UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

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

Commission File Number: 001-39049

EXAGEN INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-0434866**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1261 Liberty Way Vista, California	**92081**
(Address of Principal Executive Offices)	**(Zip Code)**

(760) 560-1501

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.001 per share	**XGN**	**The Nasdaq Global Market**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 Securities Exchange Act of 1934.

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

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

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

Total shares of common stock outstanding as of the close of business on May 6, 2022 was 16,256,051.

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Exagen Inc.

Unaudited Condensed Balance Sheets
(in thousands, except share and per share data)

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 89,751	$ 99,442
Accounts receivable, net	10,911	9,654
Prepaid expenses and other current assets	2,974	3,638
Total current assets	103,636	112,734
Property and equipment, net	6,568	4,772
Operating lease right-of-use assets	5,633	—
Goodwill	5,506	5,506
Other assets	701	433
Total assets	$ 122,044	$ 123,445
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,214	$ 2,492
Operating lease liabilities	949	—
Accrued and other current liabilities	6,721	6,826
Total current liabilities	11,884	9,318
Borrowings-non-current portion, net of discounts and debt issuance costs	27,651	27,478
Non-current operating lease liabilities	5,284	—
Deferred tax liabilities	306	306
Other non-current liabilities	763	1,407
Total liabilities	45,888	38,509
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000,000 shares authorized, no shares issued or outstanding at March 31, 2022 and December 31, 2021	—	—
Common stock, $0.001 par value; 200,000,000 shares authorized at March 31, 2022 and December 31, 2021; 16,231,198 and 16,164,994 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	16	16
Additional paid-in capital	294,552	293,060
Accumulated deficit	(218,412)	(208,140)
Total stockholders' equity	76,156	84,936
Total liabilities and stockholders' equity	$ 122,044	$ 123,445

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

Exagen Inc.

Unaudited Condensed Statements of Operations
(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2022	**2021**
Revenue	$ 10,394	$ 10,587
Operating expenses:		
Costs of revenue	5,817	4,711
Selling, general and administrative expenses	12,152	10,040
Research and development expenses	2,104	1,403
Total operating expenses	20,073	16,154
Loss from operations	(9,679)	(5,567)
Interest expense	(598)	(645)
Other income, net	5	3
Net loss	$ (10,272)	$ (6,209)
Net loss per share, basic and diluted	$ (0.60)	$ (0.48)
Weighted-average number of shares used to compute net loss per share, basic and diluted	16,992,391	12,943,237

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

Exagen Inc.

Unaudited Condensed Statements of Stockholders' Equity
(in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2021	16,164,994	$ 16	$ 293,060	$ (208,140)	$ 84,936
Issuance of stock from vested restricted stock units and payment of employees' taxes	30,523	—	(115)	—	(115)
Issuance of stock under Employee Stock Purchase Plan	35,681	—	231	—	231
Stock-based compensation	—	—	1,376	—	1,376
Net loss	—	—	—	(10,272)	(10,272)
Balances at March 31, 2022	16,231,198	$ 16	$ 294,552	$ (218,412)	$ 76,156

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2020	12,652,308	$ 13	$ 223,115	$ (181,289)	$ 41,839
Issuance of stock in public offering, net of issuance costs of $4,435	4,255,000	4	64,705	—	64,709
Exercise of stock options	3,381	—	44	—	44
Issuance of stock under Employee Stock Purchase Plan	14,991	—	175	—	175
Stock-based compensation	—	—	912	—	912
Net loss	—	—	—	(6,209)	(6,209)
Balances at March 31, 2021	16,925,680	$ 17	$ 288,951	$ (187,498)	$ 101,470

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

Exagen Inc.

Unaudited Condensed Statements of Cash Flows
(in thousands)

	Three Months Ended March 31,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (10,272)	$ (6,209)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	283	187
Amortization of debt discount and debt issuance costs	38	73
Non-cash interest expense	135	132
Non-cash lease expense	219	—
Stock-based compensation	1,376	912
Changes in assets and liabilities:		
Accounts receivable, net	(1,257)	689
Prepaid expenses and other current assets	664	1,061
Other assets	(273)	(48)
Operating lease liabilities	(155)	—
Accounts payable	579	(792)
Accrued and other current liabilities	89	(317)
Net cash used in operating activities	(8,574)	(4,312)
Cash flows from investing activities:		
Purchases of property and equipment	(1,087)	(167)
Net cash used in investing activities	(1,087)	(167)
Cash flows from financing activities:		
Proceeds from exercise of stock options	—	44
Payment of taxes withheld on vested restricted stock units	(115)	—
Proceeds from common stock issued under Employee Stock Purchase Plan	231	175
Principal payment on finance lease obligations	(146)	(96)
Proceeds from the issuance of common stock in public offering, gross	—	69,144
Payment of issuance costs related to public offering	—	(4,186)
Net cash (used in) provided by financing activities	(30)	65,081
Net change in cash, cash equivalents and restricted cash	(9,691)	60,602
Cash, cash equivalents and restricted cash, beginning of period	99,542	57,548
Cash, cash equivalents and restricted cash, end of period	$ 89,851	$ 118,150
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 424	$ 439
Supplemental disclosure of non-cash items:		
Equipment purchased under finance lease obligations	$ —	$ 384
Costs incurred, but not paid, in connection with capital expenditures	$ 1,672	$ 44
Issuance costs included in accounts payable and accrued liabilities	$ —	$ 221
Deferred offering costs reclassified to equity	$ —	$ 28

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

Exagen Inc.

Notes to Unaudited Interim Condensed Financial Statements

Note 1. Organization

Description of Business

Exagen Inc. (the Company) is dedicated to transforming the care continuum for patients suffering from debilitating and chronic autoimmune diseases by enabling timely differential diagnosis and optimizing therapeutic intervention.

Liquidity

The Company has incurred recurring losses and negative cash flows from operating activities since inception. The Company anticipates that it will continue to incur net losses into the foreseeable future. At March 31, 2022, the Company had cash and cash equivalents of $89.8 million and had an accumulated deficit of $218.4 million. Since inception, the Company has financed its operations primarily through a combination of equity financings of common stock and private placements of preferred securities, debt financing arrangements, and revenue from sales of the Company's products. Based on the Company's current business plan, management believes that its existing capital resources will be sufficient to fund the Company's obligations for at least twelve months following the issuance of these condensed financial statements.

To execute its business plans, the Company may need additional funding to support its continuing operations and pursue its growth strategy. Until such time as the Company can achieve significant cash flows from operations, if ever, it expects to finance its operations through the sale of its stock, debt financings or other strategic transactions. Although the Company has been successful in raising capital in the past, there is no assurance that it will be successful in obtaining such additional financing on terms acceptable to the Company, if at all. The terms of any financing may adversely affect the holdings or the rights of the Company's stockholders. If the Company is unable to obtain funding, the Company could be forced to delay, reduce or eliminate some or all of its programs, product portfolio expansion plans or commercialization efforts, which could have a material adverse effect on the Company's business, operating results and financial condition and the Company's ability to achieve its intended business objectives.

Impact of COVID-19 Pandemic

Since 2020, due to the worldwide COVID-19 pandemic, the Company began to experience a reduction in patient test volumes, delays in patient enrollment in ongoing and planned clinical studies, and delays in the procurement of its testing supplies. The full extent to which the COVID-19 pandemic will directly or indirectly continue to impact the Company's business, results of operations and financial condition, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain or treat COVID-19, including, the success of ongoing vaccination efforts, the emergence and prevalence of variant strains of COVID-19, the institution or reinstitution of shutdowns, "stay-at-home-orders" and other public health measures as well as the related economic impact of these matters on local, regional and international markets.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying interim condensed balance sheet as of March 31, 2022, the condensed statements of operations and the condensed statements of stockholders' equity for the three months ended March 31, 2022 and 2021 and cash flows for the three months ended March 31, 2022 and 2021 and the related footnote disclosures are unaudited and have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC), and with accounting principles generally accepted in the United States (GAAP) applicable to interim financial statements. In management's opinion, the unaudited interim condensed financial statements have been prepared on the same basis as the audited financial statements and include all normal adjustments,

necessary for the fair presentation of the Company's financial position as of March 31, 2022 and its results of operations for the three month periods presented. The results for the three months ended March 31, 2022 are not necessarily indicative of the results expected for the full fiscal year or any other interim period. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. These unaudited condensed financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2021, included in its Annual Report on Form 10-K filed with the SEC on March 22, 2022.

The preparation of the accompanying condensed financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the condensed financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could materially differ from those estimates.

Significant estimates and assumptions made in the accompanying condensed financial statements include, but are not limited to revenue recognition, estimated incremental borrowing rate for the determination of the Company's operating lease right-of-use (ROU) assets, the fair value of financial instruments measured at fair value, the recoverability of its long-lived assets (including goodwill) and net deferred tax assets (and related valuation allowance). The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. Actual results could materially differ from those estimates.

Concentration of Credit Risk and Other Risk and Uncertainties

Financial instruments that potentially subject the Company to credit risk consist principally of cash, cash equivalents, and accounts receivable. Substantially all the Company's cash and cash equivalents are held at one financial institution that management believes is of high credit quality. Such deposits may, at times, exceed federally insured limits.

Significant payors and customers are those which represent more than 10% of the Company's total revenue or accounts receivable balance at each respective balance sheet date. For each significant payor and customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable are as follows:

	Revenue	
	Three Months Ended March 31,	
	2022	2021
Medicare	20 %	18 %
Medicare Advantage	15 %	12 %
Blue Shield	13 %	12 %

	Accounts Receivable	
	March 31, 2022	December 31, 2021
United Healthcare	20 %	18 %
Blue Shield	19 %	19 %

For the three months ended March 31, 2022 and 2021, approximately 84% and 81%, respectively, of the Company's revenue was related to the AVISE® CTD test.

The Company is dependent on key suppliers for certain laboratory materials. For the three months ended March 31, 2022 and 2021, approximately 95% and 98%, respectively, of the Company's diagnostic testing supplies were purchased from two suppliers. An interruption in the supply of these materials would impact the Company's ability to perform testing services.

Disaggregation of Revenue

The following table includes the Company's revenues as disaggregated by payor and customer category (in thousands):

	Three Months Ended March 31,	
	2022	2021
Revenue:		
Healthcare insurers	$ 6,423	$ 6,027
Government	2,120	2,009
Client(1)	1,591	1,965
Other(2)	260	286
Janssen (SIMPONI®)	—	300
Total revenue	$ 10,394	$ 10,587

(1) Includes hospitals, other laboratories, etc.
(2) Includes patient self-pay.

