REFINITIV

DELTA REPORT

10-Q

OCX - ONCOCYTE CORP

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1887
CHANGES	4
DELETIONS	1450
ADDITIONS	433

Exhibit 10.3

UNITED STATES SUBLEASE AGREEMENT

SECURITIES AND EXCHANGE COMMISSION

This **Washington, D.C. 20549** **SUBLEASE AGREEMENT** (this "Sublease"), dated as of the 8th day of August, 2023, is made and entered into by and between **ONCOCYTE CORPORATION**, a California corporation ("Sublessor"), and **INDUCE BIOLOGICS USA, INC.**, a Michigan corporation ("Sublessee").

FORM 10-Q BASIC LEASE DEFINITIONS

NAME OF SUBLESSOR:	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)	Oncocyte Corporation
SUBLESSOR'S ADDRESS(ES):		15 Cushing Irvine, California 92618
NAME OF THE SECURITIES EXCHANGE ACT OF 1934 SUBLESSEE:		Induce Biologics USA, Inc.
SUBLESSEE'S ADDRESS(ES):		Prior to the Commencement Date: 1646 West Snow Ave., Suite 188 Tampa, FL 33606 After the Commencement Date: To the Sublet Premises
UNDERLYING LANDLORD:		Cushing Ventures, LLC
UNDERLYING LEASE:		That certain Office Lease Agreement dated as of December 23, 2019, by and between Underlying Landlord, as landlord, and Sublessor, as tenant
SUBLET PREMISES:		The entire ground floor of the Building which comprises a portion of the Premises in the Underlying Lease, consisting of approximately 13,400 rentable square feet, as mutually agreed by Sublessor and Sublessee for purposes of this Sublease, without any representation by Sublessor whatsoever as to the actual square feet contained in the Sublet Premises or the Building or any portions thereof; provided, however, that, upon the date which is eighteen (18) months following the Commencement Date hereof (or an earlier date as provided in Paragraph 1 below) (the "Premises Expansion Date"), the Sublet Premises shall automatically be increased to include the second (2nd) floor of the Building, at which time the Sublet Premises shall comprise the entirety of the Building. See Paragraph 1 hereinbelow.
BUILDING:		15 Cushing Irvine, California 92618

For the quarterly period ended June 30, 2023

OR

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

For the transition period from ___________ to __________

Commission file number 1-37648

Oncocyte Corporation

(Exact name of registrant as specified in its charter)

California	**27-1041563**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15 Cushing
Irvine, California92618
(Address of principal executive offices) (Zip Code)

(949)409-7600
(Registrant's telephone number, including area code)

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

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, no par value	OCX	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	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 to Section 13(a) of the Exchange Act.

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

The number of shares of common stock outstanding as of August 3, 2023 was 8,240,928.

ONCOCYTE CORPORATION
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TERM:		The period commencing on the Commencement Date and ending on the Expiration Date.
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CONDENSED CONSOLIDATED BALANCE SHEETSPERMITTED USES:	4	General laboratory, office and storage uses as and to the extent set forth and permitted in the Underlying Lease.
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSSBASE RENT:	6	

the Term, Sublessee shall pay Base Rent to Sublessor as follows:

Lease Dates	Square Footage	Base Rent PSF	Monthly Base Rent
1/1/24 – 12/31/24	13,400	$ 2.75	$ 36,850.00
1/1/25 – 6/30/25	13,400	$ 2.83	$ 37,955.50
7/1/25 – 12/31/25	26,800	$ 2.83	$ 75,844.00
1/1/26 – 12/31/26	26,800	$ 2.92	$ 78,188.33
1/1/27 – 10/31/27	26,800	$ 3.00	$ 80,533.98

ADDITIONAL RENT: From and after the Commencement Date, Sublessee shall be responsible for Additional Rent (including, but not limited to, Expenses and Taxes) pursuant to Section 3 of the Underlying Lease; provided, however, that for the period of the Term prior to the Premises Expansion Date, Sublessee shall be responsible for only fifty percent (50%) of the Expenses and Taxes due during such period. From and after the Premises Expansion Date, Sublessee shall be responsible for 100% of the Additional Rent (including Expenses and Taxes) due for the remainder of the Term. See Paragraphs 3 and 5 hereinbelow.

SECURITY DEPOSIT: $101,987.38

BROKERS: Jones Lang Lasalle represents Sublessor and Lee & Associates represents Sublessee.

W I T N E S S E T H:

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

WHEREAS, Sublessor is the tenant of the Premises in the Building, and Sublessee is desirous of subletting the Premises as more particularly described in the Underlying Lease and this Sublease (the "Sublet Premises") from Sublessor upon the terms and conditions hereinafter set forth:

NOW, THEREFORE, *in consideration of the rental payments to be made hereunder by Sublessee to Sublessor and the mutual terms, covenants, conditions, provisions and agreements hereinafter set forth, Sublessor does hereby sublet to Sublessee and Sublessee does hereby take and hire from Sublessor, the Sublet Premises.*

This Report on Form 10-Q ("Report") contains forward-looking statements that involve risks Sublease shall be expressly subject and uncertainties. We make such forward-looking statements pursuant subordinate to all of the safe harbor terms, covenants, conditions, provisions and agreements contained in the Underlying Lease. A true copy of the Underlying Lease, has been delivered to, and reviewed by, Sublessee and is annexed hereto and made a part hereof as Exhibit A. The provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical facts contained in this Report Underlying Lease are forward-looking statements. In some cases, you can identify forward-looking statements specifically incorporated herein by words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or the negative of these words or other comparable terminology.

Any forward-looking statements in this Report reflect our current views with respect reference except that all references therein to future events or "Landlord" shall mean Sublessor, all references therein to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those discussed in this Report under Item 1 of the Notes to Condensed Consolidated Interim Financial Statements, under Risk Factors in this Report and those Risk Factors in Part I, Item 1A of our most recent Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC"). Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

The forward-looking statements in this Report also include, among other things, statements about:

- the timing and potential achievement of future milestones;
- the timing and our ability to obtain and maintain coverage and reimbursements from the Centers for Medicare and Medicaid Services and other third-party payers;
- our plans to pursue research and development of diagnostic tests;
- the potential commercialization of our diagnostic tests currently in development;
- the timing and success of future clinical trials and the period during which the results of the clinical trials will become available;
- the potential receipt of revenue from future sales of our diagnostic tests or diagnostic tests in development;
- our assumptions regarding obtaining reimbursement and reimbursement rates;
- our estimates regarding future orders of tests and our ability to perform a projected number of tests;
- our estimates and assumptions around patient populations, market size and price points for reimbursement for our diagnostic tests;
- our estimates regarding future revenues and operating expenses, and future capital requirements;
- our intellectual property position;

- the impact of government laws and regulations; and
- our competitive position.

Unless the context otherwise requires, "Tenant" shall mean Sublessee, all references to "Oncocyte," "Premises" shall mean Sublet Premises, and all references to "this Lease" shall mean this Sublease. If any provisions of this Sublease shall conflict with any provision of the "Company," "we," "us," "our," or similar words refer Underlying Lease, then, as between Sublessor and Sublessee the provisions of this Sublease shall control, provided, however, that if such construction of terms would cause Sublessor to Oncocyte Corporation, together with our consolidated subsidiaries. be in default under the terms of the Underlying Lease, then such inconsistency shall be resolved in favor of the Underlying Lease.

1. **<u>Sublet Premises</u>.**

The description or discussion, In consideration of Sublessee's obligation to pay Rent as herein provided and in Report, consideration of any contract or agreement is a summary only the other terms, covenants, and is qualified in all respects by reference conditions hereof, Sublessor leases to Sublessee, and Sublessee leases from Sublessor, the Sublet Premises (as the same may be adjusted during the Term hereof), to have and to hold for the Term, subject to the full text terms, covenants and conditions of this Sublease. As appurtenant thereto, the "Sublet Premises" shall include all rights and easements on, over and through the Building, including all entrances and exits to the public streets, for vehicular and pedestrian access, ingress and egress to and from the Sublet Premises. The parties hereto hereby acknowledge and agree that the "Sublet Premises" additionally include both the back-up generator located on-site and the shipping container presently located in the parking area servicing the Building; provided, however, that for the period beginning on the Commencement Date and continuing through the Premises Expansion Date, Sublessor shall have the exclusive right to use the shipping container for storage purposes and Sublessee hereby acknowledges that such exclusive use by Sublessor for such period does not materially interfere with Sublessee's use of the applicable contract or agreement. Sublet Premises nor does such exclusive use by Sublessor constitute any manner of constructive eviction of Sublessee's possessory rights provided by this Sublease.

DetermaIO™, DetermaCNI™, Notwithstanding the foregoing, including in the definition of "Sublet Premises" set forth in the Basic Lease Definitions hereinabove, Sublessee shall have the one (1) time option to move forward the Premises Expansion Date to a date which is earlier than the date which is eighteen (18) months following the Commencement Date hereof. In any case, any such notice from Sublessee to move forward the Premises Expansion Date must be received by Sublessor no less than ninety (90) days prior to Premises Expansion Date. In the event, Sublessee effectively exercises the right to advance the Premises Expansion Date, the Base Rent schedule set forth above, and VitaGraft™ are trademarks all amounts due from Sublessee to Sublessor as provided pursuant to this Sublease, shall be adjusted to reflect that Sublessee shall be occupying the entire Building, and by and from the effectiveness thereof, the definition of Oncocyte Corporation, regardless "Sublet Premises" shall include the entire 26,800 rentable square feet of whether the "™" symbol accompanies the use of or reference to the applicable trademark in this Report. Building.

2. **Term; Early Entry.**

PART 1—FINANCIAL INFORMATION The Term of this Sublease shall be for the Term as defined in the Basic Lease Definitions hereinabove, unless sooner terminated in accordance herewith. Tenant and its contractors, subcontractors and agents shall be permitted to enter into the Sublet Premises from and after the later of (a) October 1, 2023, or (b) the date which is thirty (30) days following receipt of the consent of Underlying Landlord to this Sublease, for the purpose of (i) renovating existing laboratory space through the installation of clean rooms, laboratory equipment, and a steam autoclave, and (ii) installing furniture, trade fixtures, telephones, computers, photocopy equipment, and other business equipment, including, without limitation, low voltage cable, telephone and/or data equipment. Such early entry will not advance the Commencement Date but shall be subject to all of the terms and conditions of this Sublease except for Tenant's obligation to pay Base Rent pursuant to Paragraph 3 of this Sublease. If Tenant does enter the Sublet Premises prior to the Commencement Date, Landlord shall not be responsible for, and Tenant is required to obtain, insurance covering, any loss, including theft, damage or destruction to any work or material installed or stored by Tenant or any contractor or individual involved in the completion of such installation or other work, or for any injury to Tenant or Tenant's employees, agents, contractors, licensees, directors, officers, partners, trustees, visitors or invitees or to any other person. Landlord shall have the right to post the appropriate notices of non-responsibility and to require Tenant to provide Landlord with evidence that Tenant has fulfilled its obligation to provide insurance pursuant to this Sublease.

3. **Base Rent.**

Item 1. Financial Statements Sublessee shall pay to Sublessor, each month during the Term, without notice or demand, and without any set-off, counterclaim, abatement or deduction whatsoever, Base Rent in equal monthly installments, on the first day of each and every calendar month during the Term, in lawful money of the United States of America, by check made payable to Sublessor, except the first full monthly installment of Base Rent shall be paid upon execution of this Sublease. All Base Rent, Additional Rent and other sums and charges due to Sublessor under this Sublease shall be paid by Sublessee at the office of Sublessor set forth above, or at such other place as Sublessor may designate, without any notice, setoff or deduction whatsoever. If the Term commences on a day other than the first day of a calendar month or terminates on a day other than the last day of a calendar month, monthly Base Rent and Additional Rent for the applicable month shall be prorated based on the number of days in such calendar month. Sublessee's obligation to make such payments accruing during the Term hereof shall survive the Expiration Date or sooner termination of this Sublease.

ONCOCYTE CORPORATION In addition to Base Rent and Additional Rent required to be paid hereunder, Sublessee agrees to pay all invoices rendered by Underlying Landlord or Sublessor for charges incurred by Sublessor for services and materials or utilities supplied to the Sublet Premises that are requested by Sublessee or that are attributable to Sublessee's particular manner of use (for example, Sublessee shall pay the prevailing rate for after-hours HVAC requested by or used by Sublessee) (the "Special Costs"). In the event of non-payment of Additional Rent and/or Special Costs, Sublessor shall have all the rights and remedies provided for herein or the Underlying Lease in case of non-payment of Base Rent (or its equivalent term) in the Underlying Lease.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands) If Sublessee shall fail to duly and timely pay any installment of Base Rent or Additional Rent and/or Special Costs, Sublessee shall also pay to Sublessor a late charge(s) and interest charges due and payable from Sublessor to Underlying Landlord pursuant to the Underlying Lease, or, if no such charges are specified in the Underlying Lease, Sublessee shall pay to Sublessor a late charge of five percent (5%) of such overdue amount and interest shall accrue on said overdue amount at the rate of twelve percent (12%) per annum (or such maximum rate allowable by law) from the date such payment was due until same is paid, such interest and/or late charge to be payable as Additional Rent hereunder. The payment of such late charge and interest shall be in addition to all other rights and remedies available to Sublessor in the case of non-payment of all such amounts hereunder.

	June 30, 2023 (unaudited)	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 17,368	$ 19,993
Accounts receivable, net of allowance of $178 and $154, respectively	1,716	2,012
Marketable equity securities	530	433
Prepaid expenses and other current assets	1,179	977
Assets held for sale	191	-
Current assets of discontinuing operations	-	2,121
Total current assets	20,984	25,536
NONCURRENT ASSETS		
Right-of-use and financing lease assets, net	1,891	2,088
Machinery and equipment, net, and construction in progress	5,997	8,763
Intangible assets, net	56,639	61,633
Restricted cash	1,700	1,700
Other noncurrent assets	329	371
TOTAL ASSETS	$ 87,540	$ 100,091
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 875	$ 1,253
Accrued compensation	1,301	1,771
Accrued expenses and other current liabilities	2,196	3,839
Accrued severance from acquisition	2,314	2,314
Accrued liabilities from acquisition	109	109
Right-of-use and financing lease liabilities, current	737	815
Current liabilities of discontinuing operations	135	2,005
Total current liabilities	7,667	12,106
NONCURRENT LIABILITIES		
Right-of-use and financing lease liabilities, noncurrent	2,398	2,729
Contingent consideration liabilities	29,150	45,662
TOTAL LIABILITIES	39,215	60,497
Commitments and contingencies		

Series A Redeemable Convertible Preferred Stock, no par value; stated value $1,000 per share; 5 and 6 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively; aggregate liquidation preference of $5,140 and $6,091 as of June 30, 2023 and December 31, 2022, respectively	4,725	5,302
SHAREHOLDERS' EQUITY		
Preferred stock, no par value, 5,000 shares authorized; no shares issued and outstanding	-	-
Common stock, no par value, 230,000 shares authorized; 8,241 and 5,932 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	309,535	294,929
Accumulated other comprehensive income	41	39
Accumulated deficit	(265,976)	(260,676)
Total shareholders' equity	43,600	34,292
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 87,540	$ 100,091

4. **Utilities**.

*The accompanying notesSublessee shall pay, prior to the date which is five (5) calendar days following Sublessor's delivery of a monthly invoice therefor, all charges or assessments for water, sewer, gas, heat, electricity, garbage disposal, trash disposal, and all other utilities and services utilized by Sublessee with respect to Sublessee's use of the Building (the "Utilities"); provided, however, that for the period of the Term prior to the Premises Expansion Date, Sublessee shall be responsible for an amount equal to eighty percent (80%) of the Utilities invoiced to Sublessee by Sublessor during such period. For purposes of clarity, Sublessee acknowledges and agrees that from and after the Premises Expansion Date, Sublessee shall be responsible for 100% of the Utilities due for the remainder of the Term. Upon the reasonable request of Sublessee, Sublessor shall use commercially reasonable efforts to provide Sublessee with any individual invoice or other supporting documentation with respect to any monthly invoice for Utilities which Sublessor delivers to Sublessee pursuant to this Paragraph 4, if any, provided that any such documents or materials are an integral partwithin Sublessor's possession and control. For the avoidance of these unaudited condensed consolidated interim financial statements.*doubt, telephone and janitorial services are expressly excluded from the definition of Utilities, and Sublessee, at its sole cost and expenses, shall be responsible for obtaining any such telephone and/or janitorial services as needed for Sublessee's use of the Building.

5. **Additional Rent**.

ONCOCYTE CORPORATION Sublessee shall pay to Sublessor, as Additional Rent, (a) all Special Costs, and (b) all charges, payments, fees, costs and sums (i) required to be paid by Sublessor as Additional Rent pursuant to the Underlying Lease (subject to adjustment as expressly provided herein), (ii) required to be paid by Sublessee under this Sublease, including, without limitation, any sums in connection with Sublessee's repair and/or maintenance obligations hereunder, and (iii) attributable to Sublessee's negligence, willful misconduct or a breach of the terms of this Sublease. The Additional Rent payable by Sublessee shall be paid to Sublessor in the manner and five (5) days before each such date as Sublessor shall be required to pay its corresponding share of such Additional Rent pursuant to the Underlying Lease. A copy of any bill or statement actually received by Sublessor from the Underlying Landlord in respect of which Sublessee shall, pursuant to the terms of this paragraph, be required to pay Additional Rent, shall be delivered by Sublessor to Sublessee.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

6. **Compliance with Underlying Lease and Laws.**

(Sublessee covenants and agrees to observe and perform all of the terms, covenants, conditions, provisions and agreements to be performed by Sublessor, as tenant pursuant to the Underlying Lease, and further covenants and agrees not to do or suffer or permit anything to be done which would result in a default under or cause the Underlying Lease to be terminated. Notwithstanding the foregoing, all grace periods specified in the Underlying Lease shall, for purposes of determining compliance by Sublessee with the provisions hereof, be each reduced by two (2) days. In thousands, except per share data)relation to Sublessee performing the obligations of Sublessor, as tenant pursuant to the Underlying Lease, said obligations shall be those of Sublessor in relation to the Sublet Premises.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net revenue	$ 463	$ 237	$ 760	$ 617
Cost of revenues	169	183	434	288
Cost of revenues – amortization of acquired intangibles	22	23	44	51
Gross profit	272	31	282	278
Operating expenses:				
Research and development	2,435	2,444	4,562	4,451
Sales and marketing	805	127	1,500	393
General and administrative	3,531	5,445	6,943	11,092
Change in fair value of contingent consideration	1,795	(6,359)	(16,512)	(11,015)
Impairment loss from intangible assets	-	-	4,950	-
Loss on disposal and held for sale assets	-	-	1,283	-
Total operating expenses	8,566	1,657	2,726	4,921
Loss from operations	(8,294)	(1,626)	(2,444)	(4,643)

OTHER INCOME (EXPENSES), NET				
Interest income (expenses), net	1	(21)	(9)	(51)
Unrealized gain (loss) on marketable equity securities	(24)	5	97	(325)
Other income (expenses), net	(16)	278	(18)	242
Total other income (expenses), net	(39)	262	70	(134)
LOSS BEFORE INCOME TAXES	(8,333)	(1,364)	(2,374)	(4,777)
Loss from continuing operations	(8,333)	(1,364)	(2,374)	(4,777)
Loss from discontinuing operations	-	(6,936)	(2,926)	(13,814)
NET LOSS	$ (8,333)	$ (8,300)	$ (5,300)	$ (18,591)
LESS: DIVIDENDS AND ACCRETION OF SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK	$ (311)	$ (72)	$ (541)	$ (72)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS: BASIC AND DILUTED	$ (8,644)	$ (8,372)	$ (5,841)	$ (18,663)
Net loss from continuing operations per share: basic and diluted	$ (1.03)	$ (0.24)	$ (0.34)	$ (0.93)
Net loss from discontinuing operations per share: basic and diluted	$ -	$ (1.23)	$ (0.42)	$ (2.69)
Net loss per share: basic and diluted	$ (1.07)	$ (1.48)	$ (0.83)	$ (3.63)
Weighted average shares outstanding: basic and diluted	8,090	5,652	7,030	5,135

*The accompanying notes are an integral partSublessee shall use the Sublet Premises only for the Permitted Uses. Sublessee shall use and occupy the Sublet Premises in a manner consistent with the terms of these unaudited condensed consolidated interim financial statements.*the Underlying Lease, and in compliance with all governmental laws, rules and regulations ("Laws") applicable to the Sublet Premises. Sublessee, at its expense, shall procure and at all times maintain and comply with the terms and conditions of all licenses and permits required for the lawful conduct of the Permitted Uses in the Sublet Premises. Sublessor agrees that Sublessee shall be entitled to receive all services and repairs to be provided by Underlying Landlord to Sublessor under the Underlying Lease provided Sublessor shall not be responsible or liable for Underlying Landlord's failure to perform any such services or repairs.

7. **Non-Liability, Indemnity.**

ONCOCYTE CORPORATION Except and to the extent caused by or due to the willful acts or gross negligence of Sublessor, or its agents, contractors, servants, licensees and employees, Sublessee shall and hereby does indemnify, defend and hold Sublessor harmless from and against any and all actions, claims, demands, damages, liabilities and expenses (including, without limitation, reasonable attorneys' fees and disbursements) asserted against, imposed upon or incurred by Sublessor by reason of (a) any violation caused, suffered or permitted by Sublessee, its agents, contractors, servants, sublessees, licensees, employees or invitees, of any of the terms, covenants, conditions, provisions or agreements of the Underlying Lease, (b) any damage or injury to persons or property occurring upon or in connection with the use or occupancy of the Sublet Premises, (c) the use or maintenance of the Sublet Premises or any business therein or any work or thing whatsoever done, or any condition created in or about the Sublet Premises during the Term (or any time prior to the Commencement Date that Sublessee may have been given access to the Sublet Premises), (d) any negligent or otherwise wrongful act or omission of Sublessee or any of its agents, contractors, servants, sublessees, licensees, employees or invitees, (e) any failure of Sublessee to perform or comply with all of the provisions of this Sublease hereof that are applicable to Sublessee, and (f) any obligation Sublessor may have to indemnity Underlying Landlord pursuant to the Underlying Lease, to the extent related to the Sublet Premises during the Term or Sublessee's occupancy of the Sublet Premises. For the avoidance of doubt, the foregoing indemnity shall apply only with respect to such actions, claims, demands, damages, liabilities or expenses relating to the Sublet Premises during the Term (or Sublessee's earlier occupancy thereof). Neither Sublessor nor any agent, contractor, servant, licensee, employee or invitee of Sublessor shall be liable to Sublessee for any death of or injury or damage to Sublessee or any other person or for any damage to or loss (by theft or otherwise) of any property of Sublessee or any other person, except to the extent caused by or due to the willful acts or gross negligence of Sublessor, or its agents, contractors, servants, sublessees, licensees or employees. In case any action or proceeding be brought against Sublessor or any agent, contractor, servant, licensee, employee or invitee of Sublessor by reason of any of the foregoing, Sublessee, upon notice from Sublessor, shall defend such action or proceeding by counsel chosen by Sublessee. Sublessee or its counsel shall keep Sublessor fully apprised at all times of the status of such defense and shall not settle same without the written consent of Sublessor, not to be unreasonably withheld, delayed or conditioned.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands) Sublessor shall and hereby does indemnify, defend and hold Sublessee harmless from and against any and all actions, claims, demands, damages, liabilities and expenses (including, without limitation, reasonable attorneys' fees and disbursements) asserted against, imposed upon or incurred by Sublessee by reason of the gross negligence or willful misconduct of Sublessor in or about the Sublet Premises during the Term.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
NET LOSS	$ (8,333)	$ (8,300)	$ (5,300)	$ (18,591)
Foreign currency translation adjustments	(2)	(7)	2	(6)
COMPREHENSIVE LOSS	$ (8,335)	$ (8,307)	$ (5,298)	$ (18,597)

8. **Performance by Underlying Landlord.**

*The accompanying notes are an integral Sublessor does not assume any obligation to perform the terms, covenants, conditions, obligations, provisions and agreements contained in the Underlying Lease on the part of these unaudited condensed consolidated interim financial statements.*Underlying Landlord to be performed, including, without limitation, the provision of utilities or services to the Sublet Premises. The representations of Underlying Landlord are not the representations of Sublessor. In the event Underlying Landlord shall fail to perform any of the terms, covenants, conditions, provisions and agreements contained in the Underlying Lease on its part to be performed, Sublessor shall be under no obligation or liability whatsoever to Sublessee, except as otherwise set forth in this Sublease. Sublessor shall cooperate with Sublessee, at no cost to Sublessor, in seeking to obtain the performance of Underlying Landlord under the Underlying Lease. Subject to the following sentence, Sublessee shall not be allowed any abatement or diminution of Base Rent or Additional Rent under this Sublease because of or due to Underlying Landlord's failure to perform any of its obligations under the Underlying Lease.

