubt, you will not be eligible to participate in the Company's Executive Severance Plan.

(a) Termination Following a Strategic Transaction. In the event a termination of your employment by the Company other than for Cause or death occurs upon or at any time within twelve (12) months after the closing of a Strategic Transaction, then in addition to the Accrued Benefits, subject to your execution and non-revocation of a separation agreement in a form and manner satisfactory to the Company containing, among other provisions, a general release of claims in favor of the Company and related persons and entities, confidentiality, return of property, non-disparagement and reaffirmation of your PIIA (the "Separation Agreement and Release") and the Separation Agreement and Release becoming irrevocable, all within the time period set forth in the Separation Agreement and Release, but in no event more than sixty (60) days after the Date of Termination, the Company shall pay you a lump sum amount equal to $400,000 plus, in the event a definitive agreement to effect a Strategic Transaction is executed within three months of the date hereof, an additional amount equal to $200,000, in each case subject to applicable deductions and withholdings, within sixty (60) days after the Date of Termination.

(b) Termination in Connection with a Liquidation Event. In the event a termination of your employment by the Company other than for Cause or death occurs at any time within 12 months after the Board has approved a plan of dissolution under Delaware law, then in addition to the Accrued Benefits, subject to your

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execution and non-revocation of a Separation Agreement and Release and the Separation Agreement and Release becoming irrevocable, all within the time period set forth in the Separation Agreement and Release, but in no event more than sixty (60) days after the Date of Termination, the Company shall pay you a lump sum amount equal to $350,000, subject to applicable deductions and withholdings, within sixty (60) days after the Date of Termination.

(c) Definitions.

"*Date of Termination*" shall mean the date that your employment with the Company (or any successor) ends, which date shall be specified in a notice of termination. Notwithstanding the foregoing, your employment shall not be deemed to have been

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terminated solely as a result of your becoming an employee of any direct or indirect successor to the business or assets of the Company.

"*Cause*" shall mean, and shall be limited to, the occurrence of any one or more of the following events: (i) your unauthorized use or disclosure of the Company's confidential information or trade secrets; (ii) your material breach of any agreement between you and the Company; (iii) your material failure to comply with the Company's written policies or rules; (iv) your gross negligence or willful misconduct in connection with your performance of your duties to the Company; your continuing failure to perform assigned duties after receiving written notification of the failure from the Company and, if curable, a period of thirty (30) days to cure such failure; (vi) your conviction of, indictment for or plea of nolo contendere to a felony or a crime involving moral turpitude; or (vii) your failure to cooperate in good faith with a governmental or internal investigation of the Company or its directors, officers or employees, if the Company has requested your cooperation.

"*Strategic Transaction*" shall mean (i) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (ii) the sale of all or substantially all of the stock or assets of the Company to an unrelated person, entity or group thereof acting in concert, (iii) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company, or (iv) any so-called "reverse merger" transaction in which the Company effects a business combination with an entity that is not a publicly traded or listed entity and a result of which, the Company remains a publicly traded entity with the equity holders of the other entity owning a substantial portion of the outststanding equity of the ongoing public entity.

8. Proprietary Information and Inventions Agreement. Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's standard Proprietary Information and Inventions Agreement (the "PIIA"), a copy of which is attached hereto as **Exhibit A**.

9. Employment Relationship. Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term. Although your job duties, title, compensation and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at will" nature of your employment may only be changed in an express written agreement signed by you and a member of the Board.

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10. Tax Matters.

(a) Withholding. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

(b) Tax Advice. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or its Board of Directors related to tax liabilities arising from your compensation.

11. Interpretation, Amendment and Enforcement. This letter agreement and Exhibit A constitute the complete agreement between you and the Company, contain all of the terms of your employment with the Company and supersede any prior agreements, representations or understandings (whether written, oral or implied) between you and the Company. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company. The terms of this letter agreement and the resolution of any disputes as to the meaning, effect, performance or validity of this letter agreement or arising out of, related to, or in any way connected with, this letter agreement, your employment with the Company or any other relationship between you and the Company (the "Disputes") will be governed by Massachusetts law, excluding laws relating to conflicts or choice of law. You and the Company submit to the exclusive personal jurisdiction of the federal and state courts located in Boston, Massachusetts, in connection with any Dispute or any claim related to any Dispute.

12. Conditions of Offer. As with all employees, the Company's offer of employment to you is also conditioned on your submission of satisfactory proof of your identity and your legal authorization to work in the United States and, if requested, your completion of a standard background check to the satisfaction of the Company. This offer is also conditioned on you signing and returning this agreement and the Proprietary Information

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and Inventions Agreement to the Company by close of business on August 21, 2023 and your starting work with the Company on or before August 21, 2023.