Fair Value Measurements

The carrying value of the Company's cash and cash equivalents approximate fair value due to the short-term nature of these items. The estimated fair value of the Company's long-term borrowings are determined by Level 2 inputs and is based primarily on quoted market prices for the same or similar issues. The recorded value of the Company's long-term borrowings approximates the current fair value as the interest rate and other terms are that which are currently available to the Company.

Fair value is defined as the exchange price that would be received for an asset or an exit price paid to transfer a liability 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.

The fair value hierarchy defines a three-level valuation hierarchy for disclosure of fair value measurements as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level I that are observable, unadjusted 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 related assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity for the related assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly-liquid investments purchased with a remaining maturity date upon acquisition of three months or less to be cash equivalents and are stated at cost, which approximates fair value.

The Company has an arrangement with a financial institution with which it has an existing banking relationship whereby, in exchange for the issuance of corporate credit cards, the Company agreed to obtain a $0.1 million certificate of deposit with this financial institution as collateral for the balances borrowed on these credit cards. The Company has classified the value of this certificate of deposit (including all interest earned thereon) within other assets in the accompanying balance sheets. The Company has the right to terminate the credit card program at any

time. Upon termination of the credit card program and repayment of all outstanding balances owed, the Company may redeem the certificate of deposit (and all interest earned thereon).

Cash, cash equivalents and restricted cash presented in the accompanying condensed statements of cash flows consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 89,751	$ 99,442
Restricted cash	100	100
	$ 89,851	$ 99,542

Revenue Recognition

Substantially all of the Company's revenue has been derived from sales of its testing products and is primarily comprised of a high volume of relatively low-dollar transactions. The Company primarily markets its testing products to rheumatologists and their physician assistants in the United States. The healthcare professionals who order the Company's testing products and to whom test results are reported are generally not responsible for payment for these products. The parties that pay for these services (each, payors) consist of healthcare insurers, government payors (primarily Medicare and Medicaid), client payors (i.e., hospitals, other laboratories, etc.), and patient self-pay. The Company's service is a single performance obligation that is completed upon the delivery of test results to the prescribing physician which triggers revenue recognition.

Payors are billed at the Company's list price. Net revenues recognized consist of amounts billed net of allowances for differences between amounts billed and the estimated consideration the Company expects to receive from such payors. The process for estimating revenues and the ultimate collection of accounts receivable involves significant judgment and estimation. The Company follows a standard process, which considers historical denial and collection experience, insurance reimbursement policies and other factors, to estimate allowances and implicit price concessions, recording adjustments in the current period as changes in estimates occur. Further adjustments to the allowances, based on actual receipts, are recorded upon settlement. The transaction price is estimated using an expected value method on a portfolio basis. The Company's portfolios are grouped per payor (i.e. each individual third-party insurance, Medicare, client payors, patient self-pay, etc.) and per test basis.

Collection of the Company's net revenues from payors is normally a function of providing complete and correct billing information to the healthcare insurers and generally occurs within 30 to 90 days of billing. Contracts do not contain significant financing components based on the typical period of time between performance of services and collection of consideration.

Janssen Promotion Agreement

In December 2018, the Company entered into a co-promotion agreement (as amended from time to time, the Janssen Agreement) with Janssen Biotech, Inc. (Janssen) to co-promote SIMPONI® in the United States. In August 2021, the Company and Janssen mutually agreed to terminate the Janssen Agreement effective on August 31, 2021.

Pursuant to the Janssen Agreement, as amended, the Company was responsible for the costs associated with its sales force over the course of such co-promotion. Janssen was responsible for all other aspects of the commercialization of SIMPONI® under the Janssen Agreement. In exchange for the Company's sales and co-promotional services, the Company was entitled to a quarterly tiered promotion fee based on the incremental increase in total prescribed units of SIMPONI® for that quarter over a predetermined baseline. The Company's obligations relating to sales and co-promotion services for SIMPONI® were a series of single performance obligations since Janssen simultaneously received and consumed benefits provided by the Company's sales and co-promotional services. The method for measuring progress towards satisfying the performance obligations was based on prescribed units in excess of the contractual baseline at the contractual rate earned per unit since the Janssen Agreement, as amended, was cancelable. The Company recognized no co-promotion revenue and $0.3 million during the three months ended March 31, 2022 and 2021, respectively. The related expenses for marketing SIMPONI® are included in selling, general and administrative expenses and are expensed as incurred.

Upon the termination of the Janssen Agreement on August 31, 2021, the Company became entitled to receive an aggregate of $0.6 million in consideration, which was earned in the year ended December 31, 2021. Pursuant to the terms of the termination, the Company is restricted from promoting any other biologic or Janus kinase inhibitor used for the treatment of indications covered by the Janssen Agreement without first obtaining Janssen's written consent until May 31, 2022.

Leases

The Company categorizes leases at their commencement as either operating or finance leases. Effective January 1, 2022 upon adoption of ASC 842, the Company recognizes operating lease ROU assets and operating lease liabilities for each lease arrangement identified. Lease liabilities are recorded at the present value of future lease payments discounted using the Company's incremental borrowing rate for the lease established at the commencement date and ROU assets are measured at the amount of the lease liability plus any initial direct costs, less any lease incentives received before commencement. Lease expense is recognized as a single lease cost over the lease term on a straight-line basis. The Company has elected not to apply the recognition requirements to short-term leases and not to separate non-lease components from lease components for its leases. See Note 5 for details on the Company's leases.

Research and Development

Costs associated with research and development activities are expensed as incurred and include, but are not limited to, personnel-related expenses, including stock-based compensation expense, materials, laboratory supplies, consulting costs, costs associated with setting up and conducting clinical studies and allocated overhead including rent and utilities.

Advertising and Marketing Costs

Costs associated with advertising and marketing activities are expensed as incurred. Total advertising and marketing costs were approximately $0.3 million for each of the three months ended March 31, 2022 and 2021, and are included in selling, general and administrative expenses in the accompanying condensed statements of operations.

Shipping and Handling Costs

Costs incurred for shipping and handling are included in costs of revenue in the accompanying condensed statements of operations and totaled approximately $0.6 million and $0.5 million for the three months ended March 31, 2022 and 2021, respectively.

Stock-Based Compensation

The Company recognizes compensation expense for all stock-based awards to employees and directors based on the grant-date estimated fair values over the requisite service period of the awards (usually the vesting period) on a straight-line basis. The fair value of stock options and purchases under the Company's 2019 Employee Stock Purchase Plan (ESPP) rights are determined using the Black-Scholes-Merton (BSM) option pricing model, which requires management to make certain assumptions regarding a number of complex and subjective variables. Equity award forfeitures are recorded as they occur.

The fair value of each restricted stock unit is determined on the grant date using the closing price of the Company's common stock on the grant date and generally vest from the grant date in four equal annual installments subject to the holder's continued service with the Company. The Company issues new shares to satisfy restricted stock units upon vesting.

Comprehensive Loss

Comprehensive loss is defined as a change in equity of a business enterprise during a period, resulting from transactions from nonowner sources. There have been no items qualifying as other comprehensive loss and, therefore, for all periods presented, the Company's comprehensive loss was the same as its reported net loss.

Net Loss Per Share

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common stock equivalents outstanding for the period determined using the treasury-stock and if-converted methods. The weighted-average number of shares in 2022 used to compute basic and diluted shares includes shares issuable upon the exercise of pre-funded warrants at a nominal price. Potentially dilutive common stock equivalents are comprised of warrants for the purchase of common stock, options, restricted stock units outstanding under the Company's 2019 Incentive Award Plan (the 2019 Plan) and shares of the Company's common stock pursuant to the ESPP. For the three months ended March 31, 2022 and 2021, there is no difference in the number of shares used to calculate basic and diluted shares outstanding as the inclusion of the potentially dilutive securities would be antidilutive.

Potentially dilutive securities not included in the calculation of diluted net loss per share because to do so would be anti-dilutive are as follows (in common stock equivalent shares):

	Three Months Ended March 31,	
	2022	2021
Warrants to purchase common stock	409,108	426,827
Common stock options	2,002,039	2,041,580
Restricted stock units	878,575	185,000
Employee stock purchase plan	6,929	2,869
Total	3,296,651	2,656,276

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. The Company views its operations as, and manages its business in, one operating segment.

Recent Accounting Pronouncements Not Yet Adopted

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB), or other standard setting bodies and adopted by the Company as of the specified effective date. Under the Jumpstart Our Business Startups Act of 2012 (JOBS Act), the Company meets the definition of an emerging growth company (EGC). The Company has elected to use the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. Unless otherwise discussed, the impact of recently issued standards that are not yet effective will not have a material impact on the Company's financial position or results of operations upon adoption.

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires the measurement of expected credit losses for financial instruments carried at amortized cost, such as accounts receivable, held at the reporting date based on historical experience, current conditions and reasonable forecasts. The main objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financing Instruments-Credit Losses*, which included an amendment of the effective date for nonpublic entities. For non-EGCs, ASU 2016-13 is effective for fiscal years beginning after December 15, 2019. For EGCs, the standard was to be effective for fiscal years beginning after December 15, 2021. However, in November 2019, the FASB issued ASU 2019-10, which included a one-year deferral of the effective date of ASU 2016-13 for certain entities. As a result, the ASU 2016-13 is now effective for EGCs for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of Topic 326 on its condensed financial statements.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new topic supersedes Topic 840, *Leases*, and increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and requires disclosures of key information about leasing arrangements. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842*, which provides narrow amendments to clarify how to apply certain aspects of the new lease standard, and ASU 2018-11, *Leases: Targeted Improvements*, which was issued to provide relief to companies from restating comparative periods. Pursuant to this ASU, in the period of adoption the Company will not restate comparative periods presented in its condensed financial statements. On January 1, 2022, the Company adopted ASU 2016-12 using the modified retrospective transition method. Periods prior to January 1, 2022 have not been restated for the adoption of ASC 842 and continue to reflect the accounting treatment of leases in accordance with the prior lease accounting guidance, ASC 840, *Leases*. The Company adopted the new lease standard using a cumulative effect to accumulated deficit and there was no impact to accumulated deficit upon adoption. The Company elected the package of practical expedients, which among other things allowed the Company to carry forward its historical lease classification. As part of the adoption, the Company recorded operating lease liabilities of $6.4 million, operating lease ROU assets of $5.9 million, adjusted for deferred rent and lease incentive obligations of $0.5 million previously included in other non-current liabilities and accrued and other current liabilities, pertaining to its office and laboratory space operating leases. See Note 5 for details on the Company's leases.