If Underlying Landlord shall default in any of its obligations with respect to the Sublet Premises, or there shall exist a bona fide dispute with Underlying Landlord under the terms, covenants, conditions, provisions and agreements of this Sublease and/or the Underlying Lease and Sublessee notifies Sublessor in writing that Sublessee has previously notified Underlying Landlord of such dispute and that such default or notice has been disregarded or not reasonably satisfactorily acted upon, then Sublessor shall notify Underlying Landlord of such default or dispute in its name on Sublessee's behalf. Sublessee shall be entitled to participate with Sublessor in the enforcement of Sublessor's rights against Underlying Landlord, but Sublessor shall have no obligation to bring any action or proceeding nor to take any steps to enforce Sublessor's rights against Underlying Landlord.

9. **Maintenance Obligations**.

ONCOCYTE CORPORATION Sublessee shall assume the responsibility for and pay for all maintenance, repairs and replacements during the term of this Sublease, to the extent that such maintenance, repairs or replacements are required to be performed by Sublessor as tenant under the Underlying Lease and then only to the extent applicable to the Sublet Premises.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

10. **Alterations**.

(Sublessee shall not make any alterations, additions or improvements to the Sublet Premises without first obtaining the written consent of the Underlying Landlord and Sublessor. Sublessor's consent shall not be unreasonably withheld if the written consent of the Underlying Landlord is first obtained, as well as a written waiver from Underlying Landlord of any restoration obligation of Sublessor pursuant to the Underlying Lease. Simultaneously with the submission of documents to the Underlying Landlord, Sublessee shall send copies of all such documents regarding alterations to Sublessor. Sublessee shall pay all costs and expenses relating to any changes, alterations, additions or improvements and shall cause same to be completed in accordance with law and the terms, covenants, conditions, provisions and agreements of the Underlying Lease. Sublessee hereby agrees to indemnify, defend and hold Sublessor harmless from any and all loss, cost, and expense (including, without limitation, reasonable attorneys' fees) incurred by Sublessor as a result of Sublessee's failure to comply with the aforesaid terms, covenants, conditions, provisions or agreements.

11. **Initial Condition of Sublet Premises; Underlying Lease**.

Sublessee represents that it has inspected the Sublet Premises and agrees to take the same in its present "As-Is, Where-Is" condition, and Sublessee acknowledges that no representations with respect to the condition of the Sublet Premises have been made by Sublessor or anyone on Sublessor's behalf. Sublessor has no obligation to perform any work, supply any materials, incur any expense or make any alterations or improvements to prepare the Sublet Premises for Sublessee's occupancy. Sublessee's occupancy of any part of the Sublet Premises shall be conclusive evidence, as against Sublessee, that Sublessee has accepted possession of the Sublet Premises in its then current condition. Any work required by Sublessee to prepare the Sublet Premises for its occupancy shall be made by Sublessee, at Sublessee's sole cost and expense, and shall be subject to all of the terms, covenants, conditions, provisions and agreements set forth in the Underlying Lease.

12. **Assignment and Subletting**.

Sublessee shall not assign this Sublease or sublet the Sublet Premises or otherwise transfer, mortgage or encumber this Sublease, the Sublet Premises or any part thereof or permit the use or occupancy thereof without first complying with the provisions of the Underlying Lease and obtaining Sublessor's consent thereto. Any transfer of more than twenty-five percent (25%) of the stock, partnership interests or membership interests, as the case may be, of Sublessee shall be deemed an assignment requiring Sublessor's consent thereto. Sublessor's consent shall not be unreasonably withheld, delayed or conditioned if the written consent of the Underlying Landlord is first obtained and said assignment or subletting of the entire Sublet Premises is to one (1) assignee or sublessee for its undivided occupancy for the remainder of the Term of this Sublease. Sublessor shall not be required to consent to any such assignment or further subletting if Sublessee is then in default under this Sublease or if such further subletting or assignment would cause Sublessor to be in default under the Underlying Lease. No such consent shall relieve Sublessee from the obligation to seek consent to a further subletting or assignment, and Sublessor may withhold its consent to each further subletting or assignment in its sole and absolute

discretion. Copies of all documentation required by the Underlying Lease shall be delivered simultaneously to Sublessor, together with Sublessee's request for any such consent. If Underlying Landlord and Sublessor shall give their consent to any assignment of this Sublease or any sub-sublease, Sublessee shall, in consideration therefor, pay to Sublessor, as additional rent:

(i) In thousands)the case of an assignment, an amount equal to 50% of all sums and other consideration paid to Sublessee by the assignee for or by reason of such assignment, after deduction of the commercially reasonable and customary costs incurred by Sublessee in effectuating such assignment including reasonable attorneys' fees, advertising costs, rent concessions, construction costs and brokerage commissions, in each case based upon bills, receipts or other evidence of such costs reasonably satisfactory to Sublessor (collectively, "Transfer Expenses").

	Three Months Ended June 30, 2023						
	Series A Redeemable Convertible Preferred Stock		Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance at March 31, 2023	**5,882**	**$ 5,532**	**5,964**	**$ 295,533**	**$ 43**	**$ (257,643)**	**$ 37,933**
Net Loss	-	-	-	-	-	(8,333)	(8,333)
Foreign currency translation adjustment	-	-	-	-	(2)	-	(2)
Stock-based compensation	-	-	-	834	-	-	834
Vesting of bonus awards	-	-	-	58	-	-	58
Sale of common shares, net of financing costs	-	-	2,266	13,421	-	-	13,421
Deemed dividend on Series A redeemable convertible preferred stock	-	-	-	(118)	-	-	(118)
Redemption of Series A redeemable convertible preferred stock	(1,064)	(1,000)	-	-	-	-	-
Shares issued upon vesting of RSU	-	-	11		-	-	-
Accretion of Series A convertible preferred stock to redemption value	-	193	-	(193)	-	-	(193)

	Series A Redeemable Convertible Preferred Stock Shares	Amount	Common Stock Shares	Amount	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
Balance at June 30, 2023	**4,818**	**$ 4,725**	**8,241**	**$ 309,535**	**$ 41**	**$ (265,976)**	**$ 43,600**

Three Months Ended June 30, 2022

	Series A Redeemable Convertible Preferred Stock		Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance at March 31, 2022	**-**	**$ -**	**4,612**	**$ 254,994**	**$ 38**	**$ (198,065)**	**$ 56,967**
Net Loss	-	-	-	-	-	(8,300)	(8,300)
Foreign currency translation adjustment	-	-	-	-	(7)	-	(7)
Stock-based compensation	-	-	-	2,232	-	-	2,232
Issuance of common shares, including at-the-market transactions, net of financing costs and underwriting discounts	-	-	1,313	32,423	-	-	32,423
Shares issued upon vesting of RSU, net of shares retired to pay employees' taxes	-	-	5	-	-	-	-
Issuance of Series A redeemable convertible preferred stock, net of financing costs	11,765	4,782	-	-	-	-	-
Accretion of Series A convertible preferred stock to redemption value	-	72	-	-	-	(72)	(72)
Balance at June 30, 2022	**11,765**	**$ 4,854**	**5,930**	**$ 289,649**	**$ 31**	**$ (206,437)**	**$ 83,243**

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	Six Months Ended June 30, 2023						
	Series A Redeemable Convertible Preferred Stock		Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
Balance at December 31, 2022	**5,882**	**$ 5,302**	**5,932**	**$ 294,929**	**$ 39**	**$ (260,676)**	**$ 34,292**
Net Loss	-	-	-	-	-	(5,300)	(5,300)
Foreign currency translation adjustment	-	-	-	-	2	-	2
Stock-based compensation	-	-	-	1,668	-	-	1,668
Vesting of bonus awards	-	-	-	58	-	-	58
Sale of common shares, net of financing costs	-	-	2,266	13,421	-	-	13,421
Deemed dividend on Series A redeemable convertible preferred stock	-	-	-	(118)	-	-	(118)
Shares issued upon vesting of RSU	-	-	43	-	-	-	-
Redemption of Series A redeemable convertible preferred stock	(1,064)	(1,000)	-	-	-	-	-
Accretion of Series A convertible preferred stock to redemption value	-	423	-	(423)	-	-	(423)
Balance at June 30, 2023	**4,818**	**$ 4,725**	**8,241**	**$ 309,535**	**$ 41**	**$ (265,976)**	**$ 43,600**

Six Months Ended June 30, 2022

	Series A Redeemable Convertible Preferred Stock		Common Stock		Accumulated Other Comprehensive Income	Accumulated Deficit	Total Shareholders' Equity
	Shares	**Amount**	**Shares**	**Amount**			
Balance at December 31, 2021	**-**	**$ -**	**4,612**	**$ 252,954**	**$ 37**	**$ (187,774)**	**$ 65,217**
Net Loss	-	-	-	-	-	(18,591)	(18,591)
Foreign currency translation adjustment	-	-	-	-	(6)	-	(6)
Stock-based compensation	-	-	-	4,242	-	-	4,242
Issuance of common shares, including at-the-market transactions, net of financing costs and underwriting discounts	-	-	1,314	32,453	-	-	32,453
Shares issued upon vesting of RSU, net of shares retired to pay employees' taxes	-	-	4	-	-	-	-
Issuance of Series A redeemable convertible preferred stock, net of financing costs	11,765	4,782	-	-	-	-	-
Accretion of Series A convertible preferred stock to redemption value	-	72	-	-	-	(72)	(72)
Balance at June 30, 2022	**11,765**	**$ 4,854**	**5,930**	**$ 289,649**	**$ 31**	**$ (206,437)**	**$ 83,243**

(ii) In the case of a sub-sublease, 50% of any rents, additional rents or other consideration payable under the sub-sublease or otherwise to Sublessee by the sub-subtenant which are in excess of the fixed annual rent and additional rent accruing during the term of this Sublease in respect of the sub-subleased space (at the rate per square foot payable by Sublessee hereunder) pursuant to the terms hereof, after deduction of Transfer Expenses incurred by Sublessee in connection with such sub-sublease, amortized over the term of the sub- sublease.

The accompanying notes are sums payable under this paragraph shall be paid to Sublessor as and when received by the Sublessee.

*If this Sublease be assigned, or if the Sublet Premises or any portion thereof be underlet or occupied by anybody other than Sublessee, Sublessor may, in the event of an integral uncured, monetary default by Sublessee, collect rent from the assignee, undertenant or occupant, and apply the net amount collected to the Rent herein reserved, but no such assignment, underletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, undertenant or occupant as tenant, or a release of Sublessee from the further performance by Sublessee of the covenants on the part of these unaudited condensed consolidated interim financial statements.*Sublessee herein contained, and Sublessee shall be and remain liable under all of the terms, covenants, conditions, provisions and agreements hereof.

If Sublessee shall at any time request the consent of Sublessor to any proposed assignment of this Sublease or sub-subletting of all or any portion of the Sublet Premises, Sublessee shall pay on demand: (i) the reasonable costs and expenses incurred by Sublessor and Underlying Landlord, including, without limitation, architect, engineer and reasonable attorneys' fees and disbursements; and (ii) an administrative fee of $1,000.00 for review and/or preparation of documents in connection with any proposed or actual assignment of this Sublease or subletting of the Sublet Premises or any part thereof.

13. **Insurance**.

During the Term, Sublessee, at its sole cost and expense, shall provide and maintain commercial liability insurance, property damage insurance, and any other insurance required to be carried by Sublessor under the Underlying Lease, all in conformity with the provisions of the Underlying Lease which shall include, without limitation, coverage of replacement value of any and all existing leasehold improvements, regardless of whether such improvements were or are installed by Underlying Landlord, Sublessor or Sublessee. Sublessee shall cause Sublessor and Underlying Landlord to be included as additional insureds in said policy or policies which shall contain provisions, if and to the extent available, that it or they will not be cancellable except upon at least thirty (30) days' prior notice to all insureds, and that the act or omission of one insured will not invalidate the policy as to the other insureds. Sublessee shall furnish to Sublessor a certificate of insurance confirming that all such insurance is in effect at or before the Commencement Date and, on request, at reasonable intervals thereafter.

Nothing contained in this Sublease shall relieve Sublessee from liability that may exist as a result of damage from fire or other casualty, but each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty. To the extent that such insurance is in force and collectible and to the extent permitted by law, Sublessor and Sublessee each hereby releases and waives all right of recovery against the other or anyone claiming through or under the other by way of subrogation or otherwise. The foregoing release and waiver shall be in force only if the insurance policies of Sublessor and Sublessee provide that such release or waiver does not invalidate the insurance. Each party agrees to use reasonable efforts to include in its applicable insurance policies such a provision. If the inclusion of said provision would involve an additional expense, either party, at its expense, may require such provision to be inserted in the other's policy.

ONCOCYTE CORPORATION Sublessee hereby releases Underlying Landlord or anyone claiming through or under Underlying Landlord by way of subrogation or otherwise to the extent that Sublessor released Underlying Landlord or Underlying Landlord was relieved of liability or responsibility pursuant to the provisions of the Underlying Lease, and Sublessee will cause its insurance carriers to include any clauses or endorsements in favor of Underlying Landlord which Sublessor is required to provide pursuant to the provisions of the Underlying Lease.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

14. **Default.**

(The occurrence of any of the following events shall constitute a default by Sublessee of Sublessee's obligations under this Sublease: (i) Sublessee's failure to pay any installment of Rent (including, Base Rent or Additional Rent due hereunder) or other monies when due and payable under this Sublease, which failure continues for five (5) days after receipt of written notice from Sublessor thereof; provided, however, and notwithstanding the foregoing, Sublessor will not be required to provide more than two (2) such notices of Sublessor's failure to pay any installment of Rent in any twelve (12)-month period, such that it shall, after such second (2nd) notice in such period, be deemed a default if such failure to pay an installment of Rent continues for more than five (5) days after such payment is due, without the giving of any further notice being required; or (ii) Sublessee's failure to perform any of the other terms, covenants or conditions of this Sublease or the Underlying Lease to be performed by Sublessee, which failure continues for thirty (30) days after Sublessee's receipt of written notice from Landlord, or if the nature of such failure to perform is such that it cannot reasonably be cured in thirty (30) days, Sublessee's failure to commence action to cure the failure within the initial thirty (30) day period and thereafter to prosecute the cure diligently to completion.

In thousands)the event Sublessee defaults in the performance of any of the terms, covenants, conditions, provisions and agreements of this Sublease or of the Underlying Lease, and such default continues beyond any and all applicable notice and cure periods, Sublessor shall be entitled to exercise any and all of the rights and remedies to which Sublessor is entitled by law and also any and all of the rights and remedies specifically provided to or for the benefit of Underlying Landlord in the Underlying Lease, which rights and remedies are hereby incorporated herein and made a part hereof with the same force and effect as if herein specifically set forth in full, and that wherever in the Underlying Lease rights and remedies are given to Underlying Landlord, the same shall be deemed to apply to Sublessor. Sublessee agrees Sublessee shall look solely to Sublessor's right, title and interest in the property comprising the Building, including any income therefrom, for the satisfaction of any judgment (or other judicial process) or collection of any obligation from Sublessor, and no other assets of Sublessor, its members, shareholders or partners shall be subject to levy, execution or other procedures for the satisfaction of Sublessee's remedies, if any.

	Six Months Ended June 30,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,300)	$ (18,591)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	885	671
Amortization of intangible assets	44	1,904
Stock-based compensation	1,668	4,242
Unrealized (gain) loss on marketable equity securities	(97)	325
Amortization of debt issuance costs	-	11

Change in fair value of contingent consideration	(16,512)	(11,015)
Change in fair value of Series A redeemable convertible preferred stock second tranche obligation	-	(305)
Impairment loss from intangible assets	4,950	-
Loss on disposal of discontinued operations	149	-
Loss on disposal and held for sale assets	1,283	-
Changes in operating assets and liabilities:		
Accounts receivable	296	(365)
Prepaid expenses and other assets	376	(773)
Accounts payable and accrued liabilities	(4,319)	239
Accrued severance and liabilities from Chronix Biomedical acquisition	-	(817)
Lease liabilities	(118)	(50)
Assets held for sale	191	-
Net cash used in operating activities	(16,504)	(24,524)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment	123	-
Construction in progress and purchases of furniture and equipment	-	(2,679)
Net cash provided by (used in) investing activities	123	(2,679)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common shares	13,848	32,812
Financing costs to issue common shares	(427)	(389)
Proceeds from sale of redeemable convertible Series A preferred shares	-	4,875
Redemption of redeemable convertible Series A preferred shares	(1,118)	-
Financing costs to issue redeemable convertible Series A preferred shares	-	(93)
Proceeds from sale of common shares under at-the-market transactions	-	31
Financing costs for at-the-market sales	-	(1)
Repayment of loan payable	-	(750)
Repayment of financing lease obligations	(57)	(51)
Net cash provided by financing activities	12,246	36,434
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(4,135)	9,231
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING	23,203	37,305
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, ENDING	$ 19,068	$ 46,536

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	$	-	$	21
SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES				
Construction in progress, machinery and equipment purchases included in accounts payable, accrued liabilities and landlord liability	$	16	$	1,331

15. **Sublease Consent**.

The accompanying notes are an integral part This Sublease shall become effective only if the written consent hereto of these unaudited condensed consolidated interim financial statements. Underlying Landlord is first obtained. If such written consent is not obtained, then this Sublease shall be void and of no force or effect and Sublessor shall return to Sublessee the first month's rent and the security deposit, and thereupon neither party shall have any further obligation to the other. Upon execution and delivery of this Sublease by Sublessor and Sublessee and receipt of the first month's rent and security deposit, Sublessor shall promptly request the consent of Underlying Landlord to this Sublease. Sublessee agrees to provide such information in connection with such request as Underlying Landlord shall reasonably request. If the foregoing consent is not obtained within the time period provided to Underlying Landlord pursuant to the Underlying Lease, then this Sublease shall be deemed cancelled, null and void. Sublessee acknowledges and agrees that Underlying Landlord shall retain and be afforded any and all rights granted specifically to Underlying Landlord by the Underlying Lease with respect to a requested subletting of the Premises, and that any potential interest of Sublessee to occupy the Sublet Premises shall remain subject and subordinate to the rights of Underlying Landlord related thereto.

16. **Attornment.**

ONCOCYTE CORPORATION

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

1. Organization, Description of If the Business Underlying Lease and Liquidity

Oncocyte Corporation ("Oncocyte," the "Company," "we" or "us"), incorporated in 2009 Sublessor's leasehold interest in the state of California, is a precision diagnostics company focused on developing and commercializing proprietary tests in three areas: DetermaIO is a gene expression test that assesses the tumor microenvironment to predict response to immunotherapies, VitaGraft is a blood-based solid organ transplantation monitoring test, and DetermaCNI is a blood-based monitoring tool for monitoring therapeutic efficacy in cancer patients.

Oncocyte's first product for commercial release was a proprietary treatment stratification test called DetermaRx that identifies which patients with early-stage non-small cell lung cancer may benefit from chemotherapy, resulting in a significantly higher, five-year survival rate. Beginning in September 2019 through February 23, 2021, Oncocyte held a 25% equity interest in Razor Genomics, Inc. ("Razor"), a privately held company, that has developed and licensed to Oncocyte the lung cancer treatment stratification laboratory test that Oncocyte is commercializing as DetermaRx. On February 24, 2021, Oncocyte completed the purchase of all the remaining issued and outstanding shares of common stock of Razor. As a result of the purchase of the Razor common stock, Oncocyte became the sole shareholder of Razor.

On December 15, 2022, the Company, entered into a Stock Purchase Agreement (the "Razor Stock Purchase Agreement") with Dragon Scientific, LLC, a Delaware limited liability company ("Dragon") and Razor. Pursuant to the Razor Stock Purchase Agreement, Oncocyte agreed to sell to Dragon, 3,188,181 shares of common stock of Razor, which constitutes approximately 70% of the issued and outstanding equity interests of Razor on a fully-diluted basis, and transfer to Razor all of the assets and liabilities related to DetermaRx (the "Razor Sale Transaction").

Certain amounts in prior periods have been reclassified to reflect the impact of the discontinued operations treatment of Razor in order to conform to the current period presentation.

As a result of the divestiture of Razor, the Company has retrospectively revised the condensed consolidated statements of operations for the periods ended June 30, 2022, to reflect the operations and cash flows of Razor as discontinued operations and the related assets and liabilities disposed. See Note 16 for additional information about assets held for sale and discontinued operations.

On February 16, 2023, Oncocyte completed the Razor Sale Transaction (the "Razor Closing"). In connection with the Razor Closing, Oncocyte transferred to Razor all of the assets and liabilities related to DetermaRx. While no monetary consideration was received for the sale of 70% of the equity interests of Razor, the transaction allowed the Company to eliminate all development and commercialization costs with respect to DetermaRx. Following the Razor Closing, Oncocyte continues to own 1,366,364 shares of common stock of Razor, which constitutes approximately 30% of the issued and outstanding equity interests of Razor on a fully-diluted basis. See Note 16 for a full discussion of the Razor Sale Transaction.

On July 24, 2023, the Company implemented a 1-for-20 reverse stock split of the outstanding shares of its common stock. The par value per share and the authorized number of shares of common stock and preferred stock were not adjusted Sublet Premises shall be terminated, other than as a result of a casualty or condemnation or sale in lieu thereof, Sublessee shall, if so requested in writing by Underlying Landlord, attorn to Underlying Landlord and shall, during the reverse stock split. term of this Sublease, perform all of the terms, covenants, conditions, provisions and agreements of this Sublease on the part of Sublessee to be performed. In the event of any such attornment, Underlying Landlord shall not be: (i) liable for any act or omission or default of any prior sublessor (including, without limitation, Sublessor); (ii) subject to any offsets or defenses which Sublessee might have against any prior sublessor (including, without limitation, Sublessor); (iii) bound by any Base Rent or Additional Rent which Sublessee might have paid for more than the current month to any prior sublessor (including, without limitation, Sublessor); or (iv) bound by any amendment or modification of this Sublease made without Underlying Landlord's written consent. The foregoing shall be self-operative without the necessity of the execution of any further instruments, but Sublessee agrees, upon the demand of Underlying Landlord, to execute, acknowledge and deliver any reasonable instrument or instruments confirming such attornment.

17. **Notices.**

Any notice to be given under this Sublease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by nationally-recognized overnight courier making receipted deliveries, or delivered by hand (provided a signed receipt is obtained), to address(es) herein stated above in Basic Sublease Definitions. Each party shall have the right upon ten (10) days' prior written notice, to change, by notice in writing, the address to which such party's notice is to be sent. Notices shall be deemed given upon receipt or first refusal thereof.

18. **Quiet Enjoyment.**

Sublessor covenants that Sublessee, upon paying the Base Rent, Additional Rent and any and all other sums due under this Sublease and performing all the terms, covenants, conditions, provisions and agreements hereunder, shall and may peacefully and quietly have, hold and enjoy the Sublet Premises for the Term aforesaid, free from any interference or hindrance by Sublessor, but subject to the exceptions, reservations and conditions hereof.

19. **Surrender of Sublet Premises.**

On the date upon which the term hereof shall expire and come to an end, whether on the Expiration Date, by lapse of time or otherwise, Sublessee, at Sublessee's sole cost and expense, shall quit and surrender the Sublet Premises and all improvements thereon to Sublessor in the same good order and condition as Sublessor is delivering them to Sublessee, subject to the provisions of the Underlying Lease (including, without limitation, those provisions relating to restoration and/or holdover), (provided, however, Sublessee may remove any furniture, fixtures and equipment that Sublessee has purchased from Sublessor pursuant to this paragraph), reasonable wear and tear excepted, together with all keys and security cards. All common stock share property at the end of the Term remaining in the Sublet Premises shall be deemed abandoned and per-share amounts may, at the election of Sublessor, either be retained as Sublessor's property or may be removed from the Sublet Premises by Sublessor, at Sublessee's expense. Notwithstanding the foregoing, upon the expiration of this Sublease, and provided that Sublessee is not in default of any obligation of this Sublease or the Underlying Lease, Sublessee shall have the option to purchase those certain items of laboratory furniture, fixtures and equipment listed and described on Exhibit B attached hereto for all periods presented an amount equal to One Dollar and 00/100 ($1.00). All items listed on Exhibit B shall be in these condensed financial statements have been adjusted an "As-Is: condition and sublessee shall not be responsible for repair or replacement of any items listed in Exhibit B during the term of the Sublease. To exercise such option, Sublessee must deliver written notice of its election thereto to reflect Sublessor no less than sixty (60) days prior to the reverse stock split. The number expiration or sooner termination of authorized shares this Sublease and any such purchase by Sublessee shall be conditioned upon the mutual execution of common stock remains at 230 million shares. a commercially reasonable form of bill of sale, prepared by Sublessor, in connection therewith.