* * * * *

We hope that you will accept our offer to join the Company. You may indicate your agreement with these terms and accept this offer by signing and dating both the original of this letter agreement and the enclosed Proprietary Information and Inventions Agreement and returning them to me. This offer, if not accepted, will expire at the close of business on August 21, 2023. As required by law, your employment with the Company is contingent upon your providing legal proof of your identity and authorization to work in the United States. Your employment is also contingent upon your starting work with the Company on a date to be agreed upon by you and the Board (the "Start Date").

I very much look forward to receiving your signed offer letter. Most importantly, I look forward to partnering with you to build an outstanding company that will transform science and medicine and profoundly alter the lives of our patients and their families.

Sincerely,

Graphite Bio, Inc.

By: /s/ Perry Karsen

Title: Chairperson of the Board of Directors

I have read and accept this employment offer:

/s/ Kimberlee Drapkin
Signature of Employee

Dated: 8/23/2023

ATTACHMENT A TO EXECUTIVE EMPLOYMENT AGREEMENT

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

(attached)

Exhibit 10.2

GRAPHITE BIO, INC.

September 5, 2023
PERSONAL AND CONFIDENTIAL
Josh Lehrer
Re: Separation Agreement and Release
Dear Josh:

This letter confirms our previous discussions concerning your employment with Graphite Bio, Inc. (the "Company"). On August 21, 2023 (the "Termination Date"), your employment with the Company shall end and your status with the Company shall change to no longer employed, and your consulting relationship will commence.

This letter also proposes an agreement (the "Agreement") between you and the Company regarding the terms of your separation from the Company. Whether or not you sign this Agreement, the Company will provide you with all compensation due to you on your last day of employment, but the Agreement the Company hereby proposes would provide you with additional severance to which you are not otherwise entitled.

It is customary in severance agreements for an employee to release the Company from any possible claims, even if the Company believes, as is the case here, that no such claims exist. By proposing and entering into this Agreement, the Company is not admitting in any way that it violated any legal obligation that it owed to you.

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The Agreement is set forth on the following pages. If you agree to this Agreement, please return an original, signed copy of the agreement to me within five (5) business days. After receiving an executed version from you, I will sign on behalf of the Company and provide you with a set of documents signed by both parties.

Sincerely,

/s/ Perry Karsen

Perry Karsen
Chairperson of the Board of Directors

SEPARATION AGREEMENT AND RELEASE

This Separation Agreement and Release ("Agreement") is made by and between Josh Lehrer ("Employee") and Graphite Bio, Inc. (the "Company") (collectively referred to as the "Parties" or individually referred to as a "Party") as of the Effective Date (as defined below).

RECITALS

WHEREAS, Employee was employed by the Company;

WHEREAS, Employee was provided with an offer letter dated February 28, 2020 (the "Offer Letter") which Employee accepted, including the form of Proprietary Information and Inventions Agreement(the "Confidentiality Agreement");

WHEREAS, the Parties agreed that Employee's employment with the Company was terminated by the Company other than for Cause where no grounds for Cause were known to exist effective August 21, 2023 (the "Termination Date");

WHEREAS, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that the Employee may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Employee's employment with or separation from the Company;

NOW, THEREFORE, in consideration of the mutual promises made herein, the Company and Employee hereby agree as follows:

COVENANTS

1. Recitals; Termination of Executive Officer and Director Positions; Post-Termination Consulting Period.
   a. The Recitals set forth above are expressly incorporated into this Agreement.
   b. Employee hereby confirms his resignation of his offices as President and Chief Executive Officer of the Company and any other role as an officer of the Company, as well as his resignation as a member of the Company's Board of Directors, effective as of the Termination Date.
   c. During the Post-Employment Consulting Period (defined below), Employee will provide consulting services to the Compan on an as needed basis (the "Consulting Services") not to exceed eight (8) hours per week during the Post-Employment Consulting Period as reasonably requested by the Board of Directors (or designated executive officers of the Company), which services will not require Employee to come to the Company's offices. Employee will continue to have a service relationship with the Company for purposes of the Stock Agreements (as defined below) and will be entitled to the severar benefits set forth in Section 2 below during the Post-Employment Consulting Period but will not otherwise be entitled to additional compensation in

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connection with performing the Consulting Services. The continuing obligations of Employee set forth in Sections 9 through 13 below, together with the Restrictive Covenants Agreement (as defined below) (collectively, the "Continuing Obligations") shall apply to the Employee with commencement thereof as of the Termination Date running concurrently with the applicable Post-Employment Consulting Period. For purposes of this Agreement, a "Strategic Transaction" shall mean (i) a merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding stock or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (ii) the sale of all or substantially all of the stock or assets of the Company to an unrelated person, entity or group thereof acting in concert, (iii) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company, (iv) any so-called "reverse merger" transaction in which the Company effects a business combinatio... at is not a publicly traded or listed entity and as a result of which the Company remains a publicly traded entity with the equity holders of the other entity owning a substantial portion of the outstanding equity of the Company or (v) any Sale Event (as defined in the Graphite Bio, Inc. 2021 Stock Option and Incentive Plan, as in effect on the Termination Date). "Post-Employment Consulting Period" shall mean the period ending on the earlier of (x) twelve (12) months from the Termination Date and (y) the date of completion of a Strategic Transaction.