Note 3. Other Financial Information

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following (in thousands):

	March 31, 2022	December 31, 2021
Diagnostic testing supplies	$ 998	$ 1,091
Prepaid product royalties	46	49
Prepaid maintenance and insurance contracts	1,865	2,008
Other prepaid expenses and other current assets	65	490
Prepaid expenses and other current assets	$ 2,974	$ 3,638

Property and Equipment, Net

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

	March 31, 2022	December 31, 2021
Furniture and fixtures	$ 83	$ 83
Laboratory equipment	4,692	4,361
Computer equipment and software	1,217	1,206
Leasehold improvements	1,151	1,151
Construction in progress	3,587	1,855
Total property and equipment	10,730	8,656
Less: accumulated depreciation and amortization	(4,162)	(3,884)
Property and equipment, net	$ 6,568	$ 4,772

Depreciation and amortization expense for the three months ended March 31, 2022 and 2021 was approximately $0.3 million and $0.2 million, respectively.

Accrued and Other Current Liabilities

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

	March 31, 2022	December 31, 2021
Accrued payroll and related expenses	$ 3,362	$ 4,048
Accrued interest	140	139
Accrued purchases of goods and services	1,482	510
Accrued royalties	151	180
Accrued clinical study activity	234	254
Finance lease obligations, current portion	592	587
Other accrued liabilities	760	1,108
Accrued and other current liabilities	$ 6,721	$ 6,826

Note 4. Borrowings

2017 Term Loan

In September 2017, the Company executed a term loan agreement (the 2017 Term Loan) with Innovatus Life Sciences Lending Fund I, LP (Innovatus) and borrowed $20.0 million, $17.8 million of which was immediately used to repay the Company's existing loan with Capital Royalty Partners II L.P. and its affiliates. On December 7, 2018, the Company borrowed an additional $5.0 million under the 2017 Term Loan. The 2017 Term Loan was subsequently amended in November 2019 and November 2021. At March 31, 2022, no additional amounts remain available to borrow under the 2017 Term Loan.

In November 2021, the Company executed the Second Amendment to the Loan and Security Agreement (the 2017 Loan Amendment). The interest rate on all borrowings under the 2017 Loan Amendment is 8.0%, of which 2.0% is paid in-kind in the form of additional term loans (PIK Loans) until December of 2024, after which interest accrues at an annual rate of 8.0%. The Company has estimated the effective interest rate of this loan to be approximately 8.5%. Accrued interest is due and payable monthly, unless the Company elects to pay paid-in-kind interest. The outstanding principal and accrued interest on the 2017 Loan Amendment will be repaid in twenty-four equal monthly installments commencing in December 2024. Upon repayment of the final installment under the 2017 Loan Amendment, the Company is required to pay an additional fee of $1.0 million. This obligation is being accreted into interest expense over the term of the 2017 Loan Amendment using the effective interest method. For each of the three months ended March 31, 2022 and 2021, the Company issued PIK Loans totaling $0.1 million.

The 2017 Loan Amendment requires a prepayment premium of 3% of the aggregate outstanding principal. The prepayment premium decreases by 1% on November 1, 2022, 2023 and 2024.

The 2017 Loan Amendment is collateralized by a first priority security interest in substantially all of the Company's assets, including intellectual property. The affirmative covenants of the 2017 Loan Amendment require that the Company timely file taxes, maintain good standing and government compliance, maintain liability and other insurance, provide prompt notification of significant corporate events, and furnish audited financial statements within 150 days of fiscal year end without qualification as to the scope of the audit or as to going concern and without any other similar qualification.

The affirmative covenants require that the Company achieve a specified level of revenue, as measured quarterly on a rolling twelve-month basis, and commencing with the quarter ending December 31, 2022. The consequences of failing to achieve the performance covenant may be cured if, within sixty days of failing to achieve the performance covenant, the Company issues additional equity securities or subordinated debt with net proceeds sufficient to fund any cash flow deficiency generated from operations, as defined. The 2017 Loan Amendment requires that the Company maintain certain levels of minimum liquidity and maintains an unrestricted cash balance of $2.0 million.

The negative covenants provide, among other things, that without the prior consent of Innovatus subject to certain exceptions, the Company may not dispose of certain assets, engage in certain business combinations or acquisitions, incur additional indebtedness or encumber any of the Company's property, pay dividends on the Company's capital stock or make prohibited investments. The 2017 Loan Amendment provides that an event of

default will occur if, among other triggers, (i) the Company defaults in the payment of any amount payable under the agreement when due, (ii) there occurs any circumstance(s) that could reasonably be expected to result in a material adverse effect on the Company's business, operations or condition, or on the Company's ability to perform its obligations under the agreement, (iii) the Company becomes insolvent, (iv) the Company undergoes a change in control or (v) the Company breaches any negative covenants or certain affirmative covenants in the agreement or, subject to a cure period, otherwise neglects to perform or observe any material item in the agreement.

At March 31, 2022, the Company was in compliance with all covenants of the 2017 Loan Amendment.

Upon an event of default in any of the 2017 Loan Amendment covenants, the repayment of the 2017 Loan Amendment may be accelerated, and the applicable interest rate will be increased by 4.0% until the default is cured. Although repayment of the 2017 Loan Amendment can be accelerated under certain circumstances, the Company believes acceleration of this loan is not probable as of the date of these condensed financial statements. Accordingly, the Company has reflected the amounts of the 2017 Loan Amendment due beyond twelve months of the balance sheet date as non-current.

Future Minimum Payments on the Outstanding Borrowings

As of March 31, 2022, future minimum aggregate payments, including interest, for outstanding borrowings under the 2017 Loan Amendment are as follows (in thousands):

2022 (remaining)	$	1,248
2023		1,686
2024		2,980
2025		16,152
2026		14,786
Total		36,852
Less:		
Unamortized debt discount and issuance costs		(195)
Interest		(9,006)
Total borrowings, net of discounts and debt issuance costs	$	27,651

Note 5. Leases

The Company adopted ASC 842, *Leases*, as of January 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Company's historic accounting under ASC 840, *Leases*.

Operating Leases

The Company leases office and laboratory spaces in Vista, California, under leases that expire in April 2027, with an option to extend portions of the leases for additional 5-year periods. The Company has not included the optional renewal periods in the measurement of the lease liabilities because it is not reasonably certain that the Company will exercise these renewal options. The Company's lease payments under each of these leases are subject to escalation clauses.

Effective on August 23, 2021, the Company entered into a sub-lease agreement for an additional office space in Carlsbad, California. The sub-lease commenced in October 2021 and expires in April 2027. The sub-lease agreement provides for monthly base rent of $66,021 which began on October 1, 2021, and such amount shall increase by approximately 3% annually beginning October 1, 2022. The Company is entitled to base rent abatement for a specified period of time which began on November 1, 2021.

The Company determines if a contract contains a lease at inception or modification of a contract. The Company discounts their lease obligations using its incremental borrowing rate at the commencement date. The incremental borrowing rate is the rate of interest the Company would have to pay to borrow on a collateralized basis over a

similar term and amount equal to the lease payments in a similar economic environment. The Company primarily considers industry data, its credit rating and the lease term to determine its incremental borrowing rate.

Finance Leases

The Company has entered into various finance lease agreements to obtain laboratory equipment. The terms of the Company's finance leases generally range from three to five years and are typically secured by the underlying equipment. The portion of the future payments designated as principal repayments were classified as finance lease liabilities on the Company's balance sheet.

Operating and Finance Leases Balances and Costs

Operating and finance leases consist of the following (in thousands):

Lease Balance	Classification	March 31, 2022
Lease Assets		
Operating	Operating lease right-of-use assets	$ 5,633
Finance	Property and equipment, net	$ 1,370
Lease Liabilities		
Current		
Operating	Operating lease liabilities	$ 949
Finance	Accrued and other current liabilities	$ 592
Non-current		
Operating	Non-current operating lease liabilities	$ 5,284
Finance	Other non-current liabilities	$ 744

Costs associated with the Company's leases were included in the statements of operations as follows (in thousands):

Lease Cost	Three months ended March 31, 2022
Operating leases	
Operating lease cost[(1)]	$ 389
Finance lease cost	
Amortization of lease assets	158
Interest on finance lease liabilities	19
Total lease cost	$ 566

(1) Includes variable lease cost of $42,000 for the three months ended March 31, 2022.

Supplemental cash flow information on leases is as follows (in thousands):

Cash paid for amounts included in the measurement of lease liabilities	Three months ended March 31, 2022
Operating cash out flows from operating leases	$ 282
Operating cash out flows from interest paid on finance leases	$ 19
Financing cash out flows from finance leases	$ 146

Information regarding the weighted-average lease term and weighted average discount rate are as follows:

	March 31, 2022
Weighted-average remaining lease term (years)	
Operating leases	5.1
Finance leases	2.5
Weighted-average discount rate	
Operating leases	8.0 %
Finance leases	5.4 %

Future payments under operating and finance leases as of March 31, 2022 are as follows (in thousands):

	Operating Leases	Finance Leases
2022 (remaining)	$ 1,055	$ 488
2023	1,446	566
2024	1,489	313
2025	1,533	66
2026	1,584	—
Thereafter	539	—
Total minimum lease payments	7,646	1,433
Less: imputed interest	(1,413)	(97)
Total lease liabilities	6,233	1,336
Less: current portion	(949)	(592)
Lease obligations, net of current portion	$ 5,284	$ 744

Disclosures Under ASC 840

Minimum annual lease payments under non-cancelable operating lease arrangements at December 31, 2021 are as follows (in thousands):

Years Ending December 31,	Operating Leases
2022	$ 1,337
2023	1,445
2024	1,489
2025	1,533
2026	1,584
Thereafter	539
Total minimum lease payments	$ 7,927

For the three months ended March 31, 2021, rent expense was $0.2 million.

Note 6. Commitments and Contingencies

Acquisition-related liabilities

In connection with the acquisition of the medical diagnostics division of Royalty Pharma Collection Trust, or Royalty Pharma (formerly known as Cypress Bioscience, Inc.) in 2010, the Company was required to pay certain amounts in the event that certain revenue milestones were achieved and upon the first commercial sale of a product associated with this acquisition. The acquisition also included amounts that may be due under several licensing agreements. One such license agreement, the license agreement, dated September 13, 2007, between the Company and

Prometheus Laboratories, Inc. (the Prometheus License), was terminated by mutual agreement on September 28, 2021. In consideration for terminating the Prometheus License, including with respect to the remaining potential milestone payments thereunder, the Company paid Prometheus Laboratories, Inc. a fee of approximately $0.1 million and acquired the intellectual property previously licensed to the Company pursuant to the Prometheus Agreement in September 2021.

The Company has ongoing royalty payment obligations with Royalty Pharma of 2.5% on net sales of products which incorporate certain acquired technologies. Future royalties payable under these arrangements are limited to the lesser of (i) an aggregate of $1.2 million (including an upfront payment of $0.1 million) and (ii) the total royalties earned through January 1, 2024.