Liquidity

Oncocyte has incurred operating losses Sublessor and negative cash flows since inception Sublessee recognize that Sublessor's damages resulting from Sublessee's failure to timely surrender possession of the Sublet Premises may be substantial, may exceed the amount of the Base Rent payable hereunder, and had an accumulated deficit will be impossible to accurately measure. Accordingly, if possession of $266.0 million as the Sublet Premises is not surrendered to Sublessor on the Expiration Date or sooner termination of June 30, 2023. Oncocyte expects this Sublease, in addition to continue any other rights or remedies Sublessor may have hereunder or at law, Sublessee shall pay to incur operating losses and negative cash flows Sublessor for each month (or any portion thereof) during which Sublessee holds over in the Sublet Premises after the Expiration Date or sooner termination of this Sublease, a sum equal to one hundred fifty percent (150%) of the Base Rent payable under this Sublease for the foreseeable future. Since its formation, Oncocyte has financed its operations primarily through last full calendar month of the sale Term, and Sublessee shall indemnify and hold harmless Sublessor from and against all damages incurred by Sublessor on account of shares Sublessee's holding over. No holding-over by Sublessee, nor the payment to Sublessor of its common stock, convertible preferred stock the amounts specified above, shall operate to extend the Term hereof. Nothing herein contained shall be deemed to permit Sublessee to retain possession of the Sublet Premises after the Expiration Date or sooner termination of this Sublease, and no acceptance by Sublessor of payments from Sublessee after the Expiration Date or sooner termination of this Sublease shall be deemed to be other than on account of the amount to be paid by Sublessee in accordance with the provisions of this paragraph.

20. **<u>Brokers</u>.**

Sublessee represents and warrants to acquire common stock. Sublessor and Sublessor represents and warrants to Sublessee that the Brokers referenced in the Basic Sublease Definitions are the only brokers with whom each party dealt in relation to this transaction and that neither party has had any dealings, either direct or indirect, with any other real estate agent or broker in connection with this transaction. The breaching party agrees to indemnify, defend and hold the non- breaching party harmless from any loss, liability and expense incurred by the non-breaching party as a result of any claim made against the breaching party, which is based upon a breach of said representation by the breaching party, which indemnification obligation hereunder shall survive the Expiration Date or sooner termination of this Sublease..

21. **<u>Excluded Provisions</u>.**

As The following provisions of June 30, 2023, Oncocyte had $17.4 million of cash the Underlying Lease are deemed to be Excluded Provisions: Lease Addendum No. 1.

22. **<u>Successors and Assigns</u>.**

This Sublease shall be binding upon and, cash equivalents and held shares of Lineage Cell Therapeutics, Inc. ("Lineage") and AgeX Therapeutics, Inc. ("AgeX") common stock except as marketable equity securities with a combined fair market value of $0.5 million.

On June 11, 2021, Oncocyte entered into an at-the-market sales agreement with BTIG, LLC as sales agent and/ prohibited by this Sublease or principal (the "Agent" or "BTIG") pursuant to which Oncocyte may sell up to an aggregate of $50,000,000 of shares of Oncocyte common stock from time to time through the Agent (the "ATM Offering").

Between July 1, 2021 and June 30, 2023, Oncocyte sold 56,167 shares of common stock at an average offering price of $111.60 per share, for gross proceeds of approximately $6.27 million through the ATM Offering. The most recent sale of common stock through the ATM Offering took place in January 2022. Oncocyte will need to raise additional capital to finance its operations, including the development and commercialization of its cancer diagnostic and other tests, until such time as it is able to generate sufficient revenues from the commercialization of one or more of its laboratory tests and other tests, and performing Pharma Services to cover its operating expenses.

On April 13, 2022, Oncocyte entered into a securities purchase agreement (the "Securities Purchase Agreement") with institutional accredited investors (the "Investors"), including Broadwood Partners, L.P. ("Broadwood"), Oncocyte's largest shareholder, in a registered direct offering of 11,765 shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock"), which are convertible into a total of 384,477 shares of common stock, at a conversion price of $30.60 (the "Series A Preferred Stock Offering"). The purchase price of each share of Series A Preferred Stock was $850, which included an original issue discount Underlying Lease, inure to the stated value of $1,000 per share. The Securities Purchase Agreement provides that the closing benefit of the Series A Preferred Stock Offering will occur, subject to the satisfaction of certain closing conditions, in two equal tranches of $5,000,000 each for aggregate gross proceeds from both closings of $10,000,000. The first closing occurred on June 1, 2022, parties hereto and Oncocyte received net proceeds of approximately $4.9 million from the Series A Preferred Stock issued from the first tranche. The second closing would occur, subject to the satisfaction of certain closing conditions (including but their respective successors and assigns.

23. **No Modifications**.

This Sublease may not limited to a requirement that the Company has not received, in the 12 months preceding the second closing, a notice from The Nasdaq Stock Market LLC ("Nasdaq") that the Company is not in compliance with the listing be modified except by written agreement signed by Sublessor and maintenance and listing requirements of Nasdaq), on the earlier of (a) the second trading day following the date that Oncocyte receives notice from an Investor to accelerate the second closing and (b) a date selected by Oncocyte on or after October 8, 2022 and on or prior to March 8, 2023. On August 9, 2022, Oncocyte received a letter from Nasdaq indicating that the Company no longer met the minimum bid price requirement of the Nasdaq continued listing requirements. Accordingly as of June 30, 2023, no additional proceeds are expected from the second closing of the Securities Purchase Agreement. On August 8, 2023, the Company received a letter from Nasdaq indicating that the Company had regained compliance with the minimum bid price requirement of the Nasdaq continued listing requirements. See Note 15 for additional information about the Series A Preferred Stock Offering.

Further, on April 13, 2022, Oncocyte entered into an underwriting agreement (the "Underwriting Agreement") with BTIG, LLC, as representative of the underwriters named therein (the "Underwriters"), pursuant to which Oncocyte issued and sold to the Underwriters an aggregate of 1,313,320 shares of common stock, and 1,313,320 warrants to purchase up to 656,660 shares of common stock ("April 2022 Warrants") (the "Underwritten Offering," and collectively with the Series A Preferred Stock Offering, the "April 2022 Offerings"). The Underwritten Offering closed on April 19, 2022, and Oncocyte received net proceeds of approximately $32.8 million from the Underwritten Offering. See Note 15 for additional information about the Underwritten Offering. Sublessee.

On April 3, 2023, Oncocyte entered into an agreement with certain members of the Company's board of directors, and several institutional and accredited investors, including Broadwood, the Company's largest shareholder, relating to their purchase of an aggregate of up to 2,278,121 shares of its common stock at an offering price of $7.08 per share to board members and $6.03 per share to the other investors participating in the offering. The offering was intended to be priced at-the-market for purposes of complying with applicable Nasdaq Listing Rules. The aggregate gross proceeds from the offering were approximately $13.9 million. The Company used approximately $1.1 million of the net proceeds to immediately redeem an aggregate of 1,064shares of its Series A Preferred Stock and may thereafter elect to redeem additional shares.

24. **Security Deposit**.

As Upon Sublessee's execution of June 30, 2023, Oncocyte this Sublease, Sublessee shall deposit with Sublessor, the Security Deposit for the faithful performance and observance by Sublessee of the terms, covenants, conditions, provisions and agreements of this Sublease. The Security Deposit shall not be required to be deposited in an interest bearing account. It is completing clinical development and planning commercialization of DetermaIO, although DetermaIO is currently available for biopharma diagnostic development and research use only as a companion test in immunotherapy drug development to select patients for clinical trials; and the clinical launch of VitaGraft. While Oncocyte plans to primarily market its laboratory tests agreed that in the United States through event Sublessee defaults in respect of any of the terms, covenants, conditions, provisions and agreements of this Sublease, including, but not limited to, the payment of Base Rent and Additional Rent, beyond any notice and/or grace period set forth in this Sublease, Sublessor may use, apply or retain the whole or any part of the Security Deposit to the extent required for the payment of any Base Rent and Additional Rent or any other sum as to which Sublessee is in default or for any sum which Sublessor may expend or may be required to expend by reason of Sublessee's default in respect of any of the terms, covenants, conditions, provisions and agreements of this Sublease beyond any notice and/or grace period set forth in this Sublease, including but not limited to, any damages or deficiency in the reletting of the Sublet Premises, whether such damages or deficiency accrued before or after summary proceedings or other re-entry by Sublessor. If Sublessor so applies or retains any part of the Security Deposit during the Term of this Sublease, Sublessee shall, upon demand, promptly deposit with Sublessor the amount so applied or retained so that Sublessor shall have the full Security Deposit on hand at all times during the term of this Sublease. In the event that Sublessee shall fully and faithfully comply with all of the terms, covenants, conditions, provisions and agreements of this Sublease, the Security Deposit shall be returned to Sublessee within sixty (60) days after the Expiration Date and after delivery of entire possession of the Sublet Premises to Sublessor. In the event of an assignment by Sublessor of its own sales force, interest under the Underlying Lease, Sublessor shall have the right to transfer the Security Deposit and Sublessee agrees to look to the new Sublessor solely for the return of said Security Deposit and it is also beginning agreed that the provisions hereof shall apply to make marketing arrangements every transfer or assignment made of the Security Deposit to a new Sublessor. Sublessee further covenants that it shall not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither Sublessor nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

25. **Signage**.

Sublessee hereby acknowledges and agrees that any and all signage rights available to Sublessor pursuant to the Underlying Lease, including but not limited to those signage rights described in Section 6 of the Underlying Lease, are personal to Sublessor. Notwithstanding the foregoing, Sublessor shall use commercially reasonable efforts, at no cost to Sublessor whatsoever, to cooperate with distributors Sublessee and Underlying Landlord in other countries. In order to reduce capital needs and to expedite effectuate the commercialization transfer, assignment or otherwise granting of any new laboratory tests signage rights available to Sublessor pursuant to the Underlying Lease to Sublessee during the Term of this Sublease, unless otherwise terminated as provided herein; provided, however, that may become available for clinical Sublessee express acknowledges and agrees that Sublessor makes no representation, warranty or guaranty of any kind that: (i) Underlying Landlord will consent to the transfer, assignment or granting of such signage rights to Sublessee; or (ii) any such signage rights shall be ultimately be transferred, assigned or granted to Sublessee.

26. **Parking**.

At no charge to Sublessee, Sublessee shall be entitled to the non-exclusive use Oncocyte may also pursue marketing arrangements with other diagnostic companies through which Oncocyte might receive licensing fees and royalty on sales, or through which it might form a joint venture to market its tests and share in net revenues, in of all parking areas serving the United States or abroad.

In accordance with Accounting Standards Codification ("ASC") 205-40, Going Concern, we evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the unaudited condensed consolidated interim financial statements included in this Report are issued. This evaluation initially does not take into consideration the potential mitigating effect of our plans that have not been fully implemented Sublet Premises as of the date the unaudited condensed consolidated interim financial statements included in Commencement Date of this Report are issued. When substantial doubt exists under this methodology, we evaluate whether the mitigating effect of its plans sufficiently alleviates substantial doubt about our ability to continue as a going concern. The mitigating effect of our plans, however, is only considered if both (1) it is probable that the plans will be effectively implemented within one year after the date that such financial statements are issued, and (2) it is probable that the plans, when implemented, will mitigate the relevant conditions or events that raise substantial doubt about our ability to continue as a going concern within one year after the date that such financial statements are issued. In performing this analysis, we excluded certain elements of our operating plan that cannot be considered probable.

Our expectation to generate operating losses and negative operating cash flows Sublease, in the future condition as the same are situated as of the Commencement Date hereof. Sublessee acknowledges and agrees that Sublessor shall not be liable for: (i) any damage to motor vehicles of Sublessee or any of Sublessee's agents, representatives, contractors, employees, customers and visitors, (ii) any loss of property from within those motor vehicles, or (iii) for any injury to Sublessee, its agents, representatives, contractors, employees, customers and visitors, unless caused by Sublessor's sole active negligence or willful misconduct. Sublessee expressly acknowledges and agrees that any and all such parking rights granted to Sublessee remain subject to provisions of the Underlying Lease and the need for additional funding to support our planned operations raise substantial doubt regarding our ability to continue as a going concern for a period rights and privileges of one year after the date that the financial statements are issued. Management intends to complete additional equity financings and reduce spending in the remainder of fiscal 2023 and in 2024. However, due to several factors, including those outside management's control, there can be no assurance that we will be able to complete additional equity financings. If we are unable to complete additional financings, management's plans include further reducing or delaying operating expenses. We have concluded the likelihood that our plan to successfully obtain sufficient funding from one or more of these sources or adequately reduce expenditures, while reasonably possible, is less than probable. Accordingly, we have concluded that substantial doubt exists about our ability to continue as a going concern for a period of at least twelve months from the date of issuance of these unaudited condensed consolidated interim financial statements. Underlying Landlord set forth therein.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described above.

In addition to general economic and capital market trends and conditions, Oncocyte's ability to raise sufficient additional capital to finance its operations from time to time will depend on a number of factors specific to Oncocyte's operations such as operating revenues and expenses, progress in development of, or in obtaining reimbursement coverage from Medicare for DetermaIO and other future laboratory tests that Oncocyte may develop or acquire.

27. **Inability to Perform; Delays**.

The unavailability or inadequacy of financing or revenues to meet future capital needs could force Oncocyte to modify, curtail, delay, or suspend some or all aspects of planned operations. Sales of additional equity securities could result If Sublessee shall be delayed in the dilution obtaining possession of the interests Sublet Premises because of its shareholders. Oncocyte cannot assure that adequate financing will be available on favorable terms, if at all.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation

The unaudited condensed consolidated interim financial statements presented herein, and discussed below, have been prepared delays in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. In accordance with those rules and regulations, certain information and footnote disclosures normally included obtaining consent or in comprehensive consolidated financial statements have been condensed construction or omitted. The condensed consolidated balance sheets as of December 31, 2022 was derived from the audited consolidated financial statements at that date. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in Oncocyte's Annual Report on Form 10-K for the year ended December 31, 2022. The unaudited condensed consolidated interim financial statements presented herein as of June 30, 2023 is not representative of the full fiscal year or any future periods.

Principles of consolidation

On January 31, 2020, with the acquisition of Insight Genetics, Inc. ("Insight") through a merger with a newly incorporated wholly owned subsidiary of Oncocyte (the "Insight Merger") under the terms of an Agreement and Plan of Merger (the "Insight Merger Agreement"), Insight became a wholly owned subsidiary of Oncocyte, and on that date Oncocyte began consolidating Insight's operations and results with Oncocyte's operations and results (see Note 3).

On February 24, 2021, with the acquisition of the remaining equity interests in Razor, Razor became a wholly owned subsidiary of Oncocyte, and on that date Oncocyte began consolidating Razor's results with Oncocyte's operations and results (see Note 3).

On April 15, 2021, with the acquisition of Chronix Biomedical, Inc. ("Chronix") pursuant to an Agreement and Plan of Merger dated February 2, 2021, amended February 23, 2021, and amended and restated as of April 15, 2021 (as amended and restated, the "Chronix Merger Agreement"), by and among Oncocyte, CNI Monitor Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Oncocyte ("Merger Sub"), Chronix became a wholly owned subsidiary of Oncocyte (the "Chronix Merger"), and on that date Oncocyte began consolidating Chronix's operations and results with Oncocyte's operations and results (see Note 3).

We have reflected the operations of Razor as discontinued operations for all periods presented. See Note 16 for further information. Unless otherwise noted, amounts and disclosures throughout these Notes to unaudited condensed consolidated interim financial statements relate solely to continuing operations and exclude all discontinued operations.

The accompanying unaudited condensed consolidated interim financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of Oncocyte's financial condition and results of operations. The unaudited condensed consolidated results of operations are not necessarily indicative of the results to be expected for any other interim period reason beyond the reasonable control of Sublessor, Sublessor shall not be subject to any liability, the effectiveness of this Sublease shall not be affected and the Term hereof shall not be extended; provided, however, in the event that Sublessor is unable to obtain the Underlying Landlord's consent to this Sublease on or before October 1, 2023, Sublessee shall have the one-time right to terminate this Sublease upon delivering written notice of Sublessee's election thereof no later than October 1, 2023.

28. **Notice of Accidents**.

Sublessee shall give Sublessor and Underlying Landlord notice of any fire, casualty or accident in or about the Sublet Premises promptly after Sublessee becomes aware of such event.

29. **Destruction by Fire or Other Casualty. Condemnation.**

If the Sublet Premises or the Building shall be partially or totally damaged or destroyed by fire or other casualty, Sublessee shall have no right to terminate this Sublease and this Sublease shall not be terminated by reason of such casualty unless the Underlying Lease is terminated by Sublessor or Underlying Landlord pursuant to the provisions of the Underlying Lease.

If the Sublet Premises are partially or totally damaged by fire or other casualty as a consequence of which Sublessor shall receive an abatement of rent or additional rent relating to the Sublet Premises, then in such event, there shall be a corresponding abatement of the Base Rent payable hereunder.

If the Underlying Lease is terminated pursuant to the provisions thereof as the result of a taking of all or any portion of the Building by condemnation (or deed in lieu thereof), this Sublease shall likewise terminate. In such event, Sublessee shall have no claim to any portion of the award with respect to any such taking, except to file a claim for the value of its fixtures or for moving expenses; provided, however, that Sublessor's award is not thereby reduced or otherwise adversely affected.

30. **Bankruptcy.**

In the entire year. All material intercompany accounts and transactions event Sublessee becomes the subject of proceedings involving bankruptcy, insolvency or reorganization of Sublessee, or if Sublessee makes an assignment for the benefit of creditors, or petitions for, or enters into an arrangement with creditors, Sublessor shall have been eliminated in consolidation.

Use the same rights as to Sublessee as are afforded Underlying Landlord under the Underlying Lease under similar circumstances involving Sublessor. In the event that Sublessor becomes the subject of estimates

The preparation proceedings involving bankruptcy, insolvency or reorganization of financial statements in conformity Sublessor, or if Sublessor makes an assignment for the benefit of creditors, or petitions for, or enters into an arrangement with GAAP requires management creditors, then, upon the request of Sublessee, Sublessor agrees to make estimates and assumptions that affect the reported amounts of assets and liabilities, and contingent assets and liabilities, at the date cooperate with Sublessee's direct assumption of the unaudited condensed consolidated financial statements, Underlying Lease.

31. **No Waiver; Jury Waiver.**

No agreement to accept a surrender of this Sublease shall be valid unless in writing and signed by Sublessor. The failure of Sublessor or Sublessee to enforce any terms, covenants, conditions, provisions or agreements of this Sublease shall not prevent the reported amounts later enforcement thereof or a subsequent act which would have constituted a violation from having all the force and effect of revenues and expenses during the reporting period. On an ongoing basis, management evaluates estimates which are subject to significant judgment, including, but not limited to, valuation methods used, assumptions requiring the use original violation. The receipt by Sublessor or payment by Sublessee of judgment to prepare financial projections, timing of potential commercialization of acquired in-process intangible assets, applicable discount rates, probabilities Base Rent or Additional Rent or other sums or charges with knowledge of the likelihood breach of multiple outcomes any covenant of certain events related this Sublease shall not be deemed a waiver of such breach. The parties hereto, to contingent consideration, comparable companies the fullest extent permitted by law, waive trial by jury in any action or transactions, determination of fair value proceeding relating hereto and consent to the jurisdiction of the assets acquired and liabilities assumed including those relating applicable court system of the jurisdiction in which the Sublet Premises is situated. Sublessee hereby waives any right to contingent consideration, assumptions related interpose any counterclaim in any action brought by Sublessor in connection herewith. The foregoing shall not be deemed a waiver by Sublessee of the right o interpose any counterclaim to going concern assessments, allocation of direct and indirect expenses, useful lives associated with long-lived intangible assets, key assumptions the extent failure to interpose the same would prohibit Sublessee from bringing the claim, which is the basis thereof, in operating and financing leases including incremental borrowing rates, loss contingencies, valuation allowances related to deferred income taxes, and assumptions used to value debt and stock-based awards and other equity instruments. Actual results may differ materially from those estimates. a separate action.

32. **Limitations on Sublessee's Remedies**.

Similarly, Oncocyte assessed certain accounting matters With respect to any provision of this Sublease which specifically requires that generally require consideration Sublessor shall not unreasonably withhold or unreasonably delay its consent or approval, Sublessee in no event shall be entitled to make, nor shall Sublessee make, any claim, and Sublessee hereby waives any claim, for any sum of forecasted financial information. The accounting matters assessed included, but were not limited money whatsoever as damages, costs, expenses, attorneys' fees or disbursements, whether affirmatively or by way of setoff, counterclaim or defense, based upon any claim or assertion by Sublessee that Sublessor has unreasonably withheld or unreasonably delayed such consent or approval. Sublessee's sole remedy for claimed unreasonable withholding or unreasonable delaying by Sublessor of its consent or approval shall be an action or proceeding brought and prosecuted solely at Sublessee's own cost and expense to Oncocyte's equity investments, enforce such provision, for specific performance, injunction or declaratory judgment.

33. **Occupancy Tax; Personal Property Tax**.

To the carrying value extent applicable, Sublessee shall pay (a) directly to the local authority, all occupancy and rent taxes which may be payable by Sublessee to the local authority in respect of goodwill, going concern assessment, acquired in-process intangible assets the rent reserved by this Sublease, if any, and will pay all other long-lived assets. Those assessments as well as other estimates referenced above were made taxes, the payment of which shall be imposed directly upon any occupant of the Sublet Premises, and (b) all personal property taxes applicable to the personal property of Sublessee in the context Sublet Premises, if any.

34. **Rules and Regulations**.

Sublessee agrees to comply with all rules and regulations that Underlying Landlord has made or may hereafter from time to time promulgate for the Building and any common or parking areas servicing the Building. Sublessor shall not be liable in any way for damage caused by the non-observance by any of information reasonably available to Oncocyte. the other tenants of such similar covenants in their leases or of such rules and regulations.

35. **Entire Agreement; Miscellaneous**.

Business combinations A. This Sublease shall be governed by and fair value measurements

Oncocyte accounts for business combinations construed in accordance with ASC 805, the laws of the state in which requires the purchase consideration transferred Sublet Premises are situated, without regard to the conflicts of law principles thereof.

B. The paragraph headings in this Sublease are inserted only as a matter of convenience for reference and are not to be measured at fair value on given any effect in construing this Sublease.

C. If any of the acquisition date provisions of this Sublease or the application thereof to any person or circumstance shall be, to any extent, held to be invalid or unenforceable, the remainder of this Sublease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

D. All of the terms and provisions of this Sublease shall be binding upon and, except as prohibited by Paragraph 12 hereof, inure to the benefit of the parties hereto and their respective permitted successors and assigns.

E. All prior negotiations and agreements relating to this Sublease and the Sublet Premises are merged into this Sublease. This Sublease may not be amended, modified or terminated, in accordance with ASC 820, *Fair Value Measurement*. ASC 820 establishes whole or in part, nor may any of the provisions be waived, except by a single authoritative definition written instrument executed by the party against whom enforcement of fair value, sets out such amendment, modification, termination or waiver is sought and unless the same is permitted under the provisions of the Underlying Lease.

F. Each of Sublessor and Sublessee represents and warrants to the other that each person executing this Sublease is a framework for measuring fair value and expands on required disclosures about fair value measurement. Fair value is defined duly authorized representative of Sublessor or Sublessee, as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. ASC 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that case may be, used and has full authority to measure fair value, which are the following: execute and deliver this Sublease.

 Level 1 – Quoted prices in active markets for identical assets and liabilities.

 Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices 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 of the assets or liabilities.

 Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

When a part of the purchase consideration consists of shares of Oncocyte common stock, Oncocyte calculates the purchase price attributable to those shares, a Level 1 security, by determining the fair value of those shares as of the acquisition date based on prices quoted on the principal national securities exchange on which the shares traded. Oncocyte recognizes estimated fair values of the tangible assets and identifiable intangible assets acquired, including in-process research and development, and liabilities assumed, including any contingent consideration, as of the acquisition date. Goodwill is recognized as any amount of the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in excess of the consideration transferred. ASC 805 precludes the recognition of an assembled workforce as an asset, effectively subsuming any assembled workforce value into goodwill.