2. Consideration.
   a. Severance Benefits. Subject to the execution of this Agreement, in consideration for the promises and agreements set forth herein, including Employee's compliance with the Continuing Obligations, the Company agrees to the following:

I, Kim Drapkin, Evert Schimmelpennink, certify that:

1. I have reviewed this Quarterly Report quarterly report such transaction Graphite Bio, LENZ Therapeutics, 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 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) 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) 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

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accepted acquisition Plan.

Separation Payment. The Company agrees to pay Employee at a rate of $47,666.67 per month, less applicable withholdings (such payment being the "Separation Payment"), for a period of twelve (12) months following the Termination Date. The Company shall commence the first monthly Separation Payment to Employee no earlier than within five (5) days following the Effective Date, in accordance with the Company's regular payroll practices.

(c) c. Evaluated the effectiveness of the registrant's 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) d. Disclosed in this report any change in the registrant's registrant's internal control over financial reporting that occurred during the registrant's registrant's most recent fiscal quarter (the registrant's 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 registrant's internal control over financial reporting; and

ii. COBRA. The Company shall pay the COBRA administrator directly to cover the payments for Employee's COBRA coverage for a period of twelve (12) months following the Termination Date or until Employee has commenced other employment which provides for Employee's eligibility for health benefits, whichever occurs first, provided Employee timely elects and pays for continuation pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), within the time period prescribed pursuant to COBRA.

5. The registrant's 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 registrant's auditors and the audit committee of the registrant's registrant's board of directors (or persons performing the equivalent functions):

(a) 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 registrant's ability to record, process, summarize and report financial information; and

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

Extension of Exercise Period. For the outstanding equity subject to the Stock Agreements (as defined herein), which for the avoidance of doubt has remained outstanding, the Employee shall have until the earlier of (i) the expiration of the twelve (12)-month period measured from the termination of his service relationship with the Company or (ii) the expiration date of the option term in which to exercise that option award.

Date: November 13, 2023 By: By:

May 8, 2024 Exhibit 31.

iv. Acceleration of Shares. Upon the Effective Date of this Agreement, the Company shall accelerate the vesting of an aggregate of 50% of the shares subject to the option award issued to the Employee on February 9, 2023 (representing a 50% increase in the number of shares accelerated), which option award has remained outstanding (the "Acceleration Benefit").

v. Retention Bonus Payment. The Company shall pay Employee's retention bonus in the amount of $286,000, less applicable withholdings (the "Retention Bonus Payment"), which represents the amount equal to the retention bonus payment agreed upon pursuant to the March 21, 2023 Retention and Severance Agreement entered into between Employee and the Company. The Company shall pay the Retention Bonus Payment in cash within ten (10) days following the Effective Date.

vi. Change in Control Benefits. If a Strategic Transaction occurs within the three (3) months following the Termination Date (the "Transaction Window"), the Company will pay or provide Employee, without duplication for the foregoing, the cash and non-cash benefits and payments payable to a Tier 1 Executive in the Company's Executive Severance Plan (as in effect on the Termination as if the termination of Employee's employment was a Qualified Termination Event that occurred within the Change in Control Per under such Executive Severance Plan (the "CIC Benefits"). The CIC Benefits will be separate payments in a series of separate payments for purposes of Section 409A and, which together with the foregoing, will be paid or provided in a manner that does not violate Section 409A (and for this purpose any equity awards outstanding immediately prior to the Termination Date will remain outstanding).

b. Supplemental Release. In consideration of Employee's execution of this Agreement and the Supplemental Release attached hereto as Exhibit B (the "Supplemental Release") and (ii) Employee's fulfillment of all of the terms and conditions in this Agreement and the Supplemental Release, the Company agrees to provide the following: Subject to Section 1.c hereof, in the event the Post-Termination Consulting Period ends upon the consummation of a Strategic Transaction prior to the date six (6) months after the Termination Date, the Company shall accelerate the vesting of a number of shares equal to the number of shares subject to the Stock Agreements set forth on Exhibit A that would otherwise have vested through the date six (6) months from the Termination Date had Employee's service relationship with the Company continued through such period (or such lesser amount then remaining unvested thereunder).