Licensing Agreements

The Company has licensed technology for use in its diagnostic tests. In addition to the milestone payments required by these agreements as described above, individual license agreements generally provide for ongoing royalty payments ranging from 1.5% to 7.0% on net sales of products which incorporate licensed technology, as defined in such agreements. Royalties are accrued when earned and recorded in costs of revenue in the accompanying condensed statements of operations.

In May 2021, the Company entered into an exclusive license agreement with Allegheny Health Network Research Institute, or AHN, to obtain an exclusive license to AHN's patent rights in certain inventions, pursuant to which the Company paid AHN an initial license fee of $0.4 million. In addition, under the terms of the exclusive license agreement, the Company is required to pay the greater of royalties in the low single digits on net sales of diagnostic tests using the assigned patents or a flat annual minimum royalty amount, pending approvals and commercialization.

In November 2021, the Company entered into an exclusive license agreement with Queen Mary University of London, or QMUL, to obtain an exclusive license to QMUL's patent rights in certain inventions, pursuant to which the Company paid QMUL an initial license fee of $0.4 million. The Company is obligated to make a one-time payment of $0.1 million relating to the first commercial sale of the licensed products. In addition, after the first 18 months of commercial sales under the terms of the exclusive license agreement, the Company is required to pay royalties in the high single-digits on net sales of testing products using the assigned patents, pending approvals and commercialization.

Supply Agreement

In December 2021, the Company entered into an amended supply agreement with one supplier for reagents which includes minimum annual purchase commitments of $6.0 million and $6.9 million for the years ending December 31, 2022 and 2023, respectively, with a 15% annual increase thereafter for unconditional minimum purchase commitments through the year ending December 31, 2025.

Collaboration Obligations

In May 2021, the Company entered into a master research collaboration agreement with AHN, pursuant to which the Company is required to pay AHN a collaboration fee of $0.4 million for each year during the initial term of the agreement. Collaboration expenses under the master research collaboration agreement were $0.1 million for the three months ended March 31, 2022. No collaboration expenses were recognized for the three months ended March 31, 2021. Collaboration expenses under the AHN collaboration are included in research and development expenses.

Contingencies

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications; including for subpoenas and other civil investigative demands, from governmental agencies, Medicare or Medicaid payors and managed care organizations reviewing billing practices or requesting comment on allegations of billing irregularities that are brought to their attention through billing audits or third parties. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made or that

the Company believes to be immaterial. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated.

Litigation

From time to time, the Company may be subject to various legal proceedings that arise in the ordinary course of business activities. The Company does not believe the outcome of any such matters will have a material effect on its financial position or results of operations.

Note 7. Fair Value Measurements

The following table sets forth the Company's financial instruments that were measured at fair value on a recurring basis within the fair value hierarchy (in thousands):

	March 31, 2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds, included in cash and cash equivalents	$ 85,455	$ 85,455	$ —	$ —

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds, included in cash and cash equivalents	$ 95,761	$ 95,761	$ —	$ —

The fair value of the Company's money market funds is based on quoted market prices.

Note 8. Stockholders' Equity

Common Stock

On November 10, 2020, the Company filed a registration statement on Form S-3 (the Shelf Registration Statement), covering the offering, from time to time, of up to $150.0 million of common stock, preferred stock, debt securities, warrants and units, which Shelf Registration Statement became effective on November 19, 2020.

On March 25, 2021, the Company completed a public offering of 4,255,000 shares of its common stock at a public offering price of $16.25 per share. Net proceeds from the offering were approximately $64.7 million, after deducting underwriting discounts, commissions and other offering expenses of $4.4 million. The shares were registered pursuant to the Company's Shelf Registration Statement discussed above.

Exchange Agreement

On June 22, 2021, the Company entered into an exchange agreement (the Exchange Agreement) with an Investor and its affiliates (the Exchanging Stockholders), pursuant to which the Company exchanged an aggregate of 804,951 shares of the Company's common stock owned by the Exchanging Stockholders for pre-funded warrants (the Exchange Warrants) to purchase an aggregate of 804,951 shares of common stock (subject to adjustment in the event of any stock dividends and splits, reverse stock split, recapitalization, reorganization or similar transaction, as described in the Exchange Warrants), with an exercise price of $0.001 per share. The Exchange Warrants do not expire and are exercisable at any time except that the Exchange Warrants cannot be exercised by the Exchanging Stockholders if, after giving effect thereto, the Exchanging Stockholders would beneficially own more than 4.99% of the Company's common stock, which percentage may change at the Exchanging Stockholder's election to any other percentage upon 61 days' notice to the Company. The Company recorded the retirement of common stock exchanged as a reduction of common shares outstanding and additional paid-in-capital at the fair value of the Exchange Warrants on the issuance date. The Exchange Warrants are classified as equity and the fair value of the Exchange Warrants was recorded as an increase to additional paid-in-capital and is not subject to remeasurement.

The Company determined that the fair value of the Exchange Warrants is substantially similar to the fair value of the retired shares on the issuance date due to the negligible exercise price for the Exchange Warrants. As of March 31, 2022, none of the Exchange Warrants have been exercised.

Outstanding Warrants

The following equity classified warrants to purchase common stock were outstanding as of March 31, 2022:

	Shares	Exercise Price	Issuance date	Expiration date
Common stock warrants	237,169	$ 1.84	January 19, 2016	January 19, 2026
Common stock warrants	67,086	1.84	March 31, 2016	March 31, 2026
Common stock warrants	131	1.84	April 1, 2016	April 1, 2026
Common stock warrants	83,778	14.32	September 7, 2017	September 7, 2024
Common stock warrants	20,944	14.32	December 7, 2018	December 7, 2025
Common stock warrants (Exchange Warrants)	804,951	0.001	June 22, 2021	None
	1,214,059			

During the three months ended March 31, 2022, no warrants to purchase common stock was exercised.

Note 9. Stock Option Plan

2019 Incentive Award Plan

In September 2019, the Company's Board of Directors adopted, and the Company's stockholders approved, the 2019 Plan. Under the 2019 Plan, which expires in September 2029, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units and other awards to individuals who are then employees, officers, non-employee directors or consultants of the Company or its subsidiaries. The options generally expire ten years after the date of grant and are exercisable to the extent vested. Vesting is established by the Board of Directors and is generally four years from the date of grant. As of March 31, 2022, 1,328,586 shares of common stock remained available for future awards.

2019 Employee Stock Purchase Plan

In September 2019, the Board of Directors adopted, and the Company's stockholders approved, the ESPP. The ESPP became effective on the day the ESPP was adopted by the Company's Board of Directors. The ESPP permits participants to purchase common stock through payroll deductions of up to 20% of their eligible compensation. As of March 31, 2022, 453,484 shares of common stock remained available for issuance under the ESPP.

Stock Options

Stock option activity under the Company's 2019 Plan is set forth below:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2021	2,014,330	$ 12.10	7.87	$ 5,428
Forfeited	(8,396)	$ 14.08		
Expired	(3,895)	$ 14.30		
Outstanding, March 31, 2022	2,002,039	$ 12.08	7.63	$ 3,661
Vested and expected to vest, March 31, 2022	2,002,039	$ 12.08	7.63	$ 3,661
Options exercisable, March 31, 2022	1,188,164	$ 10.47	7.35	$ 3,124

The intrinsic value is calculated as the difference between the fair value of the Company's common stock and the exercise price of the stock options. As of March 31, 2022, total unrecognized compensation cost related to option awards was $5.4 million, which is expected to be recognized over a remaining weighted-average vesting period of 1.7 years.

Restricted Stock Units

Restricted stock unit activity under the Company's 2019 Plan is set forth below:

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Outstanding, December 31, 2021	415,325	$ 16.54	$ 4,830
Awards granted	529,100	$ 8.72	
Awards released	(46,625)	$ 18.19	
Awards canceled	(19,225)	$ 13.75	
Outstanding, March 31, 2022	878,575	$ 11.81	$ 7,055

As of March 31, 2022, total unrecognized compensation cost related to restricted stock units was $9.4 million, which is expected to be recognized over a remaining weighted-average vesting period of 3.5 years.

Stock-Based Compensation Expense

Stock Options

The fair value of employee stock options was estimated using the following assumptions to determine the fair value of stock options granted:

	Three Months Ended March 31,
	2021
Expected volatility	84%
Risk-free interest rate	0.8%
Dividend yield	—
Expected term (in years)	6.08

During the three months ended March 31, 2022, there were no stock options granted.

Employee Stock Purchase Plan

The following assumptions were used to calculate the stock-based compensation for each stock purchase right granted under the ESPP:

	Three Months Ended March 31,	
	2022	2021
Expected volatility	45%	60%
Risk-free interest rate	0.6%	0.1%
Dividend yield	—	—
Expected term (in years)	0.50	0.50

Stock-based compensation expense for the ESPP was less than $0.1 million for the three months ended March 31, 2022 and 2021. As of March 31, 2022, total unrecognized compensation cost related to stock purchase rights granted under the ESPP was less than $0.1 million, which is expected to be recognized over a remaining weighted-average vesting period of 0.4 years.

Total non-cash stock-based compensation expense recorded related to options granted, restricted stock units granted and stock purchase rights granted under the ESPP in the condensed statements of operations is as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Costs of revenue	$ 44	$ 11
Selling, general and administrative	1,118	791
Research and development	214	110
Total	$ 1,376	$ 912

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

You should read the following discussion of our financial condition and results of operations in conjunction with the unaudited condensed financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q and with our audited financial statements and notes thereto for the year ended December 31, 2021 included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Forward Looking Statements

The following discussion and other parts of this quarterly report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this quarterly report, including statements regarding our future results of operations and financial position, business strategy, the impact of the COVID-19 pandemic, current and future product offerings, reimbursement and coverage, the expected benefits from our partnerships or promotion arrangements with third-parties, research and development costs, timing and likelihood of success and plans and objectives of management for future operations, are forward-looking statements. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "should," "estimate," or "continue," and similar expressions or variations. The forward-looking statements in this quarterly report are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, operating results, business strategy, and short-term and long-term business operations and objectives. These forward-looking statements speak only as of the date of this quarterly report and are subject to a number of risks, uncertainties and assumptions, including those described in Part II, Item 1A, "Risk Factors." The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

Overview

We are dedicated to transforming the care continuum for patients suffering from debilitating and chronic autoimmune diseases by enabling timely differential diagnosis and optimizing therapeutic intervention. We have developed and are commercializing a portfolio of innovative testing products under our AVISE® brand, several of which are based on our proprietary Cell-Bound Complement Activation Products (CB-CAPs) technology. Our goal is to enable healthcare providers to improve care for patients through the differential diagnosis, prognosis and monitoring of complex autoimmune and autoimmune-related diseases, including systemic lupus erythematosus, or SLE, and rheumatoid arthritis, or RA. Our business model of integrating testing products and therapeutics positions us to offer targeted solutions to rheumatologists and, ultimately, better serve patients.