In determining fair value, Oncocyte utilizes valuation techniques that maximize the use of observable inputs G. This Sublease shall have no binding force and minimize the use of unobservable inputs effect and shall not confer any rights or impose any obligations upon either party unless and until both parties have executed it and Sublessor shall have obtained Underlying Landlord's written consent to this Sublease pursuant to the extent possible, provisions hereof and also considers counterparty credit risk delivered to Sublessee an executed copy of such consent. Under no circumstances shall the submission of this Sublease in its assessment of fair value. For draft form by or to either party be deemed to constitute an offer for the periods presented, Oncocyte has no financial assets or liabilities recorded at fair value on a recurring basis, except for money market funds and marketable equity securities of Lineage and AgeX common stock held by Oncocyte described below. These assets are measured at fair value using the period-end quoted market prices as a Level 1 input. Oncocyte also has certain contingent consideration liabilities which are carried at fair value based on Level 3 inputs (see Note 3).

The following table presents the Company's assets and liabilities, measured and recognized at fair value on a recurring basis, classified under the appropriate level subleasing of the fair value hierarchy Sublet Premises.

H. This Sublease may be executed in several counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

I. This Sublease and all the obligations of Sublessee to pay Base Rent, Additional Rent and any other sums due hereunder and perform all of its other covenants and agreements hereunder shall in no way be affected, impaired, delayed or excused because Sublessor or Underlying Landlord are unable to fulfill any of their respective obligations hereunder, either explicit or implicit, if Sublessor or Underlying Landlord is prevented or delayed from so doing by reason of strikes or labor trouble or by accident, adjustment of insurance or by any cause whatsoever reasonably beyond Sublessor's or Underlying Landlord's control.

J. Each and every right and remedy of Sublessor under this Sublease shall be cumulative and in addition to every other right and remedy herein contained or now or hereafter existing at law or in equity, by statute or otherwise.

K. At any time and from time to time Sublessee shall, within ten (10) days after written request by Sublessor, execute, acknowledge and deliver to Sublessor a written statement which certifies: (i) that this Sublease has not been modified and is in full force and effect or, if modified, that this Sublease is in full force and effect as of June 30, 2023 (in thousands):

	As of June 30, 2023			
	Total carrying and estimated fair value	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant other observable inputs (Level 3)**
Assets:				
Marketable equity securities	$ 530	$ 530	$ -	$ -
Total	$ 530	$ 530	$ -	$ -
Liabilities:				
Contingent consideration liabilities	$ 29,150	$ -	$ -	$ 29,150
Total	$ 29,150	$ -	$ -	$ 29,150

The following table presents specifying such modification(s), (ii) the Company's assets and liabilities, measured and recognized at fair value on a recurring basis, classified under dates to which the appropriate level of the fair value hierarchy as of December 31, 2022 (in thousands):

As of December 31, 2022

	Total carrying and estimated fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other observable inputs (Level 3)
Assets:				
Marketable equity securities	$ 433	$ 433	$ -	$ -
Total	$ 433	$ 433	$ -	$ -
Liabilities:				
Contingent consideration liabilities	$ 45,662	$ -	$ -	$ 45,662
Total	$ 45,662	$ -	$ -	$ 45,662

The carrying amounts of prepaid expenses Base Rent and other current assets, accounts payable, accrued expenses and other current liabilities approximate fair values because charges have been paid, (iii) that, to the best of Sublessee's knowledge, no defaults exist under this Sublease or, if any do exist, the short-term nature of these items.such default(s) and (iv) as to such other matters as Sublessor may reasonably request.

L. In no event shall Sublessor be liable for, and Sublessee each hereby waives any claim for, any indirect, consequential or punitive damages arising under or in connection with this Sublease.

M. In the event of any legal action or proceeding brought by either party against the other arising out of this Sublease (an "Action"), the prevailing party shall be entitled to the payment by the losing party of its reasonable attorneys' fees, court costs, and litigation expenses, as determined by the court.

[Signatures on following page]

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Cash, cash equivalents, and restricted cash

The Company's reconciliation of cash and cash equivalents, and restricted cash reported within the unaudited condensed consolidated balance sheets that sum to the total of the same amounts shown in the unaudited condensed consolidated statements of cash flows were as follows (in thousands):

	June 30, 2023	December 31, 2022
Cash and cash equivalents	$ 17,368	$ 19,993
Restricted cash	1,700	1,700
Cash from discontinuing operations	-	1,510
Cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 19,068	$ 23,203

Assets Held for Sale and Discontinued Operations

As of June 30, 2023**IN WITNESS WHEREOF**, the Company classified laboratory equipment previously presented in machinery and equipment as held for sale in current assets, in the unaudited condensed consolidated balance sheet, as all the criteria of ASC subtopic 360-10, Property, Plant, and Equipment ("ASC 360-10") parties hereto have been met and the transaction was qualified as assets held for sale.

During the six months ended June 30, 2023, the Company entered into various agreements to sell laboratory equipment for an aggregate amount of $0.6 million. As a result, the Company classified the equipment as held for sale as current assets, in the unaudited condensed consolidated balance sheet, as all the criteria of ASC subtopic 360-10, Property, Plant, and Equipment ("ASC 360-10") have been met and the transaction was qualified as assets held for sale. The equipment was written down to its fair value, less cost to sell, to $0.2 million in the unaudited condensed consolidated balance sheet. As a result of the sale, the Company recorded an impairment loss of $1.3 million on held-for-sale assets, in the unaudited condensed consolidated statement of operations.

Assets and liabilities are classified as held for sale when all of the following criteria for a plan of sale have been met: (1) management, having the authority to approve the action, commits to a plan to sell the assets; (2) the assets are available for immediate sale, in their present condition, subject only to terms that are usual and customary for sales of such assets; (3) an active program to locate a buyer and other actions required to complete the plan to sell the assets have been initiated; (4) the sale of the assets is probable and is expected to be completed within one year; (5) the assets are being actively marketed for a price that is reasonable in relation to their current fair value; and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn. When all of these criteria have been met, the assets and liabilities are classified as held for sale in the unaudited condensed consolidated balance sheet. Assets classified as held for sale are reported at the lower of their carrying value or fair value less costs to sell. Depreciation and amortization of assets ceases upon designation as held for sale.

Discontinued operations comprise activities that were disposed of or discontinued at the end of the period, represent a separate major line of business that can be clearly distinguished for operational and financial reporting purposes and represent a strategic business shift having a major effect on the Company's operations and financial results according to Accounting Standard Codification ("ASC") Topic 205, *Presentation of Financial Statements*.

Additional details surrounding the Company's assets and liabilities held for sale and discontinued operations are included in Note 16.

Goodwill and intangible assets

In accordance with ASC 350, *Intangibles – Goodwill and Other*, in-process research and development ("IPR&D") projects acquired in a business combination that are not complete executed this Sublease as of the acquisition date are capitalized day and accounted for as indefinite-lived intangible assets until completion or abandonment of the related research and development efforts. Upon successful completion of the project, the capitalized amount is amortized over its estimated useful life. If a project is abandoned, all remaining capitalized amounts are written off immediately. Oncocyte considers various factors and risks for potential impairment of IPR&D assets, including the current legal and regulatory environment and the competitive landscape. Adverse clinical trial results, significant delays or inability to obtain local determination coverage (“LCD”) from the Centers for Medicare and Medicaid Services (“CMS”) for Medicare reimbursement for a diagnostic test, the inability to bring a diagnostic test to market and the introduction or advancement of competitors’ diagnostic tests could result in partial or full impairment of the related intangible assets. Consequently, the eventual realized value of the IPR&D project may vary from its fair value at the date of acquisition, and IPR&D impairment charges may occur in future periods. During the period between completion or abandonment, the IPR&D assets will not be amortized but will be tested for impairment on an annual basis and between annual tests if Oncocyte becomes aware of any events occurring or changes in circumstances that would indicate a reduction in the fair value of the IPR&D projects below their respective carrying amounts (see Notes 3 and 4).year first above written.

SUBLESSOR:

ONCOCYTE CORPORATION,
a California corporation

By: */s/ Josh Riggs*
Name: Josh Riggs
Title: Chief Executive Officer

SUBLESSEE:

INDUCE BIOLOGICS USA, INC.,
a Michigan corporation

By: */s/ David Campagnari*
Name: David Campagnari
Title: President

Goodwill represents the excess of the purchase price over the fair value of net identifiable assets and liabilities. Goodwill, similar to IPR&D, is not amortized but is tested for impairment at least annually, or if circumstances indicate its value may no longer be recoverable. Qualitative factors considered in this assessment include industry and market conditions, overall financial performance, and other relevant events and factors affecting Oncocyte's business. Based on the qualitative assessment, if it is determined that the fair value of goodwill is more likely than not to be less than its carrying amount, the fair value of a reporting unit will be calculated and compared with its carrying amount and an impairment charge will be recognized for the amount that the carrying value exceeds the fair value. Oncocyte continues to operate in one segment and considered to be the sole reporting unit and, therefore, goodwill is tested for impairment at the enterprise level.**EXHIBIT A**

Oncocyte does not have intangible assets with indefinite useful lives other than goodwill and the acquired IPR&D discussed in Notes 3 and 4. As of June 30, 2023, goodwill has been fully impaired and acquired IPR&D has been partially impaired.Underlying Lease

Long-lived intangible assets

Long-lived intangible assets, consisting primarily of acquired customer relationships, are stated at acquired cost, less accumulated amortization. Amortization expense is computed using the straight-line method over the estimated useful life of 5 years (see Notes 3 and 4).

Contingent consideration liabilities

Certain of Oncocyte's asset and business acquisitions involve the potential for future payment of consideration to third-parties and former selling shareholders in amounts determined as a percentage of future net revenues generated, or upon attainment of revenue milestones, from Pharma Services or laboratory tests, as applicable, or annual minimum royalties to certain licensors, as provided in the applicable agreements. The fair value of such liabilities is determined using unobservable inputs. These inputs include the estimated amount and timing of projected cash flows and the risk-adjusted discount rate used to present value the cash flows (see Notes 3 and 4). These obligations are referred to as contingent consideration.

ASC 805 requires that contingent consideration be estimated and recorded at fair value as of the acquisition date as part of the total consideration transferred. Contingent consideration is an obligation of the acquirer to transfer additional assets or equity interests to the selling shareholders in the future if certain future events occur or conditions are met, such as the attainment of product development milestones. Contingent consideration also includes additional future payments to selling shareholders based on achievement of components of earnings, such as "earn-out" provisions or percentage of future revenues, including royalties paid to the selling shareholders based on a percentage of certain revenues generated.

The fair value of contingent consideration after the acquisition date is reassessed by Oncocyte as changes in circumstances and conditions occur, with the subsequent change in fair value recorded in the condensed consolidated statements of operations. Changes in key assumptions can materially affect the estimated fair value of contingent consideration liabilities and, accordingly, the resulting gain or loss that Oncocyte records in its unaudited condensed consolidated interim financial statements. See Notes 3 and 4 for a full discussion of these liabilities.

Investments in capital stock ***EXHIBIT B***

List of privately held companies Purchased FF&E

Oncocyte evaluates whether investments held in common stock of other companies require consolidation of the company under, first, the variable interest entity ("VIE") model, and then under the voting interest model in accordance with accounting guidance for consolidations under Accounting Standards Codification ("ASC") 810-10. If consolidation of the entity is not required under either the VIE model or the voting interest model, Oncocyte determines whether the equity method of accounting should be applied in accordance with ASC 323, *Investments – Equity Method and Joint Ventures*. The equity method applies to investments in common stock or in-substance common stock if Oncocyte exercises significant influence over, but does not control, the entity, where significant influence is typically represented by ownership of 20% or more, but less than majority ownership, of the voting interests of a company.

Oncocyte initially records equity method investments at fair value on the date of the acquisition with subsequent adjustments to the investment balance based on Oncocyte's pro rata share of earnings or losses from the investment.

From February 24, 2021, the date of Oncocyte's acquisition of the remaining interests in Razor, through February 16, 2023 the date of its disposition, Razor entity's financial statements have been consolidated with Oncocyte. See Notes 3, 4, and 16 for additional information.

Impairment of long-lived assets

Oncocyte assesses the impairment of long-lived assets whenever events or changes in circumstances indicate that such assets might be impaired and the carrying value may not be recoverable. Oncocyte's long-lived assets consist primarily of intangible assets, right-of-use assets for operating leases, customer relationships, and machinery and equipment. If events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and the expected undiscounted future cash flows attributable to the asset are less than the carrying amount of the asset, an impairment loss, equal to the excess of the carrying value of the asset over its fair value, is recorded. See Notes 3, 4, and 16 for additional information with respect to impairments of long-lived assets. See Note 16 for disclosure of machinery and equipment impairment.

Revenue recognition

Pursuant to ASC 606, revenues are recognized when control of services performed is transferred to customers, in an amount that reflects the consideration Oncocyte expects to be entitled to in exchange for those services. ASC 606 provides for a five-step model that includes:

(i) identifying the contract with a customer,
(ii) identifying the performance obligations in the contract,
(iii) determining the transaction price,
(iv) allocating the transaction price to the performance obligations, and
(v) recognizing revenue when, or as, an entity satisfies a performance obligation.

Oncocyte determines transaction prices based on the amount of consideration we expect to receive for transferring the promised goods or services in the contract. Consideration may be fixed, variable, or a combination of both. The Company considers any constraints on the variable consideration and includes in the transaction price variable consideration to the extent it is deemed probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

DetermaRx testing revenue

Prior to the Razor Sale Transaction, Oncocyte generated revenue from performing DetermaRx tests on clinical samples through orders received from physicians, hospitals, and other healthcare providers. In determining whether all the revenue recognition criteria (i) through (v) above are met with respect to DetermaRx tests, each test result is considered a single performance obligation and is generally considered complete when the test result is delivered or made available to the prescribing physician electronically, and, as such, there are no shipping or handling fees incurred by Oncocyte or billed to customers. Although Oncocyte has billed a list price for all tests ordered and completed for all payer types, Oncocyte considers constraints on the variable consideration when recognizing revenue for DetermaRx. Because DetermaRx is a novel test and there are no current reimbursement arrangements with third-party payers other than Medicare, the transaction price represents variable consideration. Application of the constraint for variable consideration is an area that requires significant judgment. For all payers other than Medicare, Oncocyte must consider the novelty of the test, the uncertainty of receiving payment, or being subject to claims for a refund, from payers with whom it does not have a sufficient payment collection history or contractual reimbursement agreements. Accordingly, for those payers, Oncocyte has recognized revenue upon payment because it has had insufficient history to reliably estimate payment patterns or has had contractual reimbursement arrangements, or both, in place.

As of June 30, 2023, Oncocyte had accounts receivable of $1.6 million from Medicare and Medicare Advantage covered DetermaRx tests (see Note 7).

We maintain an allowance for expected credit losses at an amount we estimate to be sufficient to provide adequate protection against losses resulting from extending credit to our customers. We base this allowance, in the aggregate, on historical collection experience, age of receivables and general economic conditions. Our bad debts have not been material and have been within management expectations. During the first quarter of 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and subsequent amendments to the initial guidance under ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-10, which amends the current approach to estimate credit losses on certain financial assets, including trade and other receivables. Adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures. As of June 30, 2023 and December 31, 2022, we had a credit loss reserve of $0.2 million.

Pharma services revenue

Revenues recognized include Pharma Services performed by Oncocyte's Insight and Chronix subsidiaries for its pharmaceutical customers, including testing for biomarker discovery, assay design and development, clinical trial support, and a broad spectrum of biomarker tests. These Pharma Services are generally performed under individual scope of work ("SOW") arrangements or license agreements (together with SOW the "Pharma Services Agreements") with specific deliverables defined by the customer. Pharma Services are performed on a (i) time and materials basis or (ii) per test completed basis. Upon completion of the service to the customer in accordance with a Pharma Services Agreement, Oncocyte has the right to bill the customer for the agreed upon price (either on a per test or per deliverable basis) and recognizes Pharma Service revenue at that time. Insight identifies each sale of its Pharma Service offering as a single performance obligation. Chronix identifies the processing of test samples as a separate performance obligation (considered a series) within license agreements with customers.

Completion of the service and satisfaction of the performance obligation is typically evidenced by access to the report or test made available to the customer or any other form or applicable manner of delivery defined in the Pharma Services Agreements. However, for certain SOWs under which work is performed pursuant to the customer's highly customized specifications, Oncocyte has the enforceable right to bill the customer for work completed, rather than upon completion of the SOW. For those SOWs, Oncocyte recognizes revenue over a period during which the work is performed using a formula that accounts for expended efforts, generally measured in labor hours, as a percentage of total estimated efforts for the completion of the SOW. As performance obligations are satisfied under the Pharma Services Agreements, any amounts earned as revenue and billed to the customer are included in accounts receivable. Any revenues earned but not yet billed to the customer as of the date of Oncocyte's condensed consolidated financial statements are recorded as contract assets and are included in prepaids and other current assets as of the financial statement date. Amounts recorded in contract assets are reclassified to accounts receivable in Oncocyte’s condensed consolidated financial statements when the customer is invoiced according to the billing schedule in the contract.

Oncocyte establishes credit loss reserve accounts based on the evaluation of the collectability of its Pharma Services accounts receivables after considering a variety of factors, including the length of time receivables are past due, significant events that may impair the customer's ability to pay, such as a bankruptcy filing or deterioration in the customer's operating results or financial position, reasonable and supportable forecast that affect the collectability of the reported amount, and historical experience. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. Oncocyte continuously monitors collections and payments from customers and maintains a provision for estimated credit losses and uncollectible accounts, if any, based upon its historical experience and any specific customer collection issues that have been identified. Amounts determined to be uncollectible are written off against the credit loss reserve accounts. As of June 30, 2023, Oncocyte has not recorded any losses or credit loss reserve accounts on its account receivables from Pharma Services.

As of June 30, 2023, Oncocyte had accounts receivable from Pharma Services customers of $0.3 million, as compared to $0.3 million as of December 31, 2022 (see Note 7). As of June 30, 2023 and December 31, 2022, we have not reserved a credit loss reserve for Pharma Services accounts receivables.

Licensing revenue

Revenues recognized include licensing revenue derived from agreements with customers for exclusive rights to market Oncocyte's proprietary testing technology. Under the agreements, Oncocyte grants exclusive rights to certain trademarks and technology of Oncocyte for the purpose of marketing Oncocyte's tests within a defined geographic territory. A license agreement may specify milestone deliverables or performance obligations, for which Oncocyte recognizes revenue when its licensee confirms the completion of Oncocyte's performance obligation. A licensing agreement may also include ongoing sales support from Oncocyte and typically includes non-refundable licensing fees and per-test Pharma Services revenues discussed above, for which Oncocyte treats the licensing of the technology, trademarks, and ongoing support as a single performance obligation satisfied by the passage of time over the term of the agreement.

Cost of revenues

Cost of revenues generally consists of cost of materials, direct labor including benefits, bonus and stock-based compensation, equipment and infrastructure expenses, clinical sample related costs associated with performing DetermaRx tests and Pharma Services, providing deliverables according to our licensing agreements, license fees due to third parties, and amortization of acquired intangible assets such as the Razor asset and customer relationship intangible assets. Infrastructure expenses include depreciation of laboratory equipment, allocated rent costs, leasehold improvements, and allocated information technology costs for operations at Oncocyte's CLIA laboratories in California and Tennessee. Costs associated with generating the revenues are recorded as the tests or services are performed regardless of whether revenue was recognized. Royalties or revenue share payments for licensed technology calculated as a percentage of revenues generated using the associated technology are recorded as expenses at the time the related revenues are recognized.

Research and development expenses

Research and development expenses are comprised of costs incurred to develop technology, which include salaries and benefits (including stock-based compensation), laboratory expenses (including reagents and supplies used in research and development laboratory work), infrastructure expenses (including allocated facility occupancy costs), and contract services and other outside costs. Indirect research and development expenses are allocated primarily based on headcount, as applicable, and include rent and utilities, common area maintenance, telecommunications, property taxes, and insurance. Research and development costs are expensed as incurred.

Sales and marketing expenses

Sales and marketing expenses consist primarily of personnel costs and related benefits, including stock-based compensation, trade show expenses, branding and positioning expenses, and consulting fees. Sales and marketing expenses also include indirect expenses for applicable overhead allocated based on headcount, and include allocated costs for rent and utilities, common area maintenance, telecommunications, property taxes, and insurance.

General and administrative expenses

General and administrative expenses consist primarily of compensation and related benefits (including stock-based compensation) for executive and corporate personnel, professional and consulting fees, rent and utilities, common area maintenance, telecommunications, property taxes, and insurance.

Net loss per common share

Basic loss per share is computed by dividing the net loss applicable to common stockholders after deducting cumulative unpaid dividends and accretion of the preferred stock, by the weighted average number of shares of common stock outstanding during the year. Diluted loss per share is computed by dividing the net loss applicable to common stockholders after deducting cumulative unpaid dividends and accretion of the preferred stock, by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued, using the treasury stock method or the if-converted method, or the two-class method for participating securities, whichever is more dilutive. Potential common shares are excluded from the computation if their effect is antidilutive.

All common stock equivalents are antidilutive because Oncocyte reported a net loss for all periods presented. The following table presents the calculation of basic and diluted loss per share of common stock (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**
Numerator:				
Net loss attributable to Oncocyte Corporation	$ (8,333)	$ (8,300)	$ (5,300)	$ (18,591)
Dividend on Series A redeemable convertible preferred stock	(76)	(29)	(166)	(29)
Accretion of Series A redeemable convertible preferred stock	(117)	(43)	(257)	(43)
Deemed dividend on Series A redeemable convertible preferred stock	(118)	-	(118)	-
Net loss attributable to common stockholders - Basic and Diluted	$ (8,644)	$ (8,372)	$ (5,841)	$ (18,663)
Denominator:				
Weighted average shares used in computing net loss per share attributable to common stockholders - Basic and Diluted	8,090	5,652	7,030	5,135
Basic and diluted net loss per common share	$ (1.07)	$ (1.48)	$ (0.83)	$ (3.63)
Anti-dilutive potential common shares excluded from the computation of diluted net loss per common share:				
Stock options	483	731	549	657
RSUs	7	-	10	-
Warrants	820	845	820	845
Series A redeemable convertible preferred stock	5	6	5	6
Total	1,315	1,582	1,384	1,508

Leases

Oncocyte accounts for leases in accordance with ASC 842, *Leases*. Oncocyte determines if an arrangement is a lease at inception. Leases are classified as either financing or operating, with classification affecting the pattern of expense recognition in the condensed consolidated statements of operations. Under the available practical expedients for the adoption of ASC 842, Oncocyte accounts for the lease and non-lease components as a single lease component. Oncocyte recognizes right-of-use ("ROU") assets and lease liabilities for leases with terms greater than twelve months in the condensed consolidated balance sheet. ROU assets represent the right to use an underlying asset during the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, Oncocyte uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Oncocyte uses the implicit rate when it is readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Oncocyte will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Operating leases are included as right-of-use assets in machinery and equipment, and ROU lease liabilities, current and long-term, in the condensed consolidated balance sheets. Financing leases are included in machinery and equipment, and in financing lease liabilities, current and long-term, in the condensed consolidated balance sheets. Oncocyte discloses the amortization of our ROU assets and operating lease payments as a net amount, "Amortization of right-of-use assets and liabilities", on the condensed consolidated statements of cash flows. Based on the available practical expedients under the standard, Oncocyte elected not to capitalize leases that have terms of twelve months or less.

During prior years, Oncocyte entered into various operating leases and an embedded operating lease in accordance with ASC 842 discussed in Note 10. Oncocyte's accounting for financing leases remained substantially unchanged.

Accounting for Lineage and AgeX shares of common stock

Oncocyte accounts for the shares of Lineage and AgeX common stock it holds as marketable equity securities in accordance with ASC 320-10-25, *Investments – Debt and Equity Securities*, as amended by Accounting Standards Update ("ASU") 2016-01, *Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, as the shares have a readily determinable fair value quoted on the NYSE American and are held principally to meet future working capital purposes, as necessary. The securities are measured at fair value, with related gains and losses in the value of such securities recorded in the condensed consolidated statements of operations in other income (expense), and are reported as current assets on the condensed consolidated balance sheets based on the closing trading price of the security as of the date being presented.

As of June 30, 2023 and December 31, 2022, Oncocyte held 353,264 and 35,326 shares of common stock of Lineage and AgeX, respectively, as marketable equity securities had a combined fair market value of $0.5 million and $0.4 million, respectively.