3. Stock. Exhibit A sets forth a summary of all of Employee's equity grants held as of the Termination Date and the equity of each grant that are vested and unvested as of the Termination Date, including the Acceleration Benefit, pursuant to the terms of the Company's stock plans and the corresponding grant agreements (collectively, the "Stock Agreements"). Employee acknowledges that, other than the vested awards listed on Exhibit A (and any shares or awards that shall vest during the Post-Employment Consulting Period subject to Section 1.c or Section 2.b., or as a result of the CIC Benefits in respect of the Transaction Window, or otherwise held or exercised by Employee), Employee has and will have no other equity or debt interest in the Company of any kind, including but not limited to, any interest in stock, stock options, or other form of profit participation. Employee agrees that the foregoing treatment is consistent with, and has honored any and all obligations of the Company to Employee, under the Stock Agreements.

EMPLOYEE UNDERSTANDS THAT NEITHER THIS AGREEMENT NOR THE COURSE CERTIFICATION OF EMPLOYEE'S EMPLOYMENT WITH THE COMPANY, OR ANY OTHER SERVICE TO THE COMPANY, GIVE OR GAVE EMPLOYEE ANY RIGHT, CONTINUING OR OTHERWISE, TO THE REVENUES AND/OR PROFITS OF THE COMPANY AND/OR ANY OTHER RELEASEE (AS DEFINED BELOW) OR ANY OTHER INTEREST, ECONOMIC OR OTHERWISE, IN THE COMPANY AND/OR ANY OTHER RELEASEE (AS DEFINED BELOW), EXCEPT TO THE EXTENT OF THE ACCELERATION BENEFIT AND AS SET FORTH IN SECTION 2.B OR THIS SECTION 3 OR IN RESPECT OF THE CIC BENEFITS.

4. Benefits. Employee agrees that Employee'sparticipation in all benefits and incidents of employment, including, but not limited to, the accrual of bonuses, vacation, and paid time off, ceased as of the Termination Date, and the parties agree that Employee is eligible to vest in additional

Name:

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equity awards during the Post-Employment Consulting Period as described above and in respect of the CIC Benefits if any. Employee's health, dental and vision insurance benefits, if any, shall cease on the last day of August 2023, subject to Employee's right to continue Employee's coverage under COBRA.

5. Payment of Salary and Receipt of All Benefits. Employee acknowledges and represents that, other than the consideration set forth in this Agreement, the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee. Employee specifically represents that Employee is not due to receive any commissions or other incentive compensation from the Company other than as set forth in this Agreement.

6. Release of Claims. Employee agrees that the foregoing consideration represents settlement in full of all outstanding obligations owed to Employee by the Company and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Employee, on Employee's own behalf and on behalf of Employee's respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, demand, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Employee may possess against any of the Releasees

arising from any omissions, acts, facts, or damages that have occurred up until and including the Effective Date of this Agreement, including, without limitation:

a. any and all claims relating to or arising from Employee's employment relationship with the Company and the termination of that relationship;

b. any and all claims relating to, or arising from, Employee's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

c. any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; commission payments; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

d. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Sarbanes-Oxley Act of 2002; the Immigration Control and Reform Act; the California Family Rights Act; the California Labor Code; the California Workers' Compensation Act; the California Fair Employment and Housing Act; and any other similar statutes, regulations or laws;

e. any and all claims for violation of the federal or any state constitution;

f. any and all claims arising out of any other laws and regulations relating to employment discrimination;

g. any claim for any loss, cost, damage, or expense arising out of any dispute over the nonwithholding or other tax treatment of any of the proceeds received by Employee as a result of this Agreement; and

h. any and all claims for attorneys' fees and costs.

Employee agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred or rights afforded under this Agreement. This release does not release claims that cannot be released as a matter of law, or rights or claims of Employee relating to: (i) unemployment (which shall not to be contested, provided, however, that the foregoing does not prohibit the Company from truthfully responding to any government or agency requests for information), (ii) indemnification, (iii) directors and officer insurance, (iv) contribution and exculpation, (v) vested

equity held by Employee as of the Termination Date as provided under Employee's agreement with this Agreement, (vi) Employee's equity rights continuing following the Termination Date consistent with this Agreement, (vii) vested employee benefits, and (viii) rights Employee may have (A) to receipt of payment in respect of any restricted stock or early exercised options as set forth in the applicable award agreements or applicable plan documents, or (B) in respect of any CIC Benefits with respect to the Transaction Window. Employee represents that Employee has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this section. After reasonable due inquiry, the Company represents that it is not currently aware of any claims it or its affiliates may have against Employee.