We currently market 10 testing products under our AVISE® brand that allow for the differential diagnosis, prognosis and monitoring of complex autoimmune and autoimmune-related diseases. Our lead testing product, AVISE® CTD, enables differential diagnosis for patients presenting with symptoms indicative of a wide variety of connective tissue diseases, or CTDs, and other related diseases with overlapping symptoms. We commercially launched AVISE® CTD in 2012 and revenue from this product comprised 84% and 81% of our revenue for the three months ended March 31, 2022 and 2021, respectively. There is an unmet need for rheumatologists to add clarity in their CTD clinical evaluation, and we believe there is a significant opportunity for our tests that enable the differential diagnosis of these diseases, particularly for potentially life-threatening diseases such as SLE.

We are leveraging our portfolio of testing products to establish partnerships with leading pharmaceutical companies, academic research centers and patient advocacy organizations. We also have agreements with GlaxoSmithKline plc., or GSK, Labcorp Drug Development and Parexel, among others, that leverage our testing products and/or the information generated from such tests. We provide GSK, a leader in lupus therapeutics, our test result data to provide market insight into and help increase awareness of the benefits of early and accurate diagnosis of SLE and lupus nephritis, and monitoring disease activity. We partner with academic research centers and patient advocacy organizations, such as Brigham and Women's Hospital, Hospital for Special Surgery, Duke University and Emory University as well as the Lupus Foundation of America, to help improve the quality of life for people affected by

autoimmune diseases through programs of research, education, support and advocacy. We plan to pursue additional strategic partnerships that are synergistic with our evolving portfolio of testing products.

We perform all of our AVISE® tests in our approximately 10,000 square foot clinical laboratory, which is certified under the Clinical Laboratory Improvement Amendments of 1988, or CLIA, by the Centers for Medicare and Medicaid Services, or CMS, and accredited by the College of American Pathologists, or CAP, and located in Vista, California. Our laboratory is certified for performance of high-complexity testing by CMS in accordance with CLIA and is licensed by all states requiring out-of-state licensure. Our clinical laboratory reports all AVISE® testing product results within five business days. In the second half of 2021, we began the conversion of approximately 8,000 square feet of warehouse space into additional clinical laboratory space and approximately 6,000 square feet of warehouse space into additional research and development facility space, and expect to complete such conversions by mid-2022. The expansion of our clinical laboratory and research and development facility are expected to allow us to enhance our testing capacity and improve efficiencies as well as allow us to develop molecular and multiomic capabilities and advance our product pipeline, including support of development of tests for fibromyalgia, RA, thrombosis and lupus nephritis.

We market our AVISE® testing products using our specialized sales force. As of March 31, 2022, we have a sales force of 58 representatives covering a total of 63 territories. Unlike many diagnostic sales forces that are trained only to understand the comparative benefits of their tests, the specialized backgrounds of our sales force coupled with our comprehensive training enable our sales representatives to interpret results from our de-identified patient test reports and provide unique insights in a highly tailored discussion with rheumatologists. Our integrated testing and therapeutics strategy results in a unique opportunity to promote and sell targeted therapies in patient focused sales calls with rheumatologists, including those with whom we have a longstanding relationship and history using our portfolio of testing products.

Reimbursement for our testing services comes from several sources, including commercial third-party payors, such as insurance companies and health maintenance organizations, government payors, such as Medicare, and patients. Reimbursement rates vary by product and payor. We continue to focus on expanding coverage among existing contracted rheumatologists and to achieve coverage with commercial payors, laboratory benefit managers and evidence review organizations.

Since inception we have devoted substantially all of our efforts to developing and marketing products for the diagnosis, prognosis and monitoring of autoimmune diseases. Although our revenue has increased sequentially year over year, we have never been profitable and, as of March 31, 2022, we had an accumulated deficit of $218.4 million. We incurred net losses of $10.3 million and $6.2 million for the three months ended March 31, 2022 and 2021, respectively. We expect to continue to incur operating losses in the near term as our operating expenses will increase to support the growth of our business, as well as additional costs associated with being a public company. We have funded our operations primarily through equity and debt financings and revenue from sales of our products. We completed our initial public offering, or IPO, in September 2019, raising net proceeds from the offering of approximately $50.4 million, net of underwriting discounts, commissions and other offering expenses, for aggregate expenses of approximately $7.5 million. In March 2021, we completed a public offering of 4,255,000 shares of our common stock at a public offering price of $16.25 per share. Net proceeds from the offering were approximately $64.7 million, net of underwriting discounts and commissions and offering costs of $4.4 million. As of March 31, 2022, we had $89.8 million of cash and cash equivalents.

Recent Developments

In March 2022, we entered into an agreement with Centene Corporation, pursuant to which, effective June 1, 2022, AVISE® test offerings will become an in-network, covered benefit with Centene Corporation, including its subsidiary WellCare Health Plans, providing enhanced care to over 22.7 million members. As a result, AVISE® tests will surpass 90 million lives as an in-network benefit for patients.

The Centers for Medicare & Medicaid Services ("CMS") agreed to recognize the new Proprietary Laboratory Analyses ("PLA") code for AVISE® Lupus, effective April 1, 2022. The new PLA code for AVISE® Lupus is 0312U. Noridian, our Medicare Administrative Contractor, priced the PLA code at $1,085, effective April 1, 2022. Pricing for the PLA code is expected to be published by CMS in the third quarter of 2022. Our AVISE® CTD test includes the AVISE® Lupus test.

Impact of COVID-19

The full extent of which the COVID-19 pandemic will directly or indirectly continue to impact our business, results of operations and financial condition and will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19, including the success of ongoing vaccination efforts, the emergence and prevalence of variant strains of COVID-19, the institution or reinstitution of shutdowns, "stay-at-home-orders" and other public health measures, as well as the related economic impact of these matters on local, regional and international markets.

We have implemented business continuity plans designed to address the COVID-19 pandemic and minimize disruptions to ongoing operations. While for the three months ended March 31, 2022 as compared to the same period in 2021, we experienced an AVISE® CTD test volume increase of approximately 6%, the patient flow and our related test volumes have in the past been and may continue to be impacted by the COVID-19 pandemic. We have experienced and may again experience significant impacts on our test volume, delays in patient enrollment for ongoing and planned clinical trials, and delays in procurement of our testing supplies as a result of the COVID-19 pandemic.

In addition, COVID-19 travel limitations and government-mandated work-from-home or shelter-in-place orders have and may again cause supply chain delays or reduce the number of in-person meetings between our sales force and healthcare providers and limit the ability of our sales force to engage in various types of healthcare provider education activities, which may lead to a decline in orders of our testing products. To mitigate the impact of COVID-19 on our business, we put in place certain safety measures for our employees, patients, healthcare providers, and suppliers to limit exposure and a portion of our workforce was required to work remotely in an effort to reduce that spread of COVID-19.

We are facing and may continue to face increased competition for laboratory and scientific employees due to the increased demand in the industry for such personnel. As the circumstances surrounding the COVID-19 pandemic remain uncertain, we may inaccurately estimate the duration or severity of the COVID-19 pandemic, which could, among other things, cause us to misalign our staffing, spending, activities and precautionary measures with market current or future market conditions.

Factors Affecting Our Performance

In addition to the impact of COVID-19, we believe there are several important factors that have impacted, and that we expect will impact, our operating performance and results of operations, including:

- ***Continued Adoption of Our Testing Products.*** Since the launch of AVISE® CTD in 2012 and through March 31, 2022, we have delivered over 646,000 of these tests. Through the first quarter of 2022, 30,903 AVISE® CTD tests were delivered, representing approximately 6% growth over the same period in 2021. The number of ordering healthcare providers in the first quarter of 2022 was a record 2,175, representing an approximate 23% increase over the same period in 2021, and we had a record 761 adopting healthcare providers (defined as those who previously prescribed at least 11 diagnostic tests in the corresponding period) compared to 659 in the same period in 2021. A high percentage of adopting healthcare providers continue to order tests in subsequent quarters, as approximately 99% of adopting healthcare providers from the fourth quarter of 2021 ordered at least one diagnostic test in the first quarter of 2022. Revenue growth for our testing products will depend on our ability to continue to expand our base of ordering healthcare providers and increase our penetration with existing healthcare providers.
- ***Reimbursement for Our Testing Products***. Our revenue depends on achieving broad coverage and reimbursement for our tests from third-party payors, including both commercial and government payors such as Medicare. Payment from third-party payors differs depending on whether we have entered into a contract with the payors as a "participating provider" or do not have a contract and are considered a "non-participating provider." Payors will often reimburse non-participating providers, if at all, at a lower amount than participating providers. We have received a substantial portion of our revenue from a limited number of third-party commercial payors, most of which have not contracted with us to be a participating provider. Historically, we have experienced situations where commercial payors proactively reduced the amounts they were willing to reimburse for our tests, and in other situations, commercial payors have determined that the amounts they previously paid were too high and have sought to recover those perceived excess payments by deducting such amounts from payments otherwise being made. When we contract to serve as a participating provider, reimbursements are made pursuant to a negotiated fee schedule and are limited to only covered indications. If we are not able to obtain or maintain coverage and adequate reimbursement

from third-party payors, we may not be able to effectively increase our testing volume and revenue as expected. Additionally, retrospective reimbursement adjustments can negatively impact our revenue and cause our financial results to fluctuate.

- ***Synergistic Partnerships***. In August 2021, we mutually agreed to terminate the Janssen Agreement regarding our promotion efforts with SIMPONI® effective August 31, 2021. Our SIMPONI® promotion efforts contributed no co-promotion revenue and approximately $0.3 million in revenue during the three months ended March 31, 2022 and 2021, respectively. We will continue to rely on our existing testing products to drive revenue growth.
- ***Development of Additional Testing Products.*** We rely on sales of our AVISE® CTD test to generate the significant majority of our revenue. We expect to continue to invest in research and development in order to develop additional testing products and expect these costs to increase. Our success in developing new testing products will be important in our efforts to grow our business by expanding the potential market for our testing products and diversifying our sources of revenue.
- ***Maintain Meaningful Margin***. We believe we are well positioned to maintain meaningful margin through a continued focus on increasing operating leverage through the implementation of certain internal initiatives, such as conducting additional validation and reimbursement oriented clinical studies to facilitate payor coverage of our testing products, capitalizing on our growing reagent purchasing to negotiate improved volume-based pricing and automation in our clinical laboratory to reduce material and labor costs.
- ***Timing of Our Research and Development Expenses***. Our spending on experiments and clinical studies may vary substantially from quarter to quarter. We also expend funds to secure clinical samples that can be used in discovery, product development, clinical validation, utility and outcome studies. The timing of these research and development activities is difficult to predict. If a substantial number of clinical samples are obtained in a given quarter or if a high-cost experiment is conducted in one quarter versus the next, the timing of these expenses will affect our financial results. We conduct clinical studies to validate our new testing products, as well as ongoing clinical and outcome studies to further expand the published evidence to support our commercialized AVISE® testing products. Spending on research and development for both experiments and studies may vary significantly by quarter depending on the timing of these various expenses.
- ***How We Recognize Revenue***. We record revenue on an accrual basis based on our estimate of the amount that will be ultimately realized for each test upon delivery based on a historical analysis of amounts collected by test and by a payor. Changes to such estimates may increase or decrease revenue recognized in future periods.