Recent accounting pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and subsequent amendments to the initial guidance under ASU 2018-19, ASU 2019-04, ASU 2019-05 and ASU 2019-10, which amends the current approach to estimate credit losses on certain financial assets, including trade and other receivables. Generally, this amendment requires entities to establish a valuation allowance for the expected lifetime losses of these certain financial assets. Upon the initial recognition of such assets, which will be based on, among other things, historical information, current conditions, and reasonable supportable forecasts. Subsequent changes in the valuation allowance are recorded in current earnings and reversal of previous losses are permitted. Previously, U.S. GAAP required entities to write down credit losses only when losses are probable and loss reversals are not permitted. The Company adopted this ASU in the first quarter of 2023. Adoption of this standard did not have a material impact on the Company's consolidated financial statements and related disclosures.

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,* to provide specific guidance to eliminate diversity in practice on how to recognize and measure acquired contract assets and contract liabilities from revenue contracts from customers in a business combination consistent with revenue contracts with customers not acquired in an acquisition. The amendments in this update provide that the acquirer should consider the terms of the acquired contracts, such as timing of payment, identify each performance obligation in the contracts, and allocate the total transaction price to each identified performance obligation on a relative standalone selling price basis as of contract inception (that is, the date the acquiree entered into the contracts) or contract modification to determine what should be recorded at the acquisition date. These amendments are effective for the Company beginning with fiscal year 2023. The impact of the adoption of the amendments in this update will depend on the magnitude of any customer contracts assumed in a business combination in 2023 and beyond.

3. Business Combinations

Acquisition of Insight Genetics, Inc.

On January 31, 2020 (the "Insight Merger Date"), Oncocyte completed its acquisition of Insight pursuant to the Insight Merger Agreement.

Contingent consideration is an obligation of the acquirer to transfer additional assets or equity interests to the selling shareholders in the future if certain future events occur or conditions are met, such as the attainment of product development milestones. Contingent consideration also includes additional future payments to selling shareholders based on achievement of components of earnings, such as "earn-out" provisions or percentage of future revenues, including royalties paid to the selling shareholders based on a percentage of revenues generated from DetermaIO and Insight Pharma Services over their respective useful life. Accordingly, Oncocyte determined there are two types of contingent consideration in connection with the Insight Merger, the Milestone Contingent Consideration and the Royalty Contingent Consideration discussed below, which are collectively referred to as the "Contingent Consideration".

There are three milestones comprising the Milestone Contingent Consideration, collectively referred to as the Milestones, in connection with the Insight Merger which Oncocyte valued and recorded as part of Contingent Consideration as of the Insight Merger Date (see table below), which consist of (i) a payment for clinical trial completion and related data publication ("Milestone 1"), (ii) a payment for an affirmative final local coverage determination from CMS for a specified lung cancer test ("Milestone 2"), and (iii) a payment for achieving specified CMS reimbursement milestones ("Milestone 3"). If achieved, any respective Milestone will be paid at the contractual value shown below, with the payment made either in cash or in shares of Oncocyte common stock as determined by Oncocyte. There can be no assurance that any of the Milestones will be achieved.

The following table shows the Insight Merger Date contractual payment amounts, as applicable, and the corresponding fair value of each respective Contingent Consideration liability (in thousands):

	Contractual Value	Fair Value on the Merger Date
Milestone 1	$ 1,500	$ 1,340
Milestone 2	3,000	1,830
Milestone 3 [(a)]	1,500	770
Royalty 1 [(b)]	See(b)	5,980
Royalty 2 [(b)]	See(b)	1,210
Total	$ 6,000	$ 11,130

(a) Indicates the maximum payable if the Milestone is achieved.

(b) As defined, Royalty Payments are based on a percentage of future revenues of DetermaIO and Pharma Services over their respective useful life, accordingly there is no fixed contractual value for the Royalty Contingent Consideration.

The fair value of the Contingent Consideration after the Insight Merger Date is reassessed by Oncocyte as changes in circumstances and conditions occur, with the subsequent change in fair value recorded in Oncocyte's condensed consolidated statements of operations. As of June 30, 2023, based on Oncocyte's reassessment of the significant assumptions noted above, there was a decrease of approximately $2.5 million to the fair value of the Contingent Consideration primarily attributable to revised estimates of the timing of the possible future payouts and, accordingly, this decrease was recorded as change in fair value of contingent consideration in the unaudited condensed consolidated statements of operations for the six months ended June 30, 2023.

The following tables reflect the activity for Oncocyte's Contingent Consideration for the six months ended June 30, 2023 and 2022, measured at fair value using Level 3 inputs (in thousands):

	Fair Value
Balance at December 31, 2021	$ 7,060
Change in estimated fair value	1,400
Balance at June 30, 2022	$ 8,460

	Fair Value
Balance at December 31, 2022	$ 5,370
Change in estimated fair value	(2,500)
Balance at June 30, 2023	$ 2,870

Contingent consideration is not deductible for tax purposes, even if paid; therefore, no deferred tax assets related to the Contingent Consideration were recorded.

Asset acquisition of Razor Genomics, Inc.

On February 24, 2021, Oncocyte completed the purchase of all the issued and outstanding shares of common stock of Razor. As a result of Oncocyte is the sole shareholder of Razor.

On December 15, 2022, the Company entered into a Stock Purchase Agreement in which the Company agreed to sell approximately 70% of the issued and outstanding equity interest of Razor on a fully-diluted basis. On February 16, 2023, the sale of Razor was completed. See Note 16 for additional information.

Development Agreement

On December 31, 2019, in connection with Oncocyte's purchase of 25% of the outstanding equity of Razor, Oncocyte entered into a Development Agreement with Razor and Encore Clinical, Inc. ("Encore"), a former stockholder of Razor (the "Development Agreement"). Under the Development Agreement, Razor reserved as a "Clinical Trial Expense Reserve" $4.0 million of the proceeds it received at the Initial Closing from the sale of the Razor Preferred Stock to Oncocyte, to fund Razor's share of costs incurred in connection with a clinical trial of DetermaRx for purposes of promoting commercialization.

The Development Agreement was terminated on February 16, 2023 in connection with the Razor Stock Purchase Agreement. See Note 16 for more details regarding the Razor Stock Purchase Agreement.

Sublicense Agreement

On December 31, 2019, in connection with Oncocyte's purchase of 25% of the outstanding equity of Razor, Oncocyte entered into a Sublicense and Distribution Agreement with Razor and Encore Clinical, Inc. ("Encore"), a former stockholder of Razor (the "Sublicense Agreement"). Under the Sublicense Agreement, Razor granted to Oncocyte an exclusive worldwide sublicense under certain patent rights applicable to DetermaRx in the field of use covered by the applicable license held by Razor for purposes of commercialization and development of DetermaRx.

The Sublicense Agreement was terminated on February 16, 2023 in connection with the Razor Stock Purchase Agreement. See Notes 16 for more details regarding the Razor Stock Purchase Agreement.

Acquisition of Chronix Biomedical, Inc.

On April 15, 2021 (the "Chronix Merger Date"), Oncocyte completed its acquisition of Chronix pursuant the Chronix Merger Agreement.

Contingent Consideration

As additional consideration for holders of certain classes and series of Chronix capital stock, the Chronix Merger Agreement originally required Oncocyte to pay "Chronix Contingent Consideration" consisting of (i) "Chronix Milestone Payments" of up to $14 million in any combination of cash or Oncocyte common stock if certain milestones specified in the Chronix Merger Agreement are achieved, (ii) "Royalty Payments" of up to 15% of net collections for sales of specified tests and products during the five-to-ten year earnout periods, and (iii) "Transplant Sale Payments" of up to 75% of net collections from the sale or license to a third party of Chronix's patents for use in transplantation medicine during a seven-year earnout period.

On February 8, 2023, the Company and equity holder representative entered into Amendment No. 1 to the Merger Agreement (the "Chronix Amendment"), pursuant to which the parties agreed that (i) Chronix's equity holders will be paid earnout consideration of 10% of net collections for sales of specified tests and products, until the expiration of intellectual property related to such tests and products, (ii) Chronix's equity holders will be paid 5% of the gross proceeds received from any sale of all or substantially all of the rights, titles, and interests in and to Chronix's patents for use in transplantation medicine to such third party, and (iii) the Chronix Milestone Payments, 15% Royalty Payments and Transplant Sale Payment obligations were eliminated.

The fair value of the Chronix Contingent Consideration after the Chronix Merger Date is reassessed by Oncocyte as changes in circumstances and conditions occur, with the subsequent change in fair value recorded in Oncocyte's condensed consolidated statements of operations. As of June 30, 2023, based on Oncocyte's reassessment of the significant assumptions noted above, there was a decrease of approximately $14.0 million to the fair value of the Contingent Consideration primarily attributable to revised estimates of the timing of the possible future payouts and, accordingly, this decrease was recorded as a change in fair value of contingent consideration in the unaudited condensed consolidated statements of operations for the six months ended June 30, 2023.

The following tables reflect the activity for Oncocyte's Contingent Consideration for the six months ended June 30, 2023 and June 30, 2022, measured at fair value using Level 3 inputs (in thousands):

	Fair Value
Balance at December 31, 2021	$ 69,621
Change in estimated fair value	(12,415)
Balance at June 30, 2022	$ 57,206

	Fair Value
Balance at December 31, 2022	$ 40,292
Change in estimated fair value	(14,012)
Balance at June 30, 2023	$ 26,280

Goodwill - Goodwill is calculated as the difference between the acquisition date fair value of the Aggregate Chronix Merger Consideration transferred and the values assigned to the assets acquired and liabilities assumed. Goodwill also includes the $2.2 million of net deferred tax liabilities recorded principally related to the VitaGraft discussed above. Oncocyte recognized approximately $9.5 million of goodwill related to the Chronix acquisition.

None of the goodwill recognized is expected to be deductible for income tax purposes. Goodwill is not amortized but is tested for impairment at least annually, or more frequently if circumstances indicate potential impairment. During 2022, the Company identified circumstances that could indicate a potential impairment and after a valuation of the Company's assets and liabilities was performed, management concluded that goodwill was impaired as of December 31, 2022. (see Notes 2 and 4).

4. Intangible Assets, net

As part of the Insight and Chronix acquisitions, which were accounted for as business combinations under ASC 805, completed on January 31, 2020, and April 15, 2021, respectively, the Company has acquired in process research and development ("IPR&D") and customer relationships.

During the first quarter of 2023, due to changes in management and the economic condition of the Company, management shifted the Company's business strategy to direct efforts on fewer studies and to transition from test that are laboratory developed tests ("LDT") to research use only ("RUO") sales. Due to the change in strategy, the Company's long range plan forecasts were updated and anticipated future benefits derived from the Company's assets. The change in strategy represent a significant indicator for change in value of the Company's long lived assets.

The original IPR&D balance was reassessed based on the updated long range plan ("LRP"), using the multiple period excess earnings method ("MPEEM") approach, the results of the valuation noted that the carrying value of the DetermaIO related IPR&D intangible assets was greater than the fair market value, whereas the CNI and VitaGraft related IPR&D intangible assets carrying value was lower than the fair market value. Accordingly, the Company recorded an impairment of approximately $5.0 million.

At June 30, 2023 and December 31, 2022, intangible assets, net, consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Intangible assets:		
Acquired IPR&D - DetermaIO (1)	$ 9,700	$ 14,650
Acquired IPR&D - DetermaCNI and VitaGraft (2)	46,800	46,800
Intangible assets subject to amortization:		
Acquired intangible assets - customer relationship	440	440
Total intangible assets	56,940	61,890
Accumulated amortization - customer relationship(3)	(301)	(257)

Intangible assets, net	$ 56,639	$ 61,633

(1) See Note 3 for information on the Insight Merger.

(2) See Note 3 for information on the Chronix Merger.

(3) Amortization of intangible assets is included in “Cost of revenues – amortization of acquired intangibles” on the condensed consolidated statements of operations because the intangible assets pertain directly to the revenues generated from the acquired intangibles.

Future amortization expense of intangible assets subject to amortization is expected to be the following (in thousands):

	Amortization
Year ending December 31,	
2023	$ 44
2024	88
2025	7
	$ 139

5. Shareholders' Equity

Series A Redeemable Convertible Preferred Stock

On April 13, 2022, the Company entered into the Securities Purchase Agreement with the Investors in a registered direct offering of 11,765 shares of the Company's Series A Preferred Stock, which shares of Series A Preferred Stock are convertible into a total of 384,477 shares of common stock, at a conversion price of $30.60. The purchase price of each share of Series A Preferred Stock was $850, which included an original issue discount to the stated value of $1,000 per share. The rights, preferences and privileges of the Series A Preferred Stock are set forth in the Company's Certificate of Determination, which the Company filed with the Secretary of State of the State of California. The Securities Purchase Agreement provides that the closing of the Series A Preferred Stock Offering will occur, subject to the satisfaction of certain closing conditions, in two equal tranches of $5,000,000 each for aggregate gross proceeds from both closings of $10,000,000. The first closing occurred on June 1, 2022, and Oncocyte received net proceeds of approximately $4.9 million from the Series A Preferred Stock issued from the first tranche. The second closing would occur, subject to the satisfaction of certain closing conditions (including but not limited to a requirement that the Company has not received, in the 12 months preceding the second closing, a notice from Nasdaq that the Company is not in compliance with the listing and maintenance and listing requirements of Nasdaq), on the earlier of (a) the second trading day following the date that Oncocyte receives notice from an Investor to accelerate the second closing and (b) a date selected by Oncocyte on or after October 8, 2022 and on or prior to March 8, 2023. On August 9, 2022, Oncocyte received a letter from Nasdaq indicating that the Company no longer met the minimum bid price requirement of the Nasdaq continued listing requirements. Accordingly, the second closing did not occur and no additional proceeds were received under the Securities Purchase Agreement. On August 8, 2023, the Company received a letter from Nasdaq indicating that the Company had regained compliance with the minimum bid price requirement of the Nasdaq continued listing requirements. See Note 15 for additional information about the Series A Preferred Stock Offering.

The Series A Preferred Stock is convertible into shares of the Company's common stock at any time at the holder's option. The conversion price will be subject to customary anti-dilution adjustments for matters such as stock splits, stock dividends and other distributions on our common stock, and recapitalizations. A holder is prohibited from converting shares of Series A Preferred Stock into shares of common stock if, as a result of such conversion, the holder, together with its affiliates, would own more than 4.99% of the shares of our common stock then issued and outstanding (provided a holder may elect, at the first closing, to increase such beneficial ownership limitation solely as to itself up to 19.99% of the number of shares of our common stock outstanding immediately after giving effect to the conversion, provided further that following the receipt of shareholder approval required by applicable Nasdaq rules with respect to the issuance of common stock that would exceed the beneficial ownership limitation, such beneficial ownership limitation will no longer apply to the holder if the holder notified the Company that the holder wishes the Company to seek such shareholder approval). On July 15, 2022, the Company received such shareholder approval to remove the beneficial ownership limitation with respect to the Series A Preferred Stock held by Broadwood. The Company may force the conversion of up to one-third of the shares of Series A Preferred Stock originally issued, subject to customary equity conditions, if the daily volume weighted average price of our common stock for 20 out of 30 trading days exceeds 140% of the conversion price and on 20 out of the same 30 trading days the daily trading volume equals or exceeds 20,000 shares of our common stock. The Company may only effect one forced conversion during any 30-trading day period.

In the event of the Company's liquidation, dissolution, or winding up, holders of Series A Preferred Stock will receive a payment equal to the stated value of the Series A Preferred Stock plus accrued but unpaid dividends and any other amounts that may have become payable on the Series A Preferred Stock due to any failure or delay that may have occurred in issuing shares of common stock upon conversion of a portion of the Series A Preferred Stock, before any distribution or payment to the holders of common stock or any of our other junior equity.

Shares of Series A Preferred Stock generally have no voting rights, except as required by law and except that the consent of holders of a majority of the outstanding Series A Preferred Stock will be required to amend any provision of our certificate of incorporation that would have a materially adverse effect on the rights of the holders of the Series A Preferred Stock. Additionally, as long as any shares of Series A Preferred Stock remain outstanding, unless the holders of at least 51% of the then outstanding shares of Series A Preferred Stock shall have otherwise given prior written consent, we, on a consolidated basis with our subsidiaries, are not permitted to (1) have less than $8 million of unrestricted, unencumbered cash on hand ("Cash Minimum Requirement"); (2) other than certain permitted indebtedness, incur indebtedness to the extent that our aggregate indebtedness exceeds $15 million; (3) enter into any agreement (including any indenture, credit agreement or other debt instrument) that by its terms prohibits, prevents, or otherwise limits our ability to pay dividends on, or redeem, the Series A Preferred Stock in accordance with the terms of the Certificate of Determination; or (4) authorize or issue any class or series of preferred stock or other capital stock of the Company that ranks senior or pari passu with the Series A Preferred Stock.

Shares of Series A Preferred Stock are entitled to receive cumulative dividends at a rate per share (as a percentage of stated value) of 6% per annum, payable quarterly in cash or, at our option, by accreting such dividends to the stated value.

The Company is required to redeem, for cash, the shares of Series A Preferred Stock on the earlier to occur of (1) April 8, 2024, (2) the commencement of certain a voluntary or involuntary bankruptcy, receivership, or similar proceedings against the Company or its assets, (3) a Change of Control Transaction (as defined herein) and (4) at the election and upon notice of 51% in interest of the holders, if the Company fails to meet the Cash Minimum Requirement. A "Change of Control Transaction" means the occurrence of any of (a) an acquisition by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion of Series A Preferred Stock), (b) the Company merges into or consolidates with any other person, or any person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the Company or the successor entity of such transaction, or (c) the Company sells or transfers all or substantially all of its assets to another person. Additionally, the Company has the right to redeem the Series A Preferred Stock for cash upon 30 days prior notice to the holders; provided if the Company undertakes a capital raise in connection with such redemption, the Investors will have the right to participate in such financing. On April 5, 2023, the Company redeemed 1,064 shares of the Series A Preferred Stock for approximately $1.1 million.

As of June 30, 2023, Oncocyte had 4,818 shares issued and outstanding. The future right or obligation associated with the Series A Preferred Stock to be issued in the second closing was written off in the prior year since the second closing was not completed.

Common Stock

As of June 30, 2023 and December 31, 2022, Oncocyte has 230,000,000 shares of common stock, no-par value, authorized. As of June 30, 2023 and December 31, 2022, Oncocyte had 8,240,928 and 5,932,191 shares of common stock issued and outstanding, respectively.

Common Stock Purchase Warrants

As of June 30, 2023, Oncocyte had an aggregate of 819,767 common stock purchase warrants issued and outstanding with exercise prices ranging from $30.60 to $109.20 per warrant. The warrants will expire on various dates ranging from February 2024 to October 2029. Certain warrants have "cashless exercise" provisions meaning that the value of a portion of warrant shares may be used to pay the exercise price rather than payment in cash, which may be exercised under any circumstances in the case of the 2017 Bank Warrants and 2019 Bank Warrants or, in the case of certain other warrants, only if a registration statement for the warrants and underlying shares of common stock is not effective under the Securities Act or a prospectus in the registration statement is not available for the issuance of shares upon the exercise of the warrants.

Oncocyte has considered the guidance in ASC 815-40, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock,* which states that contracts that require or may require the issuer to settle the contract for cash are liabilities recorded at fair value, irrespective of the likelihood of the transaction occurring that triggers the net cash settlement feature. This liability classification guidance also applies to financial instruments that may require cash or other form of settlement for transactions outside of the company's control and, in which the form of consideration to the warrant holder may not be the same as to all other shareholders in connection with the transaction. However, if a transaction is not within the company's control but the holder of the financial instrument can solely receive the same type or form of consideration as is being offered to all the shareholders in the transaction, then equity classification of the financial instrument is not precluded, if all other applicable equity classification criteria are met. Based on the above guidance and, among other factors, the fact that the warrants cannot be cash settled under any circumstance but require share settlement, all of the outstanding warrants meet the equity classification criteria and have been classified as equity.

6. Stock-Based Compensation

Oncocyte had a 2010 Stock Option Plan (the "2010 Plan") under which 260,000 shares of common stock were authorized for the grant of stock options or the sale of restricted stock. On August 27, 2018, Oncocyte shareholders approved a new Equity Incentive Plan (the "2018 Incentive Plan") to replace the 2010 Plan. In adopting the 2018 Incentive Plan, Oncocyte terminated the 2010 Plan and will not grant any additional stock options or sell any stock under restricted stock purchase agreements under the 2010 Plan; however, stock options issued under the 2010 Plan will continue in effect in accordance with their terms and the terms of the 2010 Plan until the exercise or expiration of the individual options.

During the year ended December 31, 2022, the Company awarded executive share-based payment awards under the 2018 Plan to certain executive officers and employees with time-based, market-based and performance-based vesting conditions ("2022 equity awards").

The fair value of the 2022 equity awards with performance-based vesting condition was estimated using the Black-Scholes option-pricing model assuming that performance goals will be achieved. If such performance conditions are not met, no compensation cost is recognized and any recognized compensation cost is reversed. The probability of 2022 equity awards performance-based vesting conditions will be evaluated each reporting period and the Company will true-up the amount of cumulative cost recognized for the 2022 performance-based awards at each reporting period based on the most up-to-date probability estimates. The Company will recognize the compensation expense for 2022 performance-based awards expected to vest on a straight-line basis over the respective service period for each separately vesting tranche.

The fair value of the 2022 equity awards with market-based vesting condition was estimated using the Monte Carlo simulation model. Assumptions and estimates utilized in the model include the risk-free interest rate, dividend yield, expected stock volatility and the estimated period to achievement of the performance and market conditions, which are subject to the achievement of the market-based goals established by the Company and the continued employment of the participant. These awards vest only to the extent that the market-based conditions are satisfied as specified in the vesting conditions. Unlike the performance-based awards, the grant date fair value and associated compensation cost of the market-based awards reflect the probability of the market condition being achieved, and the Company will recognize this compensation cost regardless of the actual achievement of the market condition. Assumptions utilized in connection with the Monte Carlo valuation technique included: estimated risk-free interest rate of 2.0 percent; term of 2.8 years; expected volatility of 100 percent; and expected dividend yield of 0 percent. The risk-free interest rate was determined based on the yields available on U.S. Treasury zero-coupon issues. The expected stock price volatility was determined using historical volatility. The expected dividend yield was based on expectations regarding dividend payments. The total grant date fair value of the market-based awards was $117,625.

In May 2022, the Company approved amendments to vesting conditions of 61,875 performance-based and 12,500 market-based awards of certain executive officers and employees. The performance-based awards were modified such that the stock awards will be eligible to vest as follows: (i) 50% will vest on December 31, 2023 if the Company achieves LCD reimbursement for VitaGraft (formerly TheraSureTransplant Monitor) for one organ no later than December 31, 2022 and (ii) 50% will vest on December 31, 2023 if DetermaIO or DetermaCNI (formerly TheraSure - CNI Monitor) submission for LCD is completed no later than December 31, 2022. Additional performance-based restricted stock unit ("RSU") awards were modified to be eligible to vest upon the achievement by the Company of average market capitalization minimum, target, and maximum goals of (i) $300 million; (ii) $400 million; and (iii) $500 million, respectively, during the period beginning on January 1, 2022 and ending on December 31, 2024. The market-based RSU awards were modified such that the awards will be eligible to vest upon the achievement of product commercial launch minimum, target, and maximum goals as follows: (i) one laboratory test product in the US; (ii) two laboratory test products in US, and (iii) three laboratory test products in the US, respectively.

In accordance with ASC 718, the Company calculated the fair value of the market-based awards on the date of modification, noting an increase in the fair value of approximately $58,500 on the date of modification, with the incremental increase in fair value representing additional unrecognized stock-based compensation expense. The following assumptions were used in calculating the fair value of the market-based options on the date of modification:

Risk-free interest rates		2.72 %
Expected term (in years)		2.6
Volatility		95.0 %
Grant date fair value of awards granted during the period	$	22.60

In July 2022, the Company approved amendments to vesting conditions of 23,750 performance-based awards of certain executive officers and employees. Certain performance-based awards were modified such that the stock awards will be eligible to vest as follows: (i) fifty percent (50%) of the options will vest on December 31, 2023 (the "Vesting Date"), subject to Continuous Service through the Vesting Date, if local coverage determination is issued and priced for VitaGraft (Transplant) with respect to one organ no later than December 31, 2022; and (ii) fifty percent (50%) of the options will vest on the Vesting Date, subject to Continuous Service through the Vesting Date, if the Company submits a local coverage determination request for DetermaIO or DetermaCNI no later than December 31, 2022. Additional performance-based stock awards were modified to be eligible to vest upon the achievement of performance minimum, target, and maximum goals of (i) 90% of revenue goal; (ii) 100% of revenue goal; and (iii) exceed revenue goal by up to 150%, respectively, during fiscal year 2022. These same awards contained budget performance goals which were modified to be eligible to vest upon the achievement of performance minimum, target, and maximum goals of (i) complete fiscal year 2022 with sufficient cash to continue operations for 12 months; (ii) complete fiscal year 2022 with sufficient cash to continue operations for 15 months; and (iii) complete fiscal year 2022 with sufficient cash to continue operations for 16 months, respectively.