Title: Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel Chevallard, certify that:

1. I have reviewed this quarterly report on Form 10-Q of LENZ Therapeutics, 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;

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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 8, 2024

By: /s/ Daniel Chevallard

Name: Daniel Chevallard

Title: Chief Financial Officer

(Principal Financial and Principal Accounting and Financial 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 Graphite Bio, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Evert Schimmelpennink, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § Section 1350, as adopted pursuant to § Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: November 13, 2023

By: /s/ Kimber

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immediately notify the Company upon receipt of any such subpoena or court order, and to furnish, within three (3) business days of its receipt, a copy of such subpoena or other court order. If approached by anyone for counsel or assistance in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints against any of the Releasees, Employee shall state no more than that Employee cannot provide counsel or assistance.

13. Nondisparagement. Except as otherwise provided herein, Employee agrees to refrain from any disparagement, defamation, libel, or slander of any of the Releasees. Employee agrees to refrain from making, either directly or indirectly, any negative, damaging or otherwise disparaging communications concerning the Company or its services to any of the clients of the Company. Employee shall not use any Company information that is confidential either under applicable law or the Confidentiality Agreement to which Employee had access during the scope of Employee's employment with the Company in order to communicate with or solicit any of the Company's current or prospective clients. Employee sha direct any inquiries by potential future employers to the Company's human resources department, which shall use its best efforts to provide only the Employee's last position and dates of employment. The Company shall refrain, and shall cause its board of directors and its executive officers to refrain, from any disparagement, defamation, libel or slander of Employee and from making, either directly or indirectly, any negative, damaging or otherwise disparaging communications concerning Employee or his services. Employee understands that the Company's obligations under this Section 13 shall only apply to the Company's current executive officers and directors for as long as they are a current employee or director of the Company.

14. Protected Disclosure. Notwithstanding any other provision of this Agreement, nothing in this Agreement prevents Employee from: (i) filing a charge or complaint with any federal, state or local governmental agency or commission (a "Government Agency"); (ii) communicating with any Government Agency or otherwise participating in any investigation or proceeding that may be conducted by any Government Agency, including Employee's ability to provide documents or other information, without notice to the Company; (iii) providing truthful testimony in litigation; or (iv) discussing or disclosing information about sexual harassment, sexual assault, or unlawful acts in the workplace (including harassment, discrimination or other conduct Employee has reasonable cause to believe is unlawful). If Employee files any charge or complaint with any Government Agency and if the Government Agency pursues any claim on Employee's behalf, or if any other third party pursues any claim on Employee's behalf, Employee waives any right to monetary or other individualized relief (either individually, or as part of any collective or class action); *provided* that nothing in this Agreement limits any right Employee may have to receive a whistleblower award or bounty for information provided to the Securities and Exchange Commission.

15. Breach. In addition to the rights provided in the "Attorneys' Fees" section below, Employee acknowledges and agrees that any material breach of this Agreement, or of any provision of the Confidentiality Agreement, shall entitle the Company immediately to cease providing, and/or to the extent determined by a court of competent jurisdiction to recover the consideration provided to Employee under this Agreement and to seek to obtain damages, except as provided by law.

16. No Admission of Liability. Employee understands and acknowledges that this Agreement constitutes a compromise and settlement of any and all actual or potential disputed claims by Employee. No action taken by the Company hereto, either previously or in connection

Name:

with this Agreement, shall be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to Employee or to any third party.

17. Costs. The Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Agreement.

18. Tax Consequences. The Company makes no representations or warranties with respect to the tax consequences of the payments and any other consideration provided to Employee or made on Employee's behalf under the terms of this Agreement. Employee agrees and understands that Employee is responsible for payment, if any, of local, state, and/or federal taxes on the payments and any other consideration provided hereunder by the Company and any penalties or assessments thereon. Employee further agrees to indemnify and hold the Company harmless from any claims, demands, deficiencies, penalties, interest, assessments, executions, judgments, or recoveries by any government agency against the Company for any amounts claimed due on account of (a) Employee's failure to pay or delayed payment of federal or state taxes, or (b) damages sustained by the Company by reason of any such claims, including attorneys' fees and costs.

19. Authority; Successors. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind the Company and all who may claim through it to the terms and conditions of this Agreement. Employee represents and warrants that Employee has the capacity to act on Employee's own behalf and on behalf of all who might claim through Employee to bind them to the terms and conditions of this Agreement. Each Party warrants and represents that there are no liens or claims of lien or assignments in law or equity or otherwise of or against any of the claims or causes of action released herein. This Agreement will be binding upon and inure to the benefit of successors and permitted assigns of the Company and Employee. This Agreement shall be assigned by the Company (to the extent not otherwise transferred by operation of law) to any entity succeeding to the business or assets of the Company by purchase, merger, consolidation or otherwise.