While each of these areas presents significant opportunities for us, they also pose significant risks and challenges that we must address. We discuss many of these risks, uncertainties and other factors in the section entitled "*Risk Factors*."

Janssen Promotion Agreement

In December 2018, we entered into the Janssen Agreement, under which we were responsible for the costs associated with our sales force in promoting SIMPONI® in the United States. In August 2021, we and Janssen mutually agreed to terminate the Janssen Agreement effective August 31, 2021. Pursuant to the Janssen Agreement, as amended, Janssen was responsible for all other costs associated with our promotion of SIMPONI® under the Janssen Agreement. In exchange for our sales and co-promotional services, we were entitled to a quarterly tiered promotion fee based on the incremental increase in total prescribed units of SIMPONI® for that quarter over a predetermined baseline. Upon termination of the Janssen Agreement on August 31, 2021, we became entitled to receive an aggregate of $0.6 million in consideration, which was earned in the year ended December 31, 2021. Pursuant to the terms of the termination, we are restricted from promoting any other biologic or Janus kinase inhibitor used for the treatment of indications covered by the Janssen Agreement without first obtaining Janssen's written consent until May 31, 2022.

We recognized no revenue and approximately $0.3 million in revenue during the three months ended March 31, 2022 and 2021, respectively, for our promotional efforts under the Janssen Agreement.

Seasonality

Based on our experience to date, we expect some seasonal variations in our financial results due to a variety of factors, such as the year-end holiday period and other major holidays, vacation patterns of both patients and healthcare providers, including medical conferences, climate and weather conditions in our markets (for example excess sun exposure can cause flares in SLE), seasonal conditions that may affect medical practices and provider activity, including for example influenza outbreaks that may reduce the percentage of patients that can be seen, and other factors relating to the timing of patient benefit changes, as well as patient deductibles and co-insurance limits.

Financial Overview

Revenue

To date, we have derived nearly all of our revenue from the sale of our testing products, most of which is attributable to our AVISE® CTD test. We primarily market our testing products to rheumatologists in the United States. The rheumatologists who order our testing products and to whom results are reported are generally not responsible for payment for these products. The parties that pay for these services, or payors, consist of healthcare insurers, government payors (primarily Medicare and Medicaid), client payors (e.g. hospitals, other laboratories, etc.), and patient self-pay. Our service is completed upon the delivery of test results to the prescribing rheumatologists which triggers billing for the service.

We recognize revenue in accordance with the provisions of ASC Topic 606, *Revenue from Contracts with Customers.* We record revenue on an accrual basis based on our estimate of the amount that will be ultimately realized for each test upon delivery based on a historical analysis of amounts collected by test and by payor. These assessments require significant judgment by management.

Our ability to increase our revenue will depend on our ability to further penetrate the market for our current and future testing products, and increase our reimbursement and collection rates for tests delivered.

As discussed above, our volume of AVISE® CTD tests delivered substantially recovered to pre-COVID-19 levels in the fourth quarter of 2020. However, the continued spread of COVID-19, including any of its viral variants, may adversely affect testing volumes in future periods, and the extent of any such adverse effects is highly uncertain.

CMS agreed to recognize the new PLA code for AVISE® Lupus, effective April 1, 2022. The new PLA code for AVISE® Lupus is 0312U. Noridian, our Medicare Administrative Contractor, priced the PLA code at $1,085, effective April 1, 2022. Pricing for the PLA code is expected to be published by CMS in the third quarter of 2022. Our AVISE® CTD test includes the AVISE® Lupus test.

Operating Expenses

Costs of Revenue

Costs of revenue represents the expenses associated with obtaining and testing patient specimens. The components of our costs of revenue include materials costs, direct labor, equipment and infrastructure expenses associated with testing specimens, shipping charges to transport specimens, blood specimen collections fees, royalties, depreciation and allocated overhead, including rent and utilities.

Each payor, whether a commercial third-party, government, or individual, reimburses us at different amounts. These differences can be significant. As a result, our costs of revenue as a percentage of revenue may vary significantly from period to period due to the composition of payors for each period's billings.

Assuming future testing volumes are not negatively impacted by the continued spread of COVID-19, we expect that our costs of revenue will increase in absolute dollars as the number of tests we perform increases. However, we expect that the cost per test will decrease over time due to volume discounts on materials and other volume efficiencies we may gain as the number of tests we perform increases. The decrease in cost per test may be partially offset due to increased depreciation and allocated overhead associated with our clinical laboratory expansion as well as increased labor, material and shipping costs (including as a result of inflation) associated with the commercialization of our portfolio products. As discussed above, the continued spread of COVID-19 may

adversely affect testing volumes which may result in an increase in cost per test due to our inability to realize volume efficiencies.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of personnel costs, including stock-based compensation expense, direct marketing expenses, accounting and legal expenses, consulting costs, and allocated overhead including rent, information technology, depreciation and utilities.

We expect that our selling, general and administrative expenses will increase in absolute dollars in 2022 as compared to 2021, due to expected additions to headcount and associated increases for personnel costs, including stock-based compensation.

Research and Development Expenses

Research and development expenses include costs incurred to develop our technology, test products and product candidates, collect clinical specimens and conduct clinical studies to develop and support our testing products and product candidates. These costs consist of personnel costs, including stock-based compensation expense, materials, laboratory supplies, consulting costs, costs associated with setting up and conducting clinical studies and allocated overhead including rent and utilities. We expense all research and development costs in the periods in which they are incurred.

We expect that our research and development expenses will increase in absolute dollars in 2022 as compared to 2021, as we continue to invest in research and development activities related to our existing testing products and product candidates, including the expansion of our clinical research and development facility, expected additions to headcount and associated increases for personnel costs, including stock-based compensation.

Interest Expense

Interest expense consists of cash and non-cash interest expense associated with our financing arrangements, including the borrowings under our amended loan and security agreement with Innovatus Life Sciences Lending Fund I, LP, or Innovatus.

We expect interest expense to remain substantially consistent in the near term.

Other Income, Net

Other income, net, consists primarily of interest income earned on our cash and cash equivalents.

Results of Operations

Comparison of the Three Months Ended March 31, 2022 and 2021:

	Three Months Ended March 31,		
	2022	2021	Change
	(in thousands)		
Revenue	$ 10,394	$ 10,587	$ (193)
Operating expenses:			
Costs of revenue	5,817	4,711	1,106
Selling, general and administrative expenses	12,152	10,040	2,112
Research and development expenses	2,104	1,403	701
Total operating expenses	20,073	16,154	3,919
Loss from operations	(9,679)	(5,567)	(4,112)
Interest expense	(598)	(645)	47
Other income, net	5	3	2
Net loss	$ (10,272)	$ (6,209)	$ (4,063)

Revenue

Revenue decreased $0.2 million, or 1.8%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to a decrease in revenue resulting from the Janssen Agreement during the three months ended March 31, 2022 to no revenue compared to $0.3 million during the three months ended March 31, 2021. The decrease in revenue was partially offset by an increase in the number of diagnostic tests delivered, partially offset by a decrease in average reimbursement per AVISE® CTD test. The number of AVISE® CTD tests delivered, which accounted for 84% and 81% of revenue in the three months ended March 31, 2022 and 2021, respectively, increased to 30,903 tests delivered in the three months ended March 31, 2022 compared to 29,029 tests delivered in the same 2021 period. The adoption of the AVISE® CTD test by healthcare providers for the three months ended March 31, 2022 increased to 2,175 ordering healthcare providers as compared to 1,763 ordering healthcare providers in the same 2021 period.

Costs of Revenue

Costs of revenue increased $1.1 million, or 23.5%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. This increase was primarily due to increased direct costs such as materials and supplies, labor, shipping and handling and allocated overhead associated with the increase in test volume and increase in cost per test in 2022 compared to 2021. Gross margin as a percentage of revenue decreased to 44.0% for the three months ended March 31, 2022, compared to 55.5% for the three months ended March 31, 2021. This was primarily attributable to an increase in cost per test, a decrease in average reimbursement per AVISE® CTD test and a decrease in revenue resulting from the Janssen Agreement.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $2.1 million, or 21.0%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. This increase was primarily due to an increase of $1.5 million of employee related expenses, including stock-based compensation and recruitment expenses, increases related to allocated overhead of $0.2 million, legal fees of $0.1 million and marketing expenses of $0.1 million.

Research and Development Expenses

Research and development expenses increased $0.7 million for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. This increase was primarily due to increases related to employee related expenses, including stock-based compensation, of $0.5 million, collaboration expenses of $0.1 million, allocated overhead of $0.1 million and laboratory supplies expense of $0.1 million, partially offset by a decrease in clinical trial expenses of $0.2 million.

Interest Expense

Interest expense remained substantially consistent for the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

Other Income, Net

Other income, net, remained substantially consistent for the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

Liquidity and Capital Resources

We have incurred net losses since our inception. For the three months ended March 31, 2022 and 2021, we incurred a net loss of $10.3 million and $6.2 million, respectively, and we expect to incur additional losses and increased operating expenses in future periods. As of March 31, 2022, we had an accumulated deficit of $218.4 million. To date, we have generated only limited revenue, and we may never achieve revenue sufficient to offset our expenses.

Our primary sources of capital have been sales of our common stock and redeemable convertible preferred stock, the sale of our common stock in our IPO, and, to a lesser extent, borrowings under various debt financings. On November 10, 2020, we filed a registration statement on Form S-3, or the Shelf Registration Statement, covering the offering, from time to time, of up to $150.0 million of common stock, preferred stock, debt securities, warrants and units, which Shelf Registration Statement became effective on November 19, 2020. In March 2021, we completed a public offering of 4,255,000 shares of our common stock at a public offering price of $16.25 per share, which shares were sold under the Shelf Registration Statement. Net proceeds from the offering were approximately $64.7 million, net of underwriting discounts and commissions and other offering expenses of $4.4 million. As of March 31, 2022, we had $89.8 million of cash and cash equivalents. Cash in excess of immediate requirements is invested in accordance with our investment policy, primarily with a view to liquidity and capital preservation. Currently, our funds are held in cash and money market funds.