As of December 31, 2022, 50% of the performance-based were forfeited since the Company did not achieve LCD reimbursement for VitaGraft. The remaining 50% is eligible to vest on December 31, 2023, since the Company completed the LCD submission for DetermaCNI on December 16, 2022.

During the year ended December 31, 2022, the Company accelerated the vesting of certain equity awards in accordance with the 2018 Incentive Plan after the departure of officers of the Company and the adoption of the workforce reduction plan. Due to the acceleration of such awards all associated unrecognized compensation was accelerated and recognized in full.

A summary of Oncocyte's 2010 Plan activity and related information follows (in thousands except weighted average exercise price):

Options	**Shares Available for Grant**	**Number of Options Outstanding**	**Weighted Average Exercise Price**

Balance at December 31, 2022	-	30	$ 80.78
Options exercised	-	-	$ -
Options forfeited, cancelled and expired	-	(1)	$ -
Balance at June 30, 2023	-	29	$ 80.58
Exercisable at June 30, 2023		29	$ 80.58

As of June 30, 2023, 1,050,000 shares of common stock were reserved under the 2018 Incentive Plan for the grant of stock options or the sale of restricted stock or for the settlement of RSUs. Oncocyte may also grant stock appreciation rights under the 2018 Incentive Plan.

A summary of Oncocyte's 2018 Incentive Plan activity and related information follows (in thousands except weighted average exercise price):

	Shares Available for Grant	Number of Options Outstanding	Number of RSUs Outstanding	Weighted Average Exercise Price
Balance at December 31, 2022	442	428	22	$ 59.23
RSUs vested	-	-	(11)	$ -
RSUs granted	(10)	-	5	$ -
Options granted	(178)	178	-	$ 7.72
Options forfeited/cancelled	150	(150)	-	$ -
RSUs forfeited/cancelled	2	-	(1)	$ -
Performance RSUs forfeited/cancelled	15	-	(8)	$ -
Balance at June 30, 2023	421	456	7	$ 38.33
Options exercisable at June 30, 2023		199		$ 89.54

Oncocyte recorded stock-based compensation expense in the following categories on the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2023 and 2022 (unaudited and in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenues	$ 2	$ -	$ 12	$ -
Research and development	309	201	632	381
Sales and marketing	62	-	139	29
General and administrative	461	1,283	867	2,463
Discontinuing operations	-	748	18	1,369
Total stock-based compensation expense	$ 834	$ 2,232	$ 1,668	$ 4,242

The assumptions that were used to calculate the grant date fair value of Oncocyte's employee and non-employee stock option grants for the six months ended June 30, 2023 and 2022 were as follows:

	Six Months Ended June 30,	
	2023	2022
Expected life (in years)	6.25	6.01
Risk-free interest rates	3.76%	2.24%
Volatility	105.99%	106.98%
Dividend yield	0%	0%

The determination of stock-based compensation is inherently uncertain and subjective and involves the application of valuation models and assumptions requiring the use of judgment. If Oncocyte had made different assumptions, its stock-based compensation expense and net loss for the three and six months ended June 30, 2023, and 2022 may have been significantly different.

Oncocyte does not recognize deferred income taxes for incentive stock option compensation expense and records a tax deduction only when a disqualified disposition has occurred.

7. Disaggregation of Revenues and Concentration Risk

The following table presents the percentage of consolidated revenues generated by unaffiliated customers that individually represent greater than ten percent of consolidated revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Pharma services - Company A	68 %	*	27 %	*
Pharma services - Company B	*	*	14 %	*
Discontinuing operations	*	89 %	38 %	82 %

* *Less than 10%*

The following table presents the percentage of consolidated revenues by products or services classes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Pharma Services	94 %	11 %	62 %	18 %
DetermaRx™	6 %	0 %	3 %	0 %
Discontinuing operations	0 %	89 %	35 %	82 %
Total	100 %	100 %	100 %	100 %

The following table presents the percentage of consolidated revenues attributable to geographical locations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
United States – Pharma Services	74 %	50 %	39 %	65 %
Outside of the United States – Pharma Services	20 %	2 %	23 %	5 %
DetermaRx™	6 %	0 %	3 %	0 %
Discontinuing operations – Outside of the United States – Licensing	0 %	48 %	0 %	30 %
Discontinuing operations – United States – DetermaRx™	0 %	0 %	35 %	0 %
Total	100 %	100 %	100 %	100 %

8. Income Taxes

The provision for income taxes for interim periods is determined using an estimated annual effective tax rate in accordance with ASC 740-270, *Income Taxes, Interim Reporting*. The effective tax rate may be subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as valuation allowances against deferred tax assets, the recognition or de-recognition of tax benefits related to uncertain tax positions, if any, and changes in or the interpretation of tax laws in jurisdictions where Oncocyte conducts business.

Oncocyte did not record any provision or benefit for income taxes for the six months ended June 30, 2023 and 2022, as Oncocyte had a full valuation allowance for the periods presented.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Oncocyte established a full valuation allowance for all periods presented due to the uncertainty of realizing future tax benefits from its net operating loss carry-forwards and other deferred tax assets.

9. Right-of-use assets, machinery and equipment, net, and construction in progress

As of June 30, 2023 and December 31, 2022, right-of-use assets, machinery and equipment, net, and construction in progress were as follows (in thousands):

	June 30, 2023 (unaudited)	December 31, 2022
Right-of-use assets [1]	4,036	3,499
Machinery and equipment	8,644	9,408
Accumulated depreciation and amortization	(5,310)	(4,196)
Right-of-use assets, machinery and equipment, net	7,370	8,711
Construction in progress	518	2,140
Right-of-use assets, machinery and equipment, net, and construction in progress	7,888	10,851
Right-of-use assets, machinery and equipment, net, and construction in progress from discontinuing operations	-	211
Right-of-use assets, machinery and equipment, net, and construction in progress	7,888	11,062

(1) Oncocyte recorded certain right-of-use assets and liabilities for operating leases in accordance with ASC 842 (see Note 10).

Depreciation expense amounted to $435,000 and $384,000 for the three months ended June 30, 2023 and 2022, respectively, and $885,000 and $671,000 for the six months ended June 30, 2023 and 2022, respectively.

10. Commitments and Contingencies

Oncocyte has certain commitments other than discussed in Note 3.

Office Lease Agreement

On December 23, 2019, Oncocyte entered into an Office Lease Agreement (the “Irvine Lease”) of a building containing approximately 26,800 square feet of rentable space located at 15 Cushing in Irvine, California (the “Premises”) that will serve as Oncocyte’s new principal executive and administrative offices and laboratory facility. Oncocyte completed the relocation of its offices to the Premises in January 2020 and subsequently constructed a laboratory at the Irvine facility to perform cancer diagnostic tests.

The Irvine Lease has an initial term of 89 calendar months (the “Term”), which commenced on June 1, 2020 (the “Commencement Date”). Oncocyte has an option to extend the Term for a period of five years (the “Extended Term”).

Oncocyte agreed to pay base monthly rent in the amount of $61,640 during the first 12 months of the Term. Base monthly rent increases annually, over the base monthly rent then in effect, by 3.5%. Oncocyte was entitled to an abatement of 50% of the base monthly rent during the first ten calendar months of the Term. If the Irvine Lease is terminated based on the occurrence of an “event of default,” Oncocyte will be obligated to pay the abated rent to the lessor.

If Oncocyte exercises its option to extend the Term, the initial base monthly rent during the Extended Term will be the greater of the base monthly rent in effect during the last year of the Term or the prevailing market rate. The prevailing market rate will be determined based on annual rental rates per square foot for comparable space in the area where the Premises are located. If Oncocyte does not agree with the prevailing market rate proposed by the lessor, the rate may be determined through an appraisal process. The base monthly rent during the Extended Term shall be subject to the same annual rent adjustment as applicable for base monthly rent during the Term.

In addition to base monthly rent, Oncocyte agreed to pay in monthly installments (a) all costs and expenses, other than certain excluded expenses, incurred by the lessor in each calendar year in connection with operating, maintaining, repairing (including replacements if repairs are not feasible or would not be effective) and managing the Premises and the building in which the Premises are located (“Expenses”), and (b) all real estate taxes and assessments on the Premises and the building in which the Premises are located, all personal property taxes for property that is owned by lessor and used in connection with the operation, maintenance and repair of the Premises, and costs and fees incurred in connection with seeking reductions in such tax liabilities (“Taxes”). Subject to certain exceptions, Expenses shall not be increased by more than 4% annually on a cumulative, compounded basis.

Oncocyte was entitled to an abatement of its obligations to pay Expenses and Taxes while constructing improvements to the Premises constituting "Tenant's Work" under the Irvine Lease prior to the Commencement Date, except that Oncocyte was obligated to pay 43.7% of Expenses and Taxes during the period prior to the Commencement Date for its use of the second floor of the Premises, which was already built out as office space.

The lessor provided Oncocyte with a "Tenant Improvement Allowance" in the amount of $1.3 million to pay for the plan, design, permitting, and construction of the improvements constituting Tenant's Work. The lessor retained 1.5% of the Tenant Improvement Allowance as an administrative fee as provided in the Irvine Lease. As of June 30, 2023, the lessor had provided $1.3 million of the total Tenant Improvement Allowance.

Oncocyte has provided the lessor with a security deposit in the amount of $150,000 and a letter of credit in the amount of $1.7 million. The lessor may apply the security deposit, in whole or in part, for the payment of rent and any other amount that Oncocyte is or becomes obligated to pay under the Irvine Lease but fails to pay when due and beyond any cure period. The lessor may draw on the letter of credit from time to time to pay any amount that is unpaid and due, or if the original issuing bank notifies the lessor that the letter of credit will not be renewed or extended for the period required under the Irvine Lease and Oncocyte fails to timely provide a replacement letter of credit, or an event of default under the Irvine Lease occurs and continues beyond the applicable cure period, or if certain insolvency or bankruptcy or insolvency with respect to Oncocyte occur. Oncocyte is required to restore any portion of the security deposit that is applied by the lessor to payments due under the Irvine Lease, and Oncocyte is required to restore the amount available under the letter of credit to the required amount if any portion of the letter of credit is drawn by the lessor. The Irvine Lease provides that commencing on the 34th month of the Term, (a) the amount of the letter of credit that Oncocyte is required to maintain shall be reduced on a monthly basis, in equal installments, to amortize the required amount to zero at the end of the Term, and (b) Oncocyte has the right to cancel the letter of credit at any time if it meets certain market capitalization and balance sheets thresholds; provided, in each case, that Oncocyte is not in then default under the Irvine Lease beyond any applicable notice and cure period and the lessor has not determined that an event exists that would lead to an event of default.

To obtain the letter of credit, Oncocyte has provided the issuing bank with a restricted cash deposit that the bank will hold to cover its obligation to pay any draws on the letter of credit by the lessor. The restricted cash may not be used for any other purpose.

On August 27, 2021, Oncocyte entered into a lease agreement to add an additional suite to its Nashville office space, containing approximately 1,928 square feet of rentable space located at 2 International Plaza, Suite 103, Nashville TN. The term of the lease commences on October 1, 2021 and extends through April 9, 2024 and will serve as additional office space for Insight's operations.

The Irvine Lease is an operating lease under ASC 842 included in the tables below. The tables below provide the amounts recorded in connection with the application of ASC 842 as of, and during, the six months ended June 30, 2023, for Oncocyte's operating and financing leases (see Note 2).

On December 31, 2019, in connection with Oncocyte's purchase of 25% of the outstanding equity of Razor, Oncocyte entered into a Laboratory Services Agreement with Razor and Encore Clinical, Inc. ("Encore"), a former stockholder of Razor (the "Laboratory Agreement"). Under the Laboratory Agreement (which expired on September 29, 2021), Oncocyte assumed all of Razor's Laboratory Agreement payment obligations. Although Oncocyte is not a party to any lease agreement with Razor or Encore, under the terms of the Laboratory Agreement, Oncocyte received the landlord's consent for the use of the laboratory at Razor's Brisbane, California location (the "Brisbane Facility") under the terms of a sublease to which Encore is the sublessee. The sublease expired on March 31, 2023 (the "Brisbane Lease"). The laboratory fee payments to Encore include both laboratory services and the use of the Brisbane Facility. Under the provisions of the Laboratory Agreement, if Oncocyte terminates the Laboratory Agreement prior to the expiration of the Brisbane Lease, Oncocyte shall assume the costs related to the subletting or early termination of the Brisbane Lease. The Laboratory Agreement terminated on March 31, 2023. Oncocyte determined that the Laboratory Agreement contains an embedded operating lease for the Brisbane Facility and Oncocyte allocated the aggregate payments to this lease component for purposes of calculating the net present value of the right-of-use asset and liability as of the inception of the Laboratory Agreement in accordance with ASC 842, as shown in the table below.

Financing lease

As of June 30, 2023, Oncocyte has one financing lease remaining through December 2023 for certain laboratory equipment with aggregate remaining payments of $62,000 shown in the table below. Oncocyte's lease obligations are collateralized by the equipment financed under the lease schedule.

Operating and Financing leases

The following table presents supplemental cash flow information related to operating and financing leases for the six months ended June 30, 2023 and 2022 (in thousands):

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash paid for amounts included in the measurement of financing lease liabilities:		
Operating cash flows from operating leases	$ 538	$ 564
Operating cash flows from financing leases	$ 5	$ 12
Financing cash flows from financing leases	$ 57	$ 51

The following table presents supplemental balance sheets information related to operating and financing leases as of June 30, 2023 and June 30, 2022 (in thousands, except lease term and discount rate):

	June 30, 2023	June 30, 2022
Operating lease		
Right-of-use assets, net	$ 1,855	$ 2,343
Right-of-use lease liabilities, current	$ 677	$ 728
Right-of-use lease liabilities, noncurrent	2,398	3,075
Total operating lease liabilities	$ 3,075	$ 3,803
Financing lease		
Machinery and equipment	$ 536	$ 537
Accumulated depreciation	(500)	(391)
Machinery and equipment, net	$ 36	$ 146
Current liabilities	$ 60	$ 110
Noncurrent liabilities	-	60

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Total financing lease liabilities	$ 60	$ 170
Weighted average remaining lease term		
Operating lease	4.1 years	4.9 years
Financing lease	0.5 years	1.5 years
Weighted average discount rate		
Operating lease	11.28 %	11.20 %
Financing lease	11.55 %	11.55 %

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Future minimum lease commitments are as follows (in thousands):

Year Ending December 31,	Operating Leases		Financing Leases	
2023	$	510	$	62
2024	$	903	$	-
2025	$	869	$	-
2026	$	899	$	-
2027	$	695	$	-
Total minimum lease payments	$	3,876	$	62
Less amounts representing interest	$	(801)	$	(2)
Present value of net minimum lease payments	$	3,075	$	60

Litigation – General

Oncocyte may be subject to various claims and contingencies in the ordinary course of its business, including those related to litigation, business transactions, employee-related matters, and other matters. When Oncocyte is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, Oncocyte will record a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, Oncocyte discloses the claim if the likelihood of a potential loss is reasonably possible and the amount involved could be material.

Tax Filings

Oncocyte tax filings are subject to audit by taxing authorities in jurisdictions where it conducts business. These audits may result in assessments of additional taxes that are subsequently resolved with the authorities or potentially through the courts. Management believes Oncocyte has adequately provided for any ultimate amounts that are likely to result from these audits; however, final assessments, if any, could be significantly different than the amounts recorded in the unaudited condensed consolidated interim financial statements.

Employment Contracts

Oncocyte has entered into employment and severance benefit contracts with certain executive officers. Under the provisions of the contracts, Oncocyte may be required to incur severance obligations for matters relating to changes in control, as defined, and certain terminations of executives. As of June 30, 2023, Oncocyte accrued approximately $3.1 million in severance obligations for certain executive officers, in accordance with the severance benefit provisions of their respective employment and severance benefit agreements, primarily related to Oncocyte's acquisition of Chronix in 2021.

Indemnification

In the normal course of business, Oncocyte may provide indemnification of varying scope under Oncocyte's agreements with other companies or consultants, typically Oncocyte's clinical research organizations, investigators, clinical sites, suppliers and others. Pursuant to these agreements, Oncocyte will generally agree to indemnify, hold harmless, and reimburse the indemnified parties for losses and expenses suffered or incurred by the indemnified parties arising from claims of third parties in connection with the use or testing of Oncocyte's diagnostic tests. Indemnification provisions could also cover third party infringement claims with respect to patent rights, copyrights, or other intellectual property pertaining to Oncocyte's diagnostic tests. Oncocyte's office and laboratory facility leases also will generally contain indemnification obligations, including obligations for indemnification of the lessor for environmental law matters and injuries to persons or property of others, arising from Oncocyte's use or occupancy of the leased property. The term of these indemnification agreements will generally continue in effect after the termination or expiration of the particular research, development, services, lease, or license agreement to which they relate. The Razor Stock Purchase Agreement also contains provisions under which Oncocyte has agreed to indemnify Razor and Encore from losses and expenses resulting from breaches or inaccuracy of Oncocyte's representations and warranties and breaches or nonfulfillment of Oncocyte's covenants, agreements, and obligations under the Razor Stock Purchase Agreement. Oncocyte periodically enters into underwriting and securities sales agreements with broker-dealers in connection with the offer and sale of Oncocyte securities. The terms of those underwriting and securities sales agreements include indemnification provisions pursuant to which Oncocyte agrees to indemnify the broker-dealers from certain liabilities, including liabilities arising under the Securities Act, in connection with the offer and sale of Oncocyte securities. The potential future payments Oncocyte could be required to make under these indemnification agreements will generally not be subject to any specified maximum amounts. Historically, Oncocyte has not been subject to any claims or demands for indemnification. Oncocyte also maintains various liability insurance policies that limit Oncocyte's financial exposure. As a result, Oncocyte management believes that the fair value of these indemnification agreements is minimal. Accordingly, Oncocyte has not recorded any liabilities for these agreements as of June 30, 2023 and December 31, 2022.

11. Workforce Reduction

In August 2022, the Company initiated a workforce reduction plan to strategically realign its operations and implement cost reduction programs to prioritize near term revenue generators and to manage and preserve cash. In connection with the reduction, the Company eliminated 14 positions, implemented tighter expense controls, and ceased non-core activities.

Further, on December 16, 2022, Oncocyte initiated an additional reduction in work force involving over 40% of its full-time employees. The transition began on December 16, 2022 and was completed in February 2023. As of December 31, 2022, the Company incurred an aggregate of $1.9 million related to employee severance and benefits costs in connection with its reductions in force during fiscal year 2022.

On April 12, 2023, Oncocyte announced a reduction in force involving approximately 20% of its workforce (the "April 2023 Reduction"), which management believes will extend Oncocyte's cash runway into 2024. In connection with the April 2023 Reduction, we incurred approximately $0.3 million related to employee severance and benefits costs during the second quarter of 2023.

12. Related Party Transactions

Financing Transactions

On April 13, 2022, Oncocyte entered into the Securities Purchase Agreement with the Investors, including Broadwoodand John Peter Gutfreund, a former director of Oncocyte, for the Series A Preferred Stock Offering. Each of Broadwood and Mr. Gutfreund has a direct material interest in the Series A Preferred Stock Offering and agreed to purchase 5,882.35 and 1,176.48 shares, respectively, in the Series A Preferred Stock Offering and on the same terms as other investors. Additionally, Halle Capital Management, L.P. received $85,000 from the Company as reimbursement for its legal fees and expenses. Mr. Gutfreund is the Managing Partner of Halle Capital Management, L.P. See Note 15 for additional information about the Series A Preferred Stock Offering.

Further, on April 13, 2022, Oncocyte entered into the Underwriting Agreement with the Underwriters for the Underwritten Offering. Pursuant to the Underwritten Offering, Broadwood acquired from us (i) 261,032 shares of common stock, and (ii) 300,187 April 2022 Warrants to purchase up to 150,093 shares of common stock at an exercise price of $30.60 per share. However, the total number of shares of common stock that Broadwood purchased in the Underwritten Offering was 300,187, of which 39,154 existing shares were acquired by the underwriters in the open market and re-sold to Broadwood. Pura Vida acquired from us (i) 249,204 shares of common stock, and (ii) 286,585 April 2022 Warrants to purchase up to 143,292 shares of common stock. However, the total number of shares of common stock that Pura Vida purchased in the Underwritten Offering was 286,585, of which 37,380 existing shares were acquired by the underwriters in the open market and re-sold to Pura Vida. Halle Special Situations Fund LLC purchased from us (i) 309,976 shares of common stock, and (ii) 356,472 2022 Warrants to purchase up to 178,236 shares of common stock. Mr. Gutfreund is the investment manager and a control person of Halle Capital Partners GP LLC, the managing member of Halle Special Situations Fund LLC. However, the total number of shares of common stock that Halle Special Situations Fund LLC purchased in the Underwritten was 356,472, of which 46,496 existing shares were acquired by the underwriters in the open market and re-sold to Halle Special Situations Fund LLC. See Note 15 for additional information about the Underwritten Offering.

On April 3, 2023, Oncocyte entered into a securities purchase agreement (the “2023 Securities Purchase Agreement”) with certain investors, including Broadwood, Pura Vida and entities affiliated with AWM, and certain individuals, including our Chairman Andrew Arno and former director John Peter Gutfreund (and certain of their affiliated parties), which provides for the sale and issuance by the Company of an aggregate of 2,274,709 shares of common stock at an offering price of: (i) $6.03 to investors who are not considered to be “insiders” of the Company pursuant to Nasdaq Listing Rules (“Insiders”), which amount reflects the average closing price of the Common Stock on Nasdaq during the five trading day period immediately prior to pricing, and (ii) $7.08 to Insiders, which amount reflects the final closing price of the Common Stock on Nasdaq on the last trading day immediately prior to pricing (the “2023 Registered Direct Offering”). Broadwood purchased 1,341,381 shares of common stock for $8,093,361.84, Pura Vida purchased 33,150 shares of common stock for $200,013.84 and entities affiliated with AVM purchased 472,354 shares of common stock for $2,849,999.92. Mr. Arno and his affiliated parties purchased 21,162 shares of common stock for $150,000.51, and Mr. Gutfreund and his affiliated parties purchased 85,250 for $604,252.00.

On April 5, 2023, Oncocyte redeemed all of the 588.23529 shares of Series A Preferred Stock held by Mr. Gutfreund for $618,672.34. Mr. Gutfreund is no longer a related party as of June 23, 2023.

Company Employee(s)

As of June 30, 2023, the Company employed the son of Andrew Arno, Chairman of the Board as its Senior Manager, Investor Relations, Corporate Planning & Development. As of June 30, 2023, the total compensation paid by the Company to Mr. Arno’s son since January 1, 2022 is approximately $0.2 million. Mr. Arno’s son is no longer an employee of the Company as of July 28, 2023.

13. Loan Payable to Silicon Valley Bank

Amended Loan Agreement

On October 17, 2019, Oncocyte entered into a First Amendment to Loan and Security Agreement (the “Amended Loan Agreement”) with Silicon Valley Bank (“the Bank”) pursuant to which Oncocyte obtained a new $3 million secured credit facility (“Tranche 1”), a portion of which was used to repay the remaining balance of approximately $400,000 on outstanding loans from the Bank, plus a final payment of $116,000, under the February 21, 2017 Loan Agreement. The credit line under the Amended Loan Agreement may be increased by an additional $2 million ("Tranche 2") if Oncocyte obtains at least $20 million of additional equity capital, as was the case with the original Loan Agreement, and a positive final coverage determination is received from CMS for DetermaRx at a specified minimum price point per test (the "Tranche 2 Milestone"), and Oncocyte is not in default under the Amended Loan Agreement. As of June 30, 2023, Oncocyte had satisfied the Tranche 2 Milestone and was eligible to borrow the $2 million Tranche 2 funds. However, Oncocyte has not yet borrowed any funds under Tranche 2.

Payments of interest only on the principal balance were due monthly from the draw date through March 31, 2020, followed by 24 monthly payments of principal and interest, but the Bank has agreed to a deferral of principal payments, as discussed below. The outstanding principal balance of the loan will bear interest at a stated floating annual interest equal to the greater of (a) the prime rate or (b) 5% per annum. During August 2022, period in which the loan was paid off, the published prime rate was 5.5% per annum.