20. No Representations. Employee represents that Employee has had an opportunity to consult with an attorney, and has carefully read and understands the scope and effect of the provisions of this Agreement. Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

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21. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

22. Attorneys' Fees. In the event that either Party brings an action to enforce or effect its rights under this Agreement, the prevailing Party as determined by a court of competent jurisdiction shall be entitled to recover its costs and expenses, including the costs of mediation, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

23. Entire Agreement. This Agreement represents the entire agreement and understanding between the Company and Employee concerning the subject matter of this

Agreement and Employee's employment with and separation from the Company and the events leading thereto and associated therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Agreement and Employee's relationship with the Company, with the exception of the Confidentiality Agreement and the Stock Awards, and the Executive Severance Plan as it relates to the CIC Benefits, if any, which continue subject to the terms of this Agreement.

24. No Oral Modification. This Agreement may only be amended in a writing signed by Employee and a duly authorized representative of the Company.

25. Governing Law. This Agreement shall be governed by the laws of the State of California, without regard for choice-of-law provisions. Employee consents to personal and exclusive jurisdiction and venue in the State of California.

26. Effective Date. Employee understands that this Agreement shall be null and void if not executed by Employee within 5 business days. This Agreement will become effective on the date it has been signed by both Parties and not revoked by either Party prior to such date (the "Effective Date").

27. Counterparts. This Agreement may be executed in counterparts and by facsimile, and each counterpart, PDF, and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

28. Voluntary Execution of Agreement. Employee understands and agrees that Employee executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Employee's claims against the Company and any of the other Releasees. Employee acknowledges that:

() Employee has read this Agreement;

() Employee has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Employee's own choice or has elected not to retain legal counsel;

() Employee understands the terms and consequences of this Agreement and of the releases it contains; and

() Employee is fully aware of the legal and binding effect of this Agreement.

[Signature page follows; Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

JOSH LEHRER, an individual

Dated: September 7, 2023 /s/ Josh Lehrer

Josh Lehrer

GRAPHITE BIO, INC.

Dated: September 7, 2023 By /s/ Perry Karsen

Name: Perry Karsen

Its: Chairperson of the Board of Directors

EXHIBIT A

SUMMARY OF STOCK AGREEMENTS

The table below summarizes the equity grants made to the Employee under the Stock Agreements, with vesting information measured as of the Termination Date.

Type of Grant	Grant Number	Grant/Issue Date	Total Shares Granted	Total Shares Vested as of Termination Date	Total Shares Unvested as of Termination Date
RSA	00000159	28-Apr-20	670,397	558,664	111,733

chimmelpennink

Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

**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 LENZ Therapeutics, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel Chevallard, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: May 8, 2024 By: /s/ Daniel Chevallard

Name: Daniel Chevallard

Title: Chief Financial Officer
(Principal Financial and Principal Accounting and Financial Officer)

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RSA	00000160	20-May-20	109,134	90,945	18,189
NQSO (early exercised into restricted stock)	00000028	13-Jan-21	374,013	311,677	62,336
NQSO	00000079	17-Mar-21	340,798	295,898	44,900
NQSO*	00000386	21-Feb-23	600,000	87,500	512,500
NQSO	00000211	16-Feb-22	650,000	257,291	392,709
ISO	00000053	17-Mar-21	81,830	49,098	32,732
NQSO	00000054	17-Mar-21	713,366	431,332	282,034

* The vesting of an additional 300,000 shares will accelerate as of the Termination Date pursuant to Section 2(d) of the Agreement, such that an aggregate of 387,500 shares will be deemed vested as of the Termination Date.

EXHIBIT B – SUPPLEMENTAL RELEASE

This Supplemental Release ("Supplemental Release") is made by and between Josh Lehrer ("Consultant") and Graphite Bio, Inc. (the "Company") (collectively referred to as the "Parties" or individually referred to as a "Party") as of the Supplemental Release Effective Date (defined below).

1. Supplemental Release Effective Date. Consultant understands that Consultant has had more than twenty-one (21) days to consider this Supplemental Release since first receiving it with the Separation Agreement and Release (the "Agreement") to which it was attached as Exhibit B. To accept this Supplemental Release, Consultant must sign it no earlier than the last day of the Post-Employment Consulting Period (as defined in the Agreement) and then return the signed copy to the Company no later than five business days following the last day of the Post-Employment Consulting Period, and this Supplemental Release shall be null and void if Consultant fails to do so. This Supplemental Release will become effective on the eighth (8th) day after Consultant signs this Supplemental Release, so long as it has been signed by the Company and has not been revoked by either Party before that date (the "Supplemental Release Effective Date").