In September 2017, we entered into the loan and security agreement with Innovatus under which we immediately drew down $20.0 million. In December 2018, we borrowed an additional $5.0 million under the loan agreement. In each of November 2019 and November 2021, we amended the loan and security agreement with Innovatus, which we collectively refer to as the Amended Loan Agreement. Pursuant to the Amended Loan Agreement, the loan term is for nine years with a final maturity date of November 2026. The Amended Loan Agreement accrues interest at an annual rate of 8.0%, of which 2.0% will be payable in-kind. Paid in-kind interest is added to the principal balance each period. After December 1, 2024, the entire 8.0% will be paid in cash at the end of each period. On or after November 1, 2022, we may, at our option, prepay the term loan borrowings by paying the lender a prepayment premium. The prepayment premium was 3% as of November 2021 and decreases by 1% on each of November 1, 2022, November 1, 2023 and November 1, 2024.

Our obligations under the Amended Loan Agreement are secured by a security interest in substantially all of our assets, including our intellectual property. The Amended Loan Agreement contains customary conditions to borrowing, events of default, and covenants, including covenants requiring us to maintain certain levels of minimum liquidity of $2.0 million, performance covenants to achieve certain minimum amounts of revenue, and covenants limiting our ability to dispose of assets, undergo a change in control, merge with or acquire other entities, incur debt, incur liens, pay dividends or other distributions to holders of our capital stock, repurchase stock and make investments, in each case subject to certain exceptions. The consequences of failing to achieve the performance covenant will be cured if, within sixty days of failing to achieve the performance covenant, we issue additional equity securities or subordinated debt with net proceeds sufficient to fund any cash flow deficiency generated from operations, as defined in the Amended Loan Agreement. At March 31, 2022, we were in compliance with all covenants of the Amended Loan Agreement. In addition, upon the occurrence of an event of default, Innovatus, among other things, can declare all indebtedness due and payable immediately, which would adversely impact our liquidity and reduce the availability of our cash flows to fund working capital needs, capital expenditures and other general corporate purposes.

Funding Requirements

Our primary uses of cash are to fund our operations as we continue to grow our business. We expect to continue to incur operating losses in the near term as our operating expenses will be increased to support the growth of our business. We expect that our costs of revenue, selling, general and administrative expenses, and research and development expenses will continue to increase as we increase our test volume, expand our marketing efforts and increase our internal sales force to drive increased adoption of and reimbursement for our AVISE® testing products, prepare to commercialize new testing products, continue our research and development efforts and further develop our product pipeline. We believe we have sufficient laboratory capacity to support increased test volume. We expect to make significant investments for laboratory equipment and capital expenditures in the near term related to our laboratory facilities and expansion of research capabilities, including an investment to convert approximately 8,000 square feet of warehouse space into additional clinical laboratory space and approximately 6,000 square feet of warehouse space into additional research and development facility space. We began such conversion in the second half of 2021 and expect to complete the conversion for the clinical laboratory space and the additional research and development facility by mid-2022. The expansion of our clinical laboratory and research and development facility are expected to allow us to enhance our testing capacity and improve efficiencies as well as allow us to develop molecular and multiomic capabilities and advance our product pipeline, including support of the development of tests for fibromyalgia, RA, thrombosis and lupus nephritis. Cash used to fund operating expenses is impacted by the timing of when we pay expenses, as reflected in the change in our outstanding accounts payable and accrued expenses.

We expect that our near- and longer-term liquidity requirements will continue to consist of working capital and general corporate expenses associated with the growth of our business, including payments we may be required to make upon the achievement of previously negotiated milestones associated with intellectual property we have licensed, payments related to non-cancelable purchase obligations with one supplier for reagents, payments related to our principal and interest under our long term borrowing arrangements, payments for operating leases related to our office and laboratory space in Vista, California and our office space in Carlsbad, California, and payments for finance leases related to our laboratory equipment. Based on our current business plan, we believe that our existing cash and cash equivalents and our anticipated future revenue, will be sufficient to meet our anticipated cash requirements for at least the next 12 months from the date of this filing.

Our estimate of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including:

- the impact of the COVID-19 pandemic on our business;
- our ability to maintain and grow sales of our AVISE® testing products, as well as the costs associated with conducting clinical studies to demonstrate the utility of our products and support reimbursement efforts;
- our ability to achieve sufficient market acceptance, coverage and adequate reimbursement from third-party payors and adequate market share and revenue for our testing products;
- fluctuations in working capital;
- the costs of developing our product pipeline, including the costs associated with conducting our ongoing and future validation, utility and outcome studies as well as the success of our development efforts;
- the additional costs we may incur as a result of operating as a public company;
- the extent to which we establish additional partnerships or in-license, acquire or invest in complementary businesses or products as well as the success of our existing partnerships and/or in-licenses; and
- the costs associated with our promotion of other therapeutics, if any, including the expansion of our sales capabilities, and the extent and timing of generating revenue from each such promotion, if any.

Until such time, if ever, as we can generate revenue to support our costs structure, we expect to finance our operations through equity offerings, debt financings or other capital sources, including potentially collaborations, licenses and other similar arrangements. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders may be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our common stockholders. If additional funding is required or desired, there can be no assurance that additional funds will be available to us on acceptable terms on a timely basis, if at all, or that we will generate sufficient cash from operations to adequately fund our operating needs or achieve or sustain profitability. If we are unable to raise additional capital or generate sufficient cash from operations to adequately fund our operations, we will need to delay, reduce or eliminate some or all of our research and development programs, product portfolio expansion plans or commercialization efforts. Doing so will likely have an unfavorable effect on our ability to execute on our business plan and could have a negative impact on our commercial and strategic relationships. If we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, financial condition, and results of operations could be adversely affected.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2022	2021
(in thousands)		
Net cash (used in) provided by:		
Operating activities	$ (8,574)	$ (4,312)
Investing activities	(1,087)	(167)
Financing activities	(30)	65,081
Net change in cash, cash equivalents and restricted cash	$ (9,691)	$ 60,602

Cash Flows from Operating Activities

Net cash used in operating activities for the three months ended March 31, 2022 was $8.6 million and primarily resulted from (i) our net loss of $10.3 million adjusted for non-cash charges of $2.1 million related to stock-based compensation, depreciation, amortization, non-cash lease expense and non-cash interest and (ii) changes in our net operating assets of $0.4 million primarily related to net increases in accounts receivables, partially offset by net decreases in prepaid expenses and other current assets and net increases in accounts payables.

Net cash used in operating activities for the three months ended March 31, 2021 was $4.3 million and primarily resulted from (i) our net loss of $6.2 million adjusted for non-cash charges of $1.3 million related to stock-based compensation, depreciation, amortization and non-cash interest and (ii) changes in our net operating assets of $0.6 million primarily related to net decreases in prepaid expenses and other current assets and accounts receivable, net, partially offset by net decreases in accounts payables and accrued and other current liabilities.

Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended March 31, 2022 and 2021 was $1.1 million and $0.2 million, respectively, and was primarily due to net purchases of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities for the three months ended March 31, 2022 was $30,000 primarily resulted from payment on finance lease obligations and payment of taxes withheld on vested restricted stock units, partially offset by proceeds from ESPP purchases.

Net cash provided by financing activities for the three months ended March 31, 2021 was $65.1 primarily resulted from the net proceeds received from our public offering in March 2021 of $65.0 million and proceeds from ESPP purchases, partially offset by principal payments on finance lease obligations.

Critical Accounting Policies and Significant Management Estimates

Our management’s discussion and analysis of our financial condition and results of operations is based on our condensed financial statements, which have been prepared in accordance with United States generally accepted accounting principles, or U.S. GAAP. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenue generated and expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and any such differences may be material.

For a description of our critical accounting policies, please see the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Significant Management Estimates*" contained in our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no significant changes in our critical accounting policies and estimates during the three months ended March 31, 2022 as compared to the critical accounting policies and estimates disclosed in the Management’s Discussion and Analysis of Financial Condition and Operations included in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 22, 2022.

Recent Accounting Pronouncements

Please see Note 2 to the unaudited condensed financial statements included in this Quarterly Report on Form 10-Q for a summary of changes in significant accounting policies.

JOBS Act Accounting Election

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, contains provisions that, among other things, reduce certain reporting requirements for an "emerging growth company." The JOBS Act permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use this extended transition period under the JOBS Act until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our audited financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We will remain an emerging growth company until the last day of our fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Securities Act, which will occur in 2024. However, if certain events occur prior to the end of this five-year period, including if we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, our annual gross revenues exceed $1.07 billion or we issue more than $1.0 billion of non-convertible debt in any three-year period, we will cease to be an emerging growth company prior to this anniversary.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable and not absolute assurance of achieving the desired control objectives. In reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Our management, with the participation of our principal executive officer and our principal financial officer, evaluated, as of the end of the period covered by this quarterly report, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer have concluded that as of March 31, 2022, our disclosure controls and procedures were effective at the reasonable assurance level. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgement in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2022 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

We are currently not a party to any material legal proceedings. From time to time, we may be involved in legal proceedings or subject to claims incident to the ordinary course of business. Regardless of the outcome, such proceedings or claims can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2021.

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

Use of Proceeds

On September 18, 2019, the SEC declared effective our registration statement on Form S-1 (File No. 333-233446), as amended, filed in connection with our IPO. At the closing of the offering on September 23, 2019, we issued and sold 4,140,000 shares of our common stock at the initial public offering price to the public of $14.00 per share, which included the exercise in full of the underwriters' option to purchase additional shares. We received gross proceeds from the IPO of $58.0 million, before deducting underwriting discounts, commissions and other offering expenses, which resulted in net proceeds of approximately $50.4 million and offering-related transaction costs of approximately $7.5 million. Cowen and Company, LLC, Cantor Fitzgerald & Co. and William Blair & Company, L.L.C. acted as joint book-running managers for the offering. No offering expenses were paid or are payable, directly or indirectly, to our directors or officers, to persons owning 10% or more of any class of our equity securities or to any of our affiliates.

As of March 31, 2022, we have used approximately $49.2 million of the proceeds from our IPO primarily related to selling and marketing activities. There has been no material change in the planned use of such proceeds from that described in the final prospectus filed by us with the SEC on September 20, 2019.