On April 2, 2020, as part of the Bank's COVID-19 pandemic relief program, Oncocyte and the Bank entered into a Loan Deferral Agreement ("Loan Deferral") with respect to the Amended Loan Agreement. Under the Loan Deferral Agreement, the Bank agreed to (i) extend the scheduled maturity date of the Amended Loan Agreement from March 31, 2022 to September 30, 2022, and (ii) deferred the principal payments by an additional 6 months whereby payments of interest only on the Bank loan principal balance will be due monthly from May 1, 2020 through October 1, 2020, followed by 23 monthly payments of principal and interest beginning on November 1, 2020, all provided at no additional fees to Oncocyte. No other terms of the Amended Loan Agreement were changed or modified. The Loan Deferral was accounted for as a modification of debt in accordance with ASC 470-50, *Debt – Modifications and Extinguishments*, thus there was no gain or loss recognized on the transaction.

At maturity of the loan, Oncocyte agreed to pay the Bank an additional final payment fee of $200,000, which was recorded as a deferred financing charge in October 2019 and is being amortized to interest expense over the term of the loan using the effective interest method. As of June 30, 2023, there is no remaining unamortized deferred financing cost and the full principal balance of the loan in addition to the final payment fee have been paid off.

Bank Warrants

In 2017, in connection with the Loan Agreement, Oncocyte issued common stock purchase warrants to the Bank (the "2017 Bank Warrants") entitling the Bank to purchase shares of Oncocyte common stock in tranches related to the loan tranches under the Loan Agreement. In conjunction with the availability of the loan, the Bank was issued warrants to purchase 412 shares of Oncocyte common stock at an exercise price of $97.00 per share, through February 21, 2027. On March 23, 2017, the Bank was issued warrants to purchase an additional 366 shares at an exercise price of $109.20 per share, through March 23, 2027. The Bank may elect to exercise the 2017 Bank Warrants on a "cashless exercise" basis and receive a number of shares determined by multiplying the number of shares for which the applicable tranche is being exercised by (A) the excess of the fair market value of the common stock over the applicable exercise price, divided by (B) the fair market value of the common stock. The fair market value of the common stock will be the last closing or sale price on a national securities exchange, inter-dealer quotation system, or over-the-counter market.

On October 17, 2019, in conjunction with Tranche 1 becoming available under the Amended Loan Agreement, Oncocyte issued a common stock purchase warrant to the Bank (the "2019 Bank Warrant") entitling the Bank to purchase 4,928 shares of Oncocyte common stock at the initial "Warrant Price" of $33.80 per share through October 17, 2029. The number of shares of common stock issuable upon the exercise of the 2019 Bank Warrant will increase on the date of each draw, if any, on Tranche 2. The number of additional shares of common stock issuable upon the exercise of the 2019 Bank Warrant will be equal to 0.02% of Oncocyte's fully diluted equity outstanding for each $1 million draw under Tranche 2. The Warrant Price for Tranche 2 warrant shares will be determined upon each draw of Tranche 2 funds and will be closing price of Oncocyte common stock on the date immediately before the applicable date on which Oncocyte borrows funds under Tranche 2. The Bank may elect to exercise the 2019 Bank Warrant on a "cashless exercise" basis and receive a number of shares determined by multiplying the number of shares for which the 2019 Bank Warrant is being exercised by (A) the excess of the fair market value of the common stock over the applicable Warrant Price, divided by (B) the fair market value of the common stock. The fair market value of the common stock will be last closing or sale price on a national securities exchange, interdealer quotation system, or over-the-counter market. As of June 30, 2023, Oncocyte has not borrowed any funds under Tranche 2.

14. Co-Development Agreement with Life Technologies Corporation

On January 13, 2022, Oncocyte entered into a Collaboration Agreement (the “LTC Agreement”) with Life Technologies Corporation, a Delaware corporation and subsidiary of Thermo Fisher Scientific (“LTC” and together with Oncocyte, the “Parties” or individually, a “Party”), in order to partner in the development and collaborate in the commercialization of Thermo Fisher Scientific’s existing Oncomine Comprehensive Assay Plus (“OCA Plus”) and Oncocyte’s DetermaIO assay for use with LTC’s Ion Torrent™ Genexus™ Integrated Sequencer and LTC’s Ion Torrent™ Genexus™ Purification System (“Genexus system”) in order to obtain *in vitro* diagnostic (“IVD”) regulatory approval. On February 7, 2023, Oncocyte entered into a Termination Agreement (the “Termination Agreement”) with LTC, pursuant to which the parties terminated the LTC Agreement.

As of June 30, 2023, Oncocyte was responsible for reimbursing LTC for $749,000 of certain development costs under the terms of the LTC Agreement.

15. Equity Offerings

Series A Preferred Stock Offering

On April 13, 2022, Oncocyte entered into the Securities Purchase Agreement with Investors, including Broadwood, in a registered direct offering of 11,765 shares of our Series A Preferred Stock, which shares of Series A Preferred Stock are convertible into a total of 384,477 shares of our common stock, at a conversion price of $30.60. The purchase price of each share of Series A Preferred Stock was $850, which included an original issue discount to the stated value of $1,000 per share. The rights, preferences and privileges of the Series A Convertible Preferred Stock are set forth in the Company’s Certificate of Determination, which the Company filed with the Secretary of State of the State of California. The Securities Purchase Agreement provides that the closing of the Series A Preferred Stock Offering will occur, subject to the satisfaction of certain closing conditions, in two equal tranches of $5,000,000 each for aggregate gross proceeds from both closings of $10,000,000. The first closing occurred on June 1, 2022, and Oncocyte received net proceeds of approximately $4.9 million from the Series A Preferred Stock issued from the first tranche. The second closing would occur, subject to the satisfaction of certain closing conditions (including but not limited to a requirement that the Company has not received, in the 12 months preceding the second closing, a notice from Nasdaq that the Company is not in compliance with the listing and maintenance and listing requirements of Nasdaq), on the earlier of (a) the second trading day following the date that Oncocyte receives notice from an Investor to accelerate the second closing and (b) a date selected by Oncocyte on or after October 8, 2022 and on or prior to March 8, 2023. On August 9, 2022, Oncocyte received a letter from Nasdaq indicating that the Company no longer met the minimum bid price requirement of the Nasdaq continued listing requirements. Accordingly, the second closing did not occur and no additional proceeds were received under the Securities Purchase Agreement. On August 8, 2023, the Company received a letter from Nasdaq indicating that the Company had regained compliance with the minimum bid price requirement of the Nasdaq continued listing requirements.

The Series A Preferred Stock is convertible into shares of common stock at any time at the holder's option. The conversion price will be subject to customary anti-dilution adjustments for matters such as stock splits, stock dividends and other distributions on common stock, and recapitalizations. The holder will be prohibited from converting shares of Series A Preferred Stock into shares of common stock if, as a result of such conversion, the holder, together with its affiliates, would own more than 4.99% of the shares of common stock then issued and outstanding (provided a holder may elect, at the first closing, to increase such beneficial ownership limitation solely as to itself up to 19.99% of the number of shares of common stock outstanding immediately after giving effect to the conversion, provided further that following the receipt of shareholder approval required by applicable Nasdaq rules with respect to the issuance of common stock that would exceed the beneficial ownership limitation, such beneficial ownership limitation will no longer apply to the holder if the holder notified the Company that the holder wishes the Company to seek such shareholder approval). On July 15, 2022, the Company received such shareholder approval to remove the beneficial ownership limitation with respect to the Series A Preferred Stock held by Broadwood. Oncocyte may force the conversion of up to one-third of the shares of Series A Preferred Stock originally issued, subject to customary equity conditions, if the daily volume weighted average price of our common stock for 20 out of 30 trading days exceeds 140% of the conversion price and on 20 out of the same 30 trading days the daily trading volume equals or exceeds 20,000 shares of our common stock. Oncocyte may only effect one forced conversion during any 30-trading day period.

In the event of the Company's liquidation, dissolution, or winding up, holders of Series A Preferred Stock will receive a payment equal to the stated value of the Series A Preferred Stock plus accrued but unpaid dividends and any other amounts that may have become payable on the Series A Preferred Stock due to any failure or delay that may have occurred in issuing shares of common stock upon conversion of a portion of the Series A Preferred Stock, before any distribution or payment to the holders of common stock or any of Oncocyte's other junior equity.

Shares of Series A Preferred Stock generally has no voting rights, except as required by law and except that the consent of holders of a majority of the outstanding Series A Preferred Stock will be required to amend any provision of our certificate of incorporation that would have a materially adverse effect on the rights of the holders of the Series A Preferred Stock. Additionally, as long as any shares of Series A Preferred Stock remain outstanding, unless the holders of at least 51% of the then outstanding shares of Series A Preferred Stock shall have otherwise given prior written consent, the Company, on a consolidated basis with its subsidiaries, is not permitted to (1) have less than $8 million of unrestricted, unencumbered cash on hand ("Cash Minimum Requirement"); (2) other than certain permitted indebtedness, incur indebtedness to the extent that our aggregate indebtedness exceeds $15 million; (3) enter into any agreement (including any indenture, credit agreement or other debt instrument) that by its terms prohibits, prevents, or otherwise limits our ability to pay dividends on, or redeem, the Series A Preferred Stock in accordance with the terms of the Certificate of Determination; or (4) authorize or issue any class or series of preferred stock or other capital stock of the Company that ranks senior or pari passu with the Series A Preferred Stock.

Shares of Series A Preferred Stock will be entitled to receive cumulative dividends at a rate per share (as a percentage of stated value) of 6% per annum, payable quarterly in cash or, at our option, by accreting such dividends to the stated value.

The Company is required to redeem, for cash, the shares of Series A Preferred Stock on the earlier to occur of (1) April 8, 2024, (2) the commencement of certain a voluntary or involuntary bankruptcy, receivership, or similar proceedings against us or our assets, (3) a Change of Control Transaction (as defined herein) and (4) at the election and upon notice of 51% in interest of the holders, if the Company fails to meet the Cash Minimum Requirement. A "Change of Control Transaction" means the occurrence of any of (a) an acquisition by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion of Series A Preferred Stock), (b) the Company merges into or consolidates with any other person, or any person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 50% of the aggregate voting power of the Company or the successor entity of such transaction, or (c) the Company sells or transfers all or substantially all of its assets to another person. Additionally, the Company has the right to redeem the Series A Preferred Stock for cash upon 30 days prior notice to the holders; provided if the Company undertakes a capital raise in connection with such redemption, the Investors will have the right to participate in such financing.

The issuance and sale of the Series A Preferred Stock was completed pursuant to the Company's effective shelf registration statement on Form S-3 (Registration No. 333-256650), filed with the SEC on May 28, 2021 and declared effective by the SEC on June 8, 2021, and an accompanying prospectus dated June 8, 2021 as supplemented by a prospectus supplement dated April 13, 2022.

As part of the registered direct offering in April 2023, the Company used approximately $1.1 million of the net proceeds to immediately redeem an aggregate of 1,064 shares of its Series A Preferred Stock and may thereafter elect to redeem additional shares.

The Series A Preferred Stock dividend for all issued and outstanding shares is set at 6% per annum per share. As of June 30, 2023, the Company elected to accrete dividends of $321,000, net of the April 2023 redemption, with respect to shares of Series A Preferred Stock.

As of June 30, 2023, Oncocyte had 4,818 shares issued and outstanding. The future right or obligation associated with the Series A Preferred Stock to be issued in the second closing was written off since the second closing was not received as of June 30, 2023.

Underwritten Offering

On April 13, 2022, Oncocyte entered into the Underwriting Agreement with the Underwriters, pursuant to which the Company agreed to issue and sell to the Underwriters an aggregate of 1,313,320 shares of common stock and 1,313,320 April 2022 Warrants to purchase up to 656,660 shares of common stock. Each share of common stock and the accompanying April 2022 Warrant was sold at a combined offering price of $26.65, representing an offering price of $26.45 per share of common stock and $0.20 per accompanying April 2022 Warrant, before underwriting discounts and commissions.

Under the terms of the Underwriting Agreement, the Company also granted to the Underwriters an over-allotment option, exercisable in whole or in part at any time for a period of 30 days from the date of the Underwriting Agreement, to purchase up to an additional 196,998 shares of common stock and 196,998 April 2022 Warrants to purchase 98,499 shares of common stock to cover over-allotments, if any. The over-allotment option may be exercised separately for shares of common stock at a price to the underwriters of $24.85 per share, and April 2022 Warrants at a price of $0.20 per April 2022 Warrant. On April 14, 2022, the Underwriters exercised their option to purchase the 196,998 April 2022 Warrants pursuant to the over-allotment option but did not exercise their option to purchase the additional 196,998 shares of common stock.

The Company received net proceeds of approximately $32.8 million from the Underwritten Offering, which includes the April 2022 Warrants sold upon the exercise of the Underwriters' overallotment option. The Underwritten Offering closed on April 19, 2022.

The Underwritten Offering was made pursuant to the Company's effective "shelf" registration statement on Form S-3 (Registration No. 333-256650) filed with the SEC Commission on May 28, 2021 and declared effective by the SEC on June 8, 2021, and an accompanying prospectus dated June 8, 2021 as supplemented by a prospectus supplement dated April 13, 2022.

Registered Direct Offering

On April 3, 2023, Oncocyte entered into an agreement with certain members of the Company's board of directors, and several institutional and accredited investors, including Broadwood, the Company's largest shareholder, and certain members of the Company's board of directors (and certain of their affiliated parties), relating to their purchase of an aggregate of up to 2,278,121 shares of its common stock at an offering price of $7.08 per share to board members and $6.03 per share to the other investors participating in the offering. The offering was intended to be priced at-the-market for purposes of complying with applicable Nasdaq Listing Rules. The aggregate gross proceeds from the offering were approximately $13.9 million. The Company used approximately $1.1 million of the net proceeds to immediately redeem an aggregate of 1,064 shares of its Series A Preferred Stock and may thereafter elect to redeem additional shares.

16. Assets Held for Sale and Discontinued Operations

Razor Disposal

On December 15, 2022, the Company entered into the Razor Stock Purchase Agreement with Dragon and Razor. Pursuant to the Razor Stock Purchase Agreement, Oncocyte agreed to sell, and Dragon agreed to purchase, 3,188,181 shares of common stock of Razor, which constitutes approximately 70% of the issued and outstanding equity interests of Razor on a fully-diluted basis. On February 16, 2023, Oncocyte completed the Razor Sale Transaction. In connection with the Razor Closing, Oncocyte transferred to Razor all of the assets and liabilities related to DetermaRx. While no monetary consideration was received for the sale of 70% of the equity interests of Razor, the transaction allows the Company to eliminate all development and commercialization costs with respect to DetermaRx. Following the Razor Closing, Oncocyte continues to own 1,366,364 shares of common stock of Razor, which constitutes approximately 30% of the issued and outstanding equity interests of Razor on a fully-diluted basis.

In addition to the transfer of 70% of the equity interests of Razor, the Razor Stock Purchase Agreement provided that Dragon would purchase furniture, fixtures, and equipment from the Company for a cash consideration of $115,660. Upon the Razor Closing, the Company deconsolidated the assets and liabilities of Razor as control of Razor has transferred to Dragon.

The Company recorded the final adjustment related to the disposal, including final working capital adjustments, and recognized a loss of $1.3 million during the first quarter of 2023. Including the impairment losses we recognized as of December 31, 2022 related to this transaction, we recorded an overall loss of $27.2 million. The operating results for Razor have been recorded in discontinued operations of the accompanying unaudited condensed consolidated statements of operations for all periods presented, and we have reclassified their assets and liabilities as held for sale for the year ended December 31, 2022.

Laboratory equipment sold and held for sale

On January 31, 2023, the Company entered into an agreement to sell laboratory equipment for $0.2 million. As of June 30, 2023, the Company classified the equipment not yet sold as held for sale in current assets in the unaudited condensed consolidated balance sheet, as all the criteria of ASC subtopic 360-10, Property, Plant, and Equipment (“ASC 360-10”) have been met and the transaction was qualified as assets held for sale. The balance included in current assets held for sale related to this transaction was $0.2 million.

In March 2023, the Company entered into an agreement to auction equipment for $0.1 million net proceeds. The auction was finalized on March 21, 2023, and the Company recorded a loss of $0.3 million which is included in the loss on disposal and held-for-sale assets, on the unaudited condensed consolidated statement of operations.

On March 31, 2023, the Company entered into an agreement to sell laboratory equipment for $0.2 million. As a result, the Company classified the equipment as held for sale as current assets, in the unaudited condensed consolidated balance sheet, as all the criteria of ASC subtopic 360-10, Property, Plant, and Equipment (“ASC 360-10”) have been met and the transaction was qualified as assets held for sale. This equipment was written down to its fair value, less cost to sell, to $0.2 million in the unaudited condensed consolidated balance sheet. As a result of the expected sale, the Company recorded an impairment loss and loss on disposal of $1.0 million on held-for-sale assets, in the unaudited condensed consolidated statement of operations.

The Company classified its results of operations as discontinued operations for all periods presented in the accompanying unaudited condensed consolidated statements of operations. We have retrospectively adjusted the amounts reported for the period ended June 30, 2022, in the following table to give effect to such reporting of discontinued operations. For the period ended June 30, 2023, discontinued operations reflect operating results of Razor up to the closing of the sale.

The Company’s unaudited condensed consolidated balance sheets and consolidated statements of operations report discontinued operations separate from continuing operations. Our unaudited condensed consolidated statements of comprehensive loss, statements of shareholders’ equity and statements of cash flows combined continuing and discontinued operations. A summary of financial information related to the Company’s discontinued operations is as follows.

ONCOCYTE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table represents the results of the discontinued operation of Razor (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net revenue	$ -	$ 1,830	$ 421	$ 2,874
Cost of revenues	-	2,175	507	3,999
Research and development	-	3,130	702	6,251
Sales and marketing	-	3,395	498	6,366
General and administrative	-	66	329	72
Loss from impairment of held for sale assets	-	-	1,311	-
Net loss from discontinued operations	$ -	$ (6,936)	$ (2,926)	$ (13,814)

The following table represents the carrying amounts of the held for sale related assets and liabilities as of June 30, 2023 and carrying amounts of the held for sale related assets and liabilities of discontinued operations as of December 31, 2022 (in thousands):

	June 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ -	$ 1,510
Prepaid expenses and other current assets	-	346
Machinery and equipment, net, and construction in progress	-	211
Intangible assets, net	-	25,920
Impairment of held for sale assets	-	(25,866)
TOTAL ASSETS	$ -	$ 2,121
LIABILITIES		
Accounts payable	$ 135	$ 492
Accrued compensation	-	248
Accrued expenses and other current liabilities	-	1,265
Total current liabilities	135	2,005
TOTAL LIABILITIES	$ 135	$ 2,005

The following table summarizes cash used related to Razor as of and for the six months ended June 30, 2023 and 2022 (in thousands):

	Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		

Net cash used in operating activities	$ (4,357)	$ (10,549)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash used in investing activities	$ -	$ (96)

17. Subsequent Events

Reverse Stock Split

On July 24, 2023, the Company implemented a 1-for-20 reverse stock split of the outstanding shares of its common stock. The par value per share and the authorized number of shares of common stock and preferred stock were not adjusted as a result of the reverse stock split. All common stock share and per-share amounts for all periods presented in these condensed financial statements have been adjusted to reflect the reverse stock split. The number of authorized shares of common stock remains at 230 million shares.

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

The matters addressed in this Item 2 that are not historical information constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, including statements about any of the following: any projections of earnings, revenue, cash, effective tax rate, use of net operating losses, or any other financial items; the plans, strategies and objectives of management for future operations or prospects for achieving such plans, and any statements of assumptions underlying any of the foregoing. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects," "seeks," "estimates," and similar expressions are intended to identify forward-looking statements. While Oncocyte may elect to update forward-looking statements in the future, it specifically disclaims any obligation to do so, even if the Oncocyte estimates change and readers should not rely on those forward-looking statements as representing Oncocyte views as of any date subsequent to the date of the filing of this Report. Although we believe that the expectations reflected in these forward-looking statements are reasonable, such statements are inherently subject to risks and Oncocyte can give no assurances that its expectations will prove to be correct. Actual results could differ materially from those described in this report because of numerous factors, many of which are beyond the control of Oncocyte. A number of important factors could cause the results of the company to differ materially from those indicated by such forward-looking statements, including those detailed under the heading "Risk Factors" in our Form 10-K for the year ended December 31, 2022, and our other reports filed with the SEC from time to time.

The following discussion should be read in conjunction with Oncocyte's unaudited condensed consolidated interim financial statements and the related notes provided under "Item 1- Financial Statements" above.

Recent Developments

Reverse Stock Split

At a special meeting of our shareholders, held on July 24, 2023, our shareholders approved a proposal granting the Company's board of directors the authority to exercise its discretion to amend the Articles of Incorporation of the Company, as currently in effect, to effect a reverse stock split of the outstanding shares of the Company's common stock at any time within one year after the date such shareholder approval was obtained at the special meeting and at any of certain specified reverse split ratios that were approved by the shareholders of the Company in connection therewith. On July 24, 2023, our board of directors approved the reverse stock split at a ratio of 1-for-20, and on that date, we filed a Certificate of Amendment of Articles of Incorporation with the Secretary State of the State of California to effect the reverse stock split.

Unless otherwise noted, all share and per share amounts set forth in this Report have been adjusted to reflect the impact of the reverse stock split.

Critical Accounting Policies and Estimates

This Management's Discussion and Analysis of Financial Condition and Results of Operations discusses and analyzes data in our unaudited condensed consolidated interim financial statements, which we have prepared in accordance with U.S. generally accepted accounting principles. Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that it believes 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. Senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual conditions may differ from our assumptions and actual results may differ from our estimates.

An accounting policy is deemed critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate are reasonably likely to occur, that could materially impact the financial statements. Management believes that there have been no significant changes during the six months ended June 30, 2023 to the matters that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended

December 31, 2022, except as disclosed in Note 2 to our unaudited condensed consolidated interim financial statements included elsewhere in this Report.

For a summary of our critical accounting policies and estimates, refer to Management's Discussion and Analysis section of our Annual Report on Form 10-K for the year ended December 31, 2022, which we filed with the SEC. There have been no material changes to our critical accounting policies and estimates during the six months ended June 30, 2023.

Results of Operations

Operating Summary for the Three and Six Months ended June 30, 2023 and 2022 (amounts in thousands, except percentage changes)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Revenues	463	237	226	95 %	760	617	143	23 %
Cost of revenues and amortization of acquired intangibles	191	206	(15)	-7 %	478	339	139	41 %
Research and development expenses	2,435	2,444	(9)	0 %	4,562	4,451	111	2 %
Sales and marketing expenses	805	127	678	534 %	1,500	393	1,107	282 %
General and administrative expenses	3,531	5,445	(1,914)	-35 %	6,943	11,092	(4,149)	-37 %
Change in fair value of contingent consideration	1,795	(6,359)	8,154	-128 %	(16,512)	(11,015)	(5,497)	50 %
Impairment loss from intangible assets	-	-	-	n/a	4,950	-	4,950	100 %
Loss on disposal and held for sale assets	-	-	-	n/a	1,283	-	1,283	100 %
Loss from operations	(8,294)	(1,626)	(6,668)	410 %	(2,444)	(4,643)	2,150	-47 %
Total other income (expense)	(39)	262	(301)	-115 %	70	(134)	204	-152 %
Loss before income taxes	(8,333)	(1,364)	(6,969)	511 %	(2,374)	(4,777)	2,403	-50 %
Loss from continuing operations	(8,333)	(1,364)	(6,969)	511 %	(2,374)	(4,777)	2,403	-50 %
Loss from discontinued operations	-	(6,936)	6,936	-100 %	(2,926)	(13,814)	10,888	-79 %
Net Loss	(8,333)	(8,300)	(33)	0 %	(5,300)	(18,591)	13,291	-71 %

Results of Operations – Three Months Ended June 30, 2023 Compared with the Three Months Ended June 30, 2022

Revenues from continuing operations increased by $0.3 million to $0.5 million for the three months ended June 30, 2023, as compared to $0.2 million in the comparable prior year quarter, due to increased revenues in pharma services.

Loss before income taxes was $8.3 million for the three months ended June 30, 2023, and $1.4 million for the three months ended June 30, 2022. Net change before income taxes was comprised primarily of the changes in operating expenses and other income and expenses from continuing operations as follows:

- Pharma Services revenue increased by $0.2 million due to an increased number of contracts performed during the period.
- Cost of revenue and amortization of acquired intangibles remained at $0.2 million, primarily related to labor and allocated overhead associated with performing our Pharma Services, as well as noncash amortization of acquired intangible assets such as our customer relationship intangible assets acquired as part of the Insight merger.