2. Supplemental Consideration. Consultant acknowledges that without this Supplemental Release becoming effective (along with other conditions specified in paragraph 2(b) of the Agreement), Consultant is otherwise not entitled to the Supplemental Consideration described in paragraph 2(b) of the Agreement.

3. Payment of Salary and Receipt of All Benefits. Consultant acknowledges and represents that the Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, reimbursement for health care, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Consultant through the last day of the Post-Employment Consulting Period.

4. Release of Claims. Consultant agrees that the Supplemental Consideration represents settlement in full of all outstanding obligations owed to Consultant by the Company and its current and former officers, directors, employees, agents, investors, attorneys, shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, parents, divisions, and subsidiaries, and predecessor and successor corporations and assigns (collectively, the "Releasees"). Consultant, on his own behalf and on behalf of his respective heirs, family members, executors, agents, and assigns, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Consultant may possess against any of the Releasees arising from any omissions, acts, facts, or damages that may have occurred up until and including the Supplemental Release Effective Date, including, without limitation:

a. any and all claims relating to or arising from Consultant's service relationship with the Company and the termination of that relationship;

b. any and all claims relating to, or arising from, Consultant's right to purchase, or actual purchase of shares of stock of the Company, including, without limitation, any claims for fraud,

misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

c. any and all claims for wrongful discharge of employment; constructive discharge; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

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d. any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Age Discrimination in Employment Act of 1967; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Sarbanes-Oxley Act of 2002; the Immigration Control and Reform Act; the California Family Rights Act; the California Labor Code; the California Workers' Compensation Act; the California Fair Employment and Housing Act; and any other similar statutes, regulations or laws;

e. any and all claims for violation of the federal or any state constitution;

f. any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

g. any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Consultant as a result of this Supplemental Release; and

h. any and all claims for attorneys' fees and costs.

Consultant agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not extend to any obligations incurred under this Supplemental Release or rights to enforce or claims pursuant to the Agreement (including, without limitation, with respect to the CIC Benefits, if any). This release does not release claims that cannot be released as a matter of law, or rights or claims of Consultant relating to: (i) unemployment (which shall not to be contested, provided that the foregoing does not prohibit the Company from truthfully responding to any government or agency requests for information), (ii) indemnification, (iii) directors and officer insurance, (iv) contribution and exculpation, (v) vested equity held by Consultant as of the signing date hereof or in which Consultant vests consistent with the Agreement (including, without limitation, with respect to the CIC Benefits, if any), (vi) Consultant's equity rights continuing following the Termination Date consistent with the Agreement, (vii) vested employee benefits, and (viii) rights Consultant may have to receipt of payment in respect of any restricted stock or early exercised options as set forth in the applicable award agreements or applicable plan document.

After reasonable due inquiry, the Company represents that it is not currently aware of any claims it or its affiliates may have against Consultant.

5. Acknowledgment of Waiver of Claims under ADEA. Consultant acknowledges that he/she is waiving and releasing any rights he/she may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Consultant agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the Supplemental Release Effective Date. Consultant acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Consultant was already entitled. Consultant further acknowledges that he/she has been advised by this writing that: (a) he/she should consult with an attorney prior to executing this Supplemental Release; (b) he/she has twenty-one (21) days within which to consider this Supplemental Release; (c) he/she has seven (7) days following his/her execution of this Supplemental Release to revoke this Supplemental Release; (d) this Supplemental Release shall not be effective until after the revocation period has expired; and (e) nothing in this Supplemental Release prevents or precludes Consultant from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Consultant signs this Supplemental Release and returns it to the Company in less than the 21-day period identified above, Consultant hereby acknowledges that he/she has freely and voluntarily chosen to waive the time period allotted for considering this Supplemental Release. Consultant acknowledges and understands that revocation must be accomplished by a written notification to the person executing this Supplemental Release on the Company's behalf that is received prior to the Supplemental Release Effective Date. The parties agree that changes, whether material or immaterial, do not restart the running of the 21-day period.

6. California Civil Code Section 1542. Consultant acknowledges that Consultant has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code Section 1542, a statute that otherwise prohibits the release of unknown claims, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Consultant, being aware of said code section, agrees to expressly waive any rights Consultant may have thereunder, as well as under any other statute or common law principles of similar effect.

7. No Pending or Future Lawsuits. Consultant represents that Consultant has no lawsuits, claims, or actions pending in his name, or on behalf of any other person or entity, against the Company or any of the other Releasees. Consultant also represents that Consultant does not intend to bring any other claims on his own behalf or on behalf of any other person or entity against the Company or any of the other Releasees.