Recent Sales of Unregistered Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Exhibit Filing Date	
3.1	Amended and Restated Certificate of Incorporation.	8-K	001-39049	3.1	9/23/2019	
3.2	Amended and Restated Bylaws.	8-K	001-39049	3.1	3/22/2021	
4.1	Specimen stock certificate evidencing the shares of common stock.	S-1/A	333-233446	4.1	9/9/2019	
4.2	Amended and Restated Investors' Rights Agreement, dated July 12, 2019, by and among the Company and certain of its stockholders.	S-1/A	333-233446	4.2	9/9/2019	
4.3	Amended and Restated Stockholders' Agreement, dated July 12, 2019, by and among the Company and certain of its stockholders.	S-1/A	333-233446	4.3	9/9/2019	
4.4	Form of Common Stock Purchase Warrant issued to investors by the Company in connection with private placement financings.	S-1/A	333-233446	4.4	9/9/2019	
4.5	Form of Common Stock Purchase Warrant to purchase common stock issued to investors by the Company in 2016.	S-1/A	333-233446	4.8	9/9/2019	
4.6	Form of Exchange Warrant	10-Q	001-39049	4.5	8/9/2021	
10.1#	Exagen Inc. Amended and Restated Executive Change in Control and Severance Plan.					X
31.1	Certificate of Principal Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certificate of Principal Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certifications Pursuant to U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002.					X
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.					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.					X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.					X
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, has been formatted in Inline XBRL.					X

* This certification is deemed not filed for purpose of section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

\# Management Compensation Plan or Arrangement.

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 hereunto duly authorized.

EXAGEN INC.

Date: May 11, 2022 by: /s/ Fortunato Ron Rocca

Fortunato Ron Rocca
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 11, 2022 by: /s/ Kamal Adawi

Kamal Adawi
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXAGEN INC.
AMENDED AND RESTATED
EXECUTIVE CHANGE IN CONTROL AND SEVERANCE PLAN

Effective as of April 25, 2022

Exagen Inc., a Delaware corporation (the "Company"), has adopted this Exagen Inc. Amended and Restated Executive Change in Control and Severance Plan, including the attached Exhibits (the "Plan"), for the benefit of Participants (as defined below) on the terms and conditions hereinafter stated. The Plan, as set forth herein, is intended to provide severance protections to a select group of management or highly compensated employees (within the meaning of ERISA (as defined below)) in connection with qualifying terminations of employment. This Plan is in effect for Participants who experience certain terminations of employment occurring after the Effective Date (as defined below) and before the termination of this Plan. This Plan supersedes any and all (i) severance plans and separation policies applying to Participants that may have been in effect before the Effective Date and (ii) the provisions of any offer letters or any agreements between any Participant and the Company that provide for severance payments and benefits.

1. **Defined Terms**. Capitalized terms used but not otherwise defined herein shall have the meanings indicated below:

1.1 "Actual Incentive Compensation" means the Participant's cash performance bonus, if any, for the year in which the Date of Termination occurs, based on actual performance during the year in which the Date of Termination occurs.

1.2 "Administrator" shall have the meaning set forth in Section 2 hereof.

1.3 "Base Compensation" means the Participant's annual base salary rate in effect immediately prior to a Date of Termination, disregarding any reduction which gives rise to Good Reason.

1.4 "Board" means the Board of Directors of the Company.

1.5 "Cash Severance" means an amount that is based on the Participant's Base Compensation determined in accordance with Exhibit A attached hereto.

1.6 "Cause" means the occurrence of any one or more of the following events that the Board has determined, in good faith, has occurred: (i) the Participant's failure to substantially perform the Participant's duties (other than a failure resulting from the Participant's disability), including the Participant's failure to follow any lawful directive from the Board or the Participant's immediate supervisor; (ii) the Participant's violation of any code or standard of behavior generally applicable to Employees or executives of the Company; (iii) engaging in conduct that may reasonably result in reputational, economic or financial injury to the Company or its affiliates; (iv) the Participant's commission of, indictment for or plea of nolo contendere to a felony, any crime involving fraud or embezzlement under federal, state or local laws or a crime involving moral turpitude; (v) the Participant's failure to devote substantially all of the Participant's working time to the business of the Company and its affiliates; (vi) the Participant's unlawful use (including being under the influence) or possession of illegal drugs on the premises of the Company or any of its affiliates or while performing the Participant's duties and responsibilities for the Company or any of its affiliates; (vii) the Participant's commission of an act of fraud, willful misconduct or gross negligence with respect to the Company or its affiliates, or the Participant's material breach of fiduciary duty against the Company or any of its affiliates; (viii) the Participant's engaging in misconduct in connection with the performance of any of the

Participant's duties, including by embezzlement or theft from the Company or its affiliates, misappropriating funds from the Company or its affiliates or securing or attempting to secure personally any profit in connection with any transaction entered into on behalf of the Company or its affiliates; or (ix) the Participant's active disloyalty to the Company or its affiliates, including willfully aiding a competitor or improperly disclosing confidential information.

1.7 "Change in Control" shall have the meaning set forth in the Company's 2019 Incentive Award Plan.

1.8 "CIC Cash Salary Severance" means the portion of a Participant's CIC Cash Severance that is based on the Participant's Base Compensation determined in accordance with Exhibit A attached hereto.

1.9 "CIC Cash Severance" means the CIC Cash Salary Severance and, if applicable, the CIC Incentive Compensation Severance, determined in accordance with Exhibit A attached hereto.

1.10 "CIC Incentive Compensation Severance" means the portion of a Participant's CIC Cash Severance that is based on the Participant's Actual Incentive Compensation or Target Incentive Compensation, as applicable, as determined in accordance with Exhibit A attached hereto.

1.11 "CIC Protection Period" means the 12 month period beginning on a Change in Control and ending on and including the one-year anniversary of the date of a Change in Control.

1.12 "CIC Severance Benefits" means the severance payments and benefits to which a Participant may become entitled pursuant to Section 4 of the Plan and Exhibit A attached hereto.

1.13 "CIC Termination" means a Qualifying Termination that occurs during the CIC Protection Period.

1.14 "Claimant" shall have the meaning set forth in Section 11.1 hereof.

1.15 "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985.

1.16 "COBRA Period" means the number of months during which the Participant is entitled to COBRA Premium Payments, determined in accordance with Exhibit A or Exhibit B attached hereto, as applicable.

1.17 "COBRA Premium Payment" shall have the meaning set forth in Section 3.2 hereof.

1.18 "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

1.19 "Committee" means the Compensation Committee of the Board, or such other committee as may be appointed by the Board to administer the Plan.

1.20 "Date of Termination" means the effective date of the termination of the Participant's employment.

1.21 "Effective Date" means March , 2022.

1.22 "Employee" means an individual who is an employee (within the meaning of Code Section 3401(c)) of the Company or any of its subsidiaries.

1.23 "Equity Award" means a Company equity award that vests solely based on the passage of time.

1.24 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

1.25 "Excise Tax" shall have the meaning set forth in Section 7.1 hereof.

1.26 "Good Reason" means the occurrence of any one or more of the following events without the Participant's prior written consent, unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction) as provided below:

(a) a change in the Participant's position with the Company which materially diminishes such Participant's duties, responsibilities, or authority;

(b) a material diminution of the Participant's Base Compensation and/or Target Incentive Compensation; or

(c) a relocation of the Participant's principal place of employment by more than twenty (20) miles.

Notwithstanding the foregoing, the Participant will not be deemed to have resigned for Good Reason unless (1) the Participant provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Participant to constitute Good Reason within 90 days after the date of the occurrence of any event that the Participant knows or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within 30 days following its receipt of such notice, and (3) the effective date of the Participant's termination for Good Reason occurs no later than 60 days after the expiration of the Company's cure period.

1.27 "Independent Advisors" shall have the meaning set forth in Section 7.2 hereof.

1.28 "Non-CIC Cash Salary Severance" means the portion of a Participant's Non-CIC Cash Severance that is based on the Participant's Base Compensation determined in accordance with Exhibit A attached hereto.

1.29 "Non-CIC Cash Severance" means the Non-CIC Cash Salary Severance and, if applicable, the Non-CIC Incentive Compensation Severance, determined in accordance with Exhibit A attached hereto.

1.30 "Non-CIC Incentive Compensation Severance" means the portion of a Participant's Non-CIC Cash Severance that is based on the Participant's Actual Incentive Compensation or Target Incentive Compensation, as applicable, as determined in accordance with Exhibit A attached hereto.

1.31 "Non-CIC Severance Benefits" means the severance payments and benefits to which a Participant may become entitled pursuant to Section 3 of the Plan and Exhibit A attached hereto.

1.32 "Participant" means each Employee who is selected by the Administrator to participate in the Plan and is provided with (and, if applicable, countersigns) a Participation Notice in accordance with Section 14.2 hereof, other than any Employee who, at the time of his or her termination of employment, is covered by a plan or agreement with the Company or a subsidiary that provides for cash severance or termination benefits that explicitly supersedes and/or replaces the payments and benefits provided under this Plan. For the avoidance of doubt, retention bonus payments, change in control bonus payments and other similar payments shall not constitute "cash severance" for purposes of this definition.

1.33 "Participation Notice" shall have the meaning set forth in Section 14.2 hereof.

1.34 "Qualifying Non-CIC Termination" means a termination of a Participant's employment with the Company without Cause that occurs other than during the CIC Protection Period.

1.35 "Qualifying Termination" means a termination of the Participant's employment with the Company or a subsidiary of the Company, as applicable, by the Company or such subsidiary, as applicable, without Cause, or by the Participant for Good Reason. A Qualifying Termination shall not include a termination due to the Participant's death or disability.

1.36 "Release" shall have the meaning set forth in Section 5 hereof.

1.37 "Severance Benefits" means the CIC Severance Benefits and the Non-CIC Severance Benefits, as applicable.

1.38 "Target Incentive Compensation" means the Participant's target cash performance bonus, if any, for the year in which the Date of Termination occurs.

1.39 "Total Payments" shall have the meaning set forth in Section 7.1 hereof.

2. **Administration**. Subject to Section 14.4 hereof, the Plan shall be interpreted, administered and operated by the Committee (the "Administrator"), which shall have complete authority, subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The Administrator shall, pursuant to a Participation Notice, notify each Participant that such Participant has been selected to participate in the Plan. The Administrator may delegate any of its duties hereunder to a subcommittee, or to such person or persons from time to time as it may designate other than to any Participant in the Plan, and the Administrator may delegate (other than to any Participant in the Plan) its duty to provide a Participation Notice to a Participant in the Plan. All decisions, interpretations and other actions of the Administrator (including with respect to whether a CIC Termination has occurred) shall be final, conclusive and binding on all parties who have an interest in the Plan.

3. **Severance Benefits Not in Connection with a Change in Control.** If the Participant experiences a Qualifying Non-CIC Termination, then, subject to the Participant's execution and, to the extent applicable, non-revocation of a Release in accordance with Section 5 hereof, and subject to any additional requirements specified in the Plan, Participant shall be

eligible to receive the following payments and benefits (collectively, the "Non-CIC Severance Benefits"):

3.1 Non-CIC Cash Severance Payment. The Company shall pay to the Participant an amount equal to the Non-CIC Cash Severance determined in accordance with Exhibit A attached hereto. Subject to Section 6.2 hereof, the Non-CIC Cash Severance (as set forth on Exhibit A) shall be paid in a lump sum on the 30th day following the Date of Termination.

3.2 COBRA. Subject