- Research and development expenses remained at $2.4 million, as the Company continues development of DetermaIO, VitaGraft (formerly TheraSure Transplant Monitor), and DetermaCNI (formerly TheraSure - CNI Monitor).
- Sales and marketing expenses increased by $0.7 million to $0.8 million primarily attributable to continued ramp in sales and marketing activities related to the transplant business, as well as support the commercialization efforts within oncology.
- General and administrative expenses decreased by $1.9 million to $3.6 million, primarily due to decreased consulting, and personnel expenses.
- Change in fair value of contingent considerations decreased by $8.2 million, from a gain of $6.4 million to a loss of $1.8 million, due to changes in discount rates and revised estimates on the timing of possible future payouts. Change driven in part by the Chronix Amendment which amended the earnout considerations eliminated the Chronix Milestone Payments, 15% Royalty Payments and Sale Payment obligations (see Note 3).
- Other income decreased by $0.3 million, from a gain of $0.3 million to a loss of $39,000, primarily due to unrealized gain and loss on marketable equity securities.

Results of Operations – Six Months Ended June 30, 2023 Compared with the Six Months Ended June 30, 2022

Revenues from continuing operations increased by $0.2 million to $0.8 million for the six months ended June 30, 2023, as compared to $0.6 million in the comparable prior year quarter, due to increased revenues in pharma services.

Loss before income taxes was $2.4 million for the six months ended June 30, 2023, and $4.8 million for the six months ended June 30, 2022. Net change before income taxes was comprised primarily of the changes in operating expenses and other income and expenses from continuing operations as follows:

- Pharma Services revenue increased by $0.1 million due to an increased number of contracts performed during the period.
- Cost of revenue and amortization of acquired intangibles increased $0.1 million to $0.5 million primarily due to increased labor and allocated overhead associated with performing our Pharma Services, as well as noncash amortization of acquired intangible assets such as our customer relationship intangible assets acquired as part of the Insight merger.
- Research and development expenses increased by $0.1 million to $4.6 million, primarily due to continued development of DetermaIO, VitaGraft (formerly TheraSure Transplant Monitor), and DetermaCNI (formerly TheraSure - CNI Monitor).
- Sales and marketing expenses increased by $1.1 million to $1.5 million primarily attributable to continued ramp in sales and marketing activities related to the transplant business, as well as support the commercialization efforts within oncology.
- General and administrative expenses decreased by $4.1 million to $7.0 million, primarily due to decreased consulting, and personnel expenses.
- Change in fair value of contingent considerations increased by $5.5 million, from a gain of $11.0 million to a gain of $16.5 million, due to changes in discount rates and revised estimates on the timing of possible future payouts. Change driven in part by the Chronix Amendment which amended the earnout considerations eliminated the Chronix Milestone Payments, 15% Royalty Payments and Sale Payment obligations (see Note 3).
- Other income was $0.1 million for the six months ended June 30, 2023 compared to an expense of $0.1 million for the six months ended June 30, 2022, primarily due to unrealized gain and loss on marketable equity securities.

Revenues (amounts in thousands, except percentage changes)

As a result of the classification of the Company's Razor's operations to discontinued operations, all revenue derived from DetermaRx has been classified as discontinued operations. The remaining revenue for the periods presented below are derived from Pharma Services generated primarily by our wholly owned subsidiary, Insight.

The following table shows our revenues for the six months ended June 30, 2023 and 2022 (in thousands, except percentage change values).

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	**2022**	***$ Change***	***% Change***	**2023**	**2022**	***$ Change***	***% Change***
Revenues from continuing operations	$ 463	$ 237	*226*	*95 %*	$ 760	$ 617	*143*	*23 %*
Revenues from discontinuing operations	$ -	$ 1,830	*(1,830)*	*-100 %*	$ 421	$ 2,874	*(2,453)*	*-85 %*
Total	$ 463	$ 2,067	$ (1,604)	*-78 %*	$ 1,181	$ 3,491	*(2,310)*	*-66 %*

Pharma Services are generally performed on a time and materials basis. Upon our completion of the service to the customer in accordance with the contract, we have the right to bill the customer for the agreed upon price (either on a per test or per deliverable basis) and recognize the Pharma Services revenue at that time, on an accrual basis.

Pharma Services revenues are generated under discrete agreements for particular customer projects that generally expire with the completion or termination of the customer's project. Accordingly, different customers may account for greater or lesser portions of Pharma Services during different accounting periods, and Pharma Services revenues may exhibit a larger variance from accounting period to accounting period than other revenues such as DetermaRx testing revenues.

Cost of revenues

Cost of revenues generally consists of cost of materials; direct labor including payroll, payroll taxes, bonus, benefit and stock-based compensation; equipment and infrastructure expenses; clinical sample costs associated with performing Pharma Services; and amortization of acquired intangible assets. Infrastructure expenses include depreciation of laboratory equipment; allocated rent costs; and leasehold improvements.

Cost of revenues for Pharma Services varies depending on the nature, timing, and scope of customer projects.

Research and development expenses

A summary of the main drivers of the change in research and development expenses for the periods presented, is as follows *(amounts in thousands, except percentage changes):*

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	**2022**	***$ Change***	***% Change***	**2023**	**2022**	***$ Change***	***% Change***
Personnel-related expenses	$ 1,004	$ 904	*$ 100*	*11 %*	$ 1,927	$ 1,719	*$ 208*	*12 %*
Depreciation	352	81	*271*	*335 %*	715	147	*568*	*386 %*
Share-based compensation	309	201	*108*	*54 %*	632	381	*251*	*66 %*
Laboratory supplies and expenses	333	362	*(29)*	*-8 %*	575	715	*(140)*	*-20 %*
Facilities and insurance	174	110	*64*	*58 %*	312	215	*97*	*45 %*
Professional fees, legal, and outside services	65	693	*(628)*	*-91 %*	168	967	*(799)*	*-83 %*
Severance	159	-	*159*	*100 %*	159	-	*159*	*100 %*
Other	29	93	*(65)*	*-69 %*	41	125	*(84)*	*-67 %*
Clinical trials	10	-	*10*	*100 %*	33	182	*(149)*	*-82 %*
Total	$ 2,435	$ 2,444	*$ (9)*	*0 %*	$ 4,562	$ 4,451	*$ 111*	*2 %*
% of Net Revenue	526 %	1,031 %		-505 %	600 %	721 %		-121 %

We expect to continue to incur a significant amount of research and development expenses during the foreseeable future. As of June 30, 2023 we will continue development of DetermaIO and VitaGraft. Our future research and development efforts and expenses will also depend on the amount of capital that we are able to raise to finance those activities and whether we acquire rights to any new diagnostic tests. A portion of our costs for leasing and operating our CLIA laboratories in California and Tennessee, and in Germany with Chronix, will also be included in research and development expenses to the extent allocated to the development of our diagnostic tests.

We may commence clinical trials of DetermaIO if we develop that diagnostic test to the point where we determine that its use as a clinical diagnostic appears to be feasible.

Sales and marketing expenses

A summary of the main drivers of the change in sales and marketing expenses for the periods presented, is as follows *(amounts in thousands, except percentage changes):*

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	**2022**	***$ Change***	***% Change***	**2023**	**2022**	***$ Change***	***% Change***
Personnel-related expenses	$ 579	$ 49	$ 530	*1082 %*	$ 1,008	$ 188	$ 820	*436 %*
Share-based compensation	62	-	62	*100 %*	139	29	110	*379 %*
Facilities and insurance	65	3	62	*2067 %*	116	9	107	*1189 %*
Professional fees, legal, and outside services	18	73	(55)	*-75 %*	112	160	(48)	*-30 %*
Marketing & Advertising	43	-	43	*100 %*	63	-	63	*100 %*
Other	38	2	36	*1800 %*	62	7	55	*786 %*
Total	$ 805	$ 127	*$ 678*	*534 %*	$ 1,500	$ 393	*$ 1,107*	*282 %*
% of Net Revenue	174 %	54 %		120 %	197 %	64 %		133 %

We expect to continue to incur sales and marketing expenses during the foreseeable future as we complete product development and begin commercialization efforts for DetermaIO as a clinical test. Sales and marketing expenses will also increase if we successfully develop and begin commercializing DetermaCNI, and VitaGraft, or if we acquire and commercialize other diagnostic tests. Our commercialization efforts and expenses will also depend on the amount of capital that we are able to raise to finance commercialization of our tests. Our future expenditures on sales and marketing will also depend on the amount of revenue that those efforts are likely to generate. Because physicians are more likely to prescribe a test for their patients if the cost is covered by Medicare or health insurance, demand for our diagnostic and other tests and our expenditures on sales and marketing are likely to increase if our diagnostic or other tests qualify for reimbursement by Medicare or private health insurance companies.

General and administrative expenses

A summary of the main drivers of the change in general and administrative expenses for the periods presented, is as follows *(amounts in thousands, except percentage changes):*

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023	**2022**	***$ Change***	***% Change***	**2023**	**2022**	***$ Change***	***% Change***
Personnel-related expenses and board fees	$ 899	$ 2,220	*$ (1,321)*	*-60 %*	$ 2,090	$ 4,557	*$ (2,467)*	*-54 %*
Professional fees, legal, and outside services	929	971	*(42)*	*-4 %*	1,946	2,241	*(295)*	*-13 %*
Facilities and insurance	546	641	*(95)*	*-15 %*	1,219	1,339	*(120)*	*-9 %*
Share-based compensation	460	1,283	*(823)*	*-64 %*	867	2,463	*(1,596)*	*-65 %*
Severance	481	124	*357*	*288 %*	481	124	*357*	*288 %*

Other	216	206	*10*	*5 %*	340	368	*(28)*	*-8 %*
Total	$ 3,531	$ 5,445	*$ (1,914)*	*-35 %*	$ 6,943	$ 11,092	*$ (4,149)*	*-37 %*
% of Net Revenue	763 %	2,297 %		-1,535 %	914 %	1,798 %		-884 %

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Change in fair value of contingent consideration

We will pay contingent consideration if various payment milestones are triggered under the merger agreements through which we acquired Insight and Chronix. See Note 3 to our unaudited condensed consolidated interim financial statements included in this Report. Changes in the fair value of the contingent consideration will be based on our reassessment of the key assumptions underlying the determination of this liability as changes in circumstances and conditions occur from the Insight and Chronix acquisition dates to the reporting period being presented, with the subsequent change in fair value recorded as part of our consolidated loss from operations for that period. For the six months ended June 30, 2023, we recorded a gain of approximately $16.5 million related to the decrease in the fair value of contingent consideration primarily attributable to change in discount rates and a revised estimate of the timing of the possible future payouts.

Other income and expenses, net

Other income and expenses, net, is primarily comprised of interest income and interest expenses, net, and unrealized gains and losses on Lineage and AgeX marketable equity securities we hold. Interest income is earned from money market funds we hold for capital preservation. In the prior year, interest expense was incurred under our loan payable to the Silicon Valley Bank, and under financing lease obligations. Interest expense, net, reflects the interest expense incurred on our loans and financing obligations in excess of interest income earned from money market accounts.

Income taxes

Oncocyte did not record any provision or benefit for income taxes for the six months ended June 30, 2023 and June 30, 2022, as Oncocyte had a full valuation allowance for the periods presented.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. We established a full valuation allowance for all periods presented due to the uncertainty of realizing future tax benefits from our net operating loss carry-forwards and other deferred tax assets.

Liquidity and Capital Resources

Since formation, we have financed our operations primarily through the sale of our common stock, preferred stock and warrants. We have incurred operating losses and negative cash flows since inception and had an accumulated deficit of $266.0 million at June 30, 2023. We expect to continue to incur operating losses and negative cash flows for the near future. Our expectation to generate operating losses and negative operating cash flows in the future and the need for additional funding to support our planned operations raise substantial doubt regarding our ability to continue as a going concern for a period of one year after the date that the financial statements are issued.

At June 30, 2023, we had $17.4 million of cash and cash equivalents, and held shares of Lineage and AgeX common stock as marketable equity securities valued at $0.5 million. In 2022, we raised approximately $30,000 in net cash proceeds through sales of shares of our common stock through the ATM Offering. On June 1, 2022, Oncocyte received net proceeds of approximately $4.9 million from the Series A Preferred Stock issued from the first tranche of the Series A Preferred Stock Offering. On April 19, 2022, Oncocyte received net proceeds of approximately $32.8 million from the Underwritten Offering of 1,313,320 shares of common stock and 1,313,320 shares of April 2022 Warrants to purchase up to 656,660 shares of common stock.

On April 3, 2023, the Company entered into an agreement with certain members of the Company's board of directors, and several institutional and accredited investors, including Broadwood Capital, L.P., the Company's largest shareholder, relating to their purchase of an aggregate of up to 2,278,121 shares of its common stock at an offering price of $7.08 per share to board members and $6.03 per share to the other investors participating in the offering. The offering was intended to be priced 'at-the market' for purposes of complying with applicable Nasdaq Listing Rules. The aggregate gross proceeds from the offering were approximately $13.9 million before deducting offering expenses payable by the Company. The Company used approximately $1.1 million of the net proceeds to immediately redeem an aggregate of 1,064 shares of its Series A Convertible Preferred Stock and may thereafter elect to redeem additional shares. See Notes 1 and 15 for additional information about the Company's equity offerings.

We expect that our operating expenses will remain flat as we continue to manage our available cash. Although we intend to market our diagnostic tests in the United States through our own sales force, we are also beginning to make marketing arrangements with distributors in other countries. We may also explore a range of other commercialization options in order to enter overseas markets and to reduce our capital needs and expenditures, and the risks associated the timelines and uncertainty for attaining the Medicare reimbursement approvals that will be essential for the successful commercialization of additional cancer diagnostic tests. Those alternative arrangements could include marketing arrangements with other diagnostic companies through which we might receive a licensing fee and royalty on sales, or through which we might form a joint venture to market one or more tests and share in net revenues, in the United States or abroad.

In addition to sales and marketing expenses, we will incur expenses from leasing and improving our new office and laboratory facilities in Nashville, Tennessee.

We may need to meet significant cash payment or stock obligations to former Insight and Chronix shareholders in connection with our acquisition of those companies, as disclosed in Note 3 to the unaudited condensed consolidated interim financial statements included elsewhere in this Report. To meet the future cash payment obligations, we may have to utilize cash on hand that would otherwise be available to us for other business and operational purposes, which could cause us to delay or reduce activities in the development and commercialization of our cancer tests.

We will need to continue to raise additional capital to finance our operations, including the development and commercialization of our diagnostic tests, and making payments that may become due under our obligations to former Chronix shareholders and former Insight shareholders, until such time as we are able to generate sufficient revenues to cover our operating expenses. Delays in the development of DetermaIO, or obtaining reimbursement coverage from Medicare for that diagnostic test and for the other diagnostic tests that we may develop or acquire, could prevent us from raising sufficient additional capital to finance the completion of development and commercial launch of those tests. Investors may be reluctant to provide us with capital until our tests are approved for reimbursement by Medicare or reimbursement by private healthcare insurers or healthcare providers, or until we begin generating significant amounts of revenue from performing those tests. The unavailability or inadequacy of financing or revenues to meet future capital needs could force us to modify, curtail, delay, or suspend some or all aspects of our planned operations. Sales of additional equity securities could result in the dilution of the interests of our shareholders. We cannot assure that adequate financing will be available on favorable terms, if at all.

Cash used in operations

During the six months ended June 30, 2023, our total research and development expenses from continuing operations were $4.6 million, our sales and marketing expenses were $1.5 million, and our general and administrative expenses were $7.0 million. We also incurred $0.5 million in cost of revenues, including $44,000 amortization of intangible expenses, in the first six months of 2023. Net loss for the six months ended June 30, 2023 amounted to $5.3 million and net cash used in operating activities amounted to $16.5 million. Our cash used in operating activities during the six months ended June 30, 2023 does not include the following noncash items: $1.7 million in stock-based compensation; $16.5 million in gain from change in fair value of contingent consideration; $5.0 million loss from intangible asset impairment; $0.1 million loss of discontinued operations; $1.3 million loss on disposal and held for sale assets; $0.9 million in depreciation and amortization expenses; and $98,000 in unrealized gain on marketable equity securities. Changes in operating assets and liabilities were approximately $3.6 million as an additional use of cash.

Cash used in investing activities

During the six months ended June 30, 2022, net cash provided by investing activities was $0.1 million, attributable to proceeds from sale of equipment.

Cash provided by financing activities

During the six months ended June 30, 2023, net cash provided by financing activities was $12.2 million, attributable to the $13.4 million of net cash proceeds from the sale of shares of common stock, offset by redemption of Series A Preferred Stock of $1.1 million and repayments of financing lease obligations of $0.1 million.

Off-Balance Sheet Arrangements

As of June 30, 2023 and December 31, 2022, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Under SEC rules and regulations, as a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

It is management's responsibility to establish and maintain adequate internal control over all financial reporting pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 ("Exchange Act"). Our management, including our principal executive officer and principal financial officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Following this review and evaluation, the principal executive officer and principal financial officer determined that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to management, including our principal executive officer, and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Previously Identified Material Weaknesses in Internal Control over Financial Reporting

In connection with the audit as of and for the year ended December 31, 2022, we previously identified material weaknesses in our internal control over financial reporting. The material weaknesses were related to design and maintain effective controls to address the initial application of complex accounting standards and accounting treatment of non-routine, unusual or complex events and transactions.

In response to the material weaknesses, management completed the following remediation actions:

- We have designed and implemented controls to address the identification, accounting for, and review of non-routine, unusual or complex and initial applications of complex accounting standards, including the continued engagement of external consultants to provide support and to assist us in our evaluation of such transactions.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30,2023, based on criteria established in the 2013 Internal Control - Integrated Framework issued by COSO. Based on this assessment, management believes that, as of that date, our internal control over financial reporting was effective.

Changes in Internal Controls

The material weaknesses identified above were identified in the prior period and are considered remediated as the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls surrounding non-routine, unusual or complex and initial applications of complex accounting standards are operating effectively. Therefore, there were no changes in our internal control over financial reporting that occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may be involved in routine litigation incidental to the conduct of our business. We are not presently involved in any material litigation or proceedings, and to our knowledge no such litigation or proceedings are contemplated.

Item 1A. Risk Factors

Our business, financial condition, results of operations and future growth prospects are subject to various risks, including those described in Item 1A "Risk Factors" of our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 12, 2023, which we encourage you to review. Other than as noted below, there have been no material changes from the risk factors disclosed in our most recent Annual Report on Form 10-K.

Our recently implemented reverse stock split may decrease the liquidity of our common stock and result in higher transaction costs.

The liquidity of our common stock may be negatively impacted by our implementation of a 1-for-20 reverse stock split on July 24, 2023, given the significantly reduced number of shares that are now issued and outstanding after the reverse stock split, and because our stock price did not increase commensurate with the ratio of the reverse stock split. In addition, as a result of our reverse stock split, we now have a greater number of shareholders who own "odd lots" of fewer than 100 shares of our common stock. Brokerage commission and other costs of transactions for the sale of odd lots are generally higher than the costs of transactions of more than 100 shares of common stock. Accordingly, a reverse stock split may not achieve the desired results of increasing marketability and liquidity of our common stock.

The effective increase in the authorized number of shares of our common stock as a result of our reverse stock split could have anti-takeover implications and result in further dilution to our existing shareholders.

In connection with the recent implementation of the reverse stock split, we maintained the total number of authorized shares of our common stock. The combination of a reverse stock split of our issued and outstanding shares, and maintaining the number of our authorized shares, has significantly increased our authorized shares relative to our issued and outstanding shares. This effective increase in the number of authorized shares will allow us to sell additional shares of our common stock (or securities convertible or exchangeable for our common stock), which would result in further dilution of our current shareholders. In addition, the effective increase in the number of authorized shares could, under certain circumstances, have anti-takeover implications. For example, the additional shares of common stock that have become available for issuance could be used by us to oppose a hostile takeover attempt or to delay or prevent changes in control or our management. Although our reverse stock split was prompted by business and financial considerations and not by the threat of any hostile takeover attempt, shareholders should be aware that our reverse stock split could facilitate future efforts by us to deter or prevent changes in control, including transactions in which our shareholders might otherwise receive a premium for their shares over then-current market prices.

There is substantial doubt about our ability to continue as a going concern and management's plans to alleviate this condition may be unsuccessful. We will need to raise additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our operations.

Our expectation to generate operating losses and negative operating cash flows in the future and the need for additional funding to support our planned operations raise substantial doubt regarding our ability to continue as a going concern for a period of one year after the date that the financial statements are issued. See Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" of this Report for a discussion of our cash position. Accordingly, we intend to complete additional equity financings and reduce spending in the remainder of fiscal 2023 and in 2024. However, due to several factors, including those outside management's control, there can be no assurance that we will be able to complete additional equity financings. If we are unable to complete additional financings, management's plans include further reducing or delaying operating expenses. We have concluded the likelihood that our plan to successfully obtain sufficient funding from one or more of these sources or adequately reduce expenditures, while reasonably possible, is less than probable. Accordingly, we have concluded that substantial doubt exists about our ability to continue as a going concern for a period of at least twelve months from the date of issuance of these unaudited condensed consolidated interim financial statements.

Our fundraising efforts to raise additional funding may divert our management from their day-to-day activities, which may adversely affect our ability to conduct operations. In addition, we cannot guarantee that financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our shareholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our shares to decline. The sale of additional equity or convertible securities would dilute all of our shareholders. The incurrence of indebtedness would result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire assets and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable, which may result in terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects.

In addition to general economic and capital market trends and conditions, Oncocyte's ability to raise sufficient additional capital to finance its operations from time to time will depend on a number of factors specific to Oncocyte's operations such as operating revenues and expenses, progress in development of, or in obtaining reimbursement coverage from Medicare for DetermaIO and other future laboratory tests that Oncocyte may develop or acquire.

If we are unable to obtain funding on a timely basis, or if revenues from collaboration arrangements or financing sources are less than we have projected, we may be required to further revise our business plan and strategy, which may result in us significantly curtailing, delaying or discontinuing portions or all of our operations, or may result in our being unable to expand our operations or otherwise capitalize on our business opportunities. As a result, our business, financial condition and results of operations could be materially affected.

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

None

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Numbers	Exhibit Description
3.1	Certificate of Amendment of Articles of Incorporation of Oncocyte Corporation, as filed with the Secretary of State of the State of California on July 24, 2023
10.1	Securities Purchase Agreement, dated April 3, 2023, by and among Oncocyte Corporation and each purchaser identified on the signatures pages thereto (Incorporated by reference to Oncocyte Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 6, 2023)
10.2	Amendment to 2018 Equity Incentive Plan (Incorporated by reference to Oncocyte Corporation's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on July 10, 2023)
10.3	Amended and Restated Employment Agreement, dated June 6, 2023, by and between Oncocyte Corporation and Joshua Riggs (Incorporated by reference to Oncocyte Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 9, 2023)
10.4	Amendment to Amended and Restated Employment Agreement, dated July 13, 2023, by and between Oncocyte Corporation and Joshua Riggs (Incorporated by reference to Oncocyte Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2023)
31.1*	Certification of Joshua Riggs, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2022
31.2*	Certification of Anish John, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2022
32.1**	Certifications of Joshua Riggs, President and Chief Financial Officer, and Anish John, Chief Financial Officer, pursuant to U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2022
101*	Interactive Data Files
101.INS*	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith

** This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

	ONCOCYTE CORPORATION
Date: August 10, 2023	*/s/ Joshua Riggs*
	Joshua Riggs President and Chief Executive Officer (Principal Executive Officer)
Date: August 10, 2023	*/s/ James Liu*
	James Liu Controller and Principal Accounting Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATIONS CERTIFICATION

I, Joshua Riggs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oncocyte Corporation;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 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 periodic 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 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 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 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: August 10, 2023 November 9, 2023

/s/ Joshua Riggs

Joshua Riggs
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS CERTIFICATION

I, James Liu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oncocyte Corporation;

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 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 periodic 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 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 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 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: August 10, 2023 November 9, 2023

/s/ James Liu

James Liu
Controller, and Principal Accounting Officer and interim Principal Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION CERTIFICATIONS 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 on Form 10-Q of Oncocyte Corporation (the "Company") for the quarter ended June 30, 2023 September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Joshua Riggs, President and Chief Executive Officer, and James Liu, Controller, and Principal Accounting Officer and interim Principal 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:

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: August 10, 2023 November 9, 2023

/s/ Joshua Riggs

Joshua Riggs
President and Chief Executive Officer
(Principal Executive Officer)

/s/ James Liu

James Liu
Controller, and Principal Accounting Officer and interim Principal Financial Officer
(Principal Financial Officer)

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