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8. Confidentiality. Consultant agrees to maintain in complete confidence the existence of this Supplemental Release, the contents and terms of this Supplemental Release, and the consideration for this Supplemental Release (hereinafter collectively referred to as "Separation Information"). Except as required by law, Consultant may disclose Separation Information only to his immediate family members, the Court in any

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proceedings to enforce the terms of this Supplemental Release, Consultant's counsel, and Consultant's accountant and any professional tax advisor to the extent that they need to know the Separation Information in order to provide advice on tax treatment or to prepare tax returns, and must prevent disclosure of any Separation Information to all other third parties. Consultant agrees that Consultant will not publicize, directly or indirectly, any Separation Information.

9. Breach. In addition to the rights provided below (the "Attorneys' Fees" section), Consultant acknowledges and agrees that any material breach of this Supplemental Release shall entitle the Company immediately to cease providing and/or to the extent determined by a court of competent jurisdiction recover the consideration provided to Consultant under this Supplemental Release and the Agreement conditioned on this Supplemental Release and to seek to obtain damages, except as provided by law.

10. No Admission of Liability. Consultant understands and acknowledges that this Supplemental Release constitutes a compromise and settlement of any and all actual or potential disputed claims by Consultant. No action taken by the Company hereto, either previously or in connection with this Supplemental Release, shall be deemed or construed to be (a) an admission of the truth or falsity of any actual or potential claims or (b) an acknowledgment or admission by the Company of any fault or liability whatsoever to Consultant or to any third party.

11. Attorneys' Fees. In the event that either Party brings an action to enforce or effect its rights under this Supplemental Release, the prevailing Party as determined by a court of competent jurisdiction shall be entitled to recover its costs and expenses, including the costs of mediation, arbitration, litigation, court fees, and reasonable attorneys' fees incurred in connection with such an action.

12. Protected Disclosure. Notwithstanding any other provision of this Supplemental Release, nothing in this Supplemental Release prevents Consultant from: (i) filing a charge or complaint with any federal, state or local governmental agency or commission (a "Government Agency"); (ii) communicating with any Government Agency or otherwise participating in any investigation or proceeding that may be conducted by any Government Agency, including Consultant's ability to provide documents or other information, without notice to the Company; (iii) providing truthful testimony in litigation; or (iv) discussing or disclosing information about sexual harassment, sexual assault, or unlawful acts in the workplace (including harassment, discrimination or other conduct Consultant has reason to believe is unlawful). If Consultant files any charge or complaint with any Government Agency and if the Government Agency pursues any claim on Consultant's behalf, or if any other third party pursues any claim on Consultant's behalf, Consultant waives any right to monetary or other individualized relief (either individually, or as part of any collective or class action).

13. Entire Agreement; Successors. This Supplemental Release and the Agreement represents the entire agreement and understanding between the Company and Consultant concerning the subject matter of this Supplemental Release and the Agreement and Consultant's services with and separation from the Company and the events leading thereto and associated

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therewith, and supersedes and replaces any and all prior agreements and understandings concerning the subject matter of this Supplemental Release and the Agreement, with the exception of the Confidentiality Agreement and the Stock Agreements described in the Agreement, and the Executive Severance Plan as it relates to the CIC Benefits, if any. This Supplemental Release and the Agreement will be binding upon and inure to the benefit of successors and permitted assigns of the Company and Employee. This Supplemental Release and the Agreement shall be assigned by the Company (to the extent not otherwise transferred by operation of law) to any entity succeeding to the business or assets of the Company by purchase, merger, consolidation or otherwise.

14. No Oral Modification. This Supplemental Release may only be amended in a writing signed by Consultant and a duly authorized representative of the Company.

15. Governing Law. This Supplemental Release shall be governed by the laws of the State of California, without regard for choice-of-law provisions. Consultant consents to personal and exclusive jurisdiction and venue in the State of California.

16. Counterparts. This Supplemental Release may be executed in counterparts and by facsimile, and each counterpart, PDF, and facsimile shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned.

17. Voluntary Execution of Supplemental Release. Consultant understands and agrees that Consultant executed this Supplemental Release voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of his claims against the Company and any of the other Releasees. Consultant acknowledges that:

a. Consultant has read this Supplemental Release;

b. Consultant has been represented in the preparation, negotiation, and execution of this Supplemental Release by legal counsel of his own choice or has elected not to retain legal counsel;

c. Consultant understands the terms and consequences of this Supplemental Release and of the releases it contains; and

d. Consultant is fully aware of the legal and binding effect of this Supplemental Release.

[Signature page follows; Remainder of page intentionally left blank]

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Josh Lehrer, an individual

Dated: 9/7/2023 /s/ Josh Lehrer
Josh Lehrer

Graphite Bio, Inc.

Dated: 9/7/2023 By /s/ Perry Karsen
Name: Perry Karsen
Its: Chairperson of the Board of Directors

EXHIBIT C
PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

Exhibit 31

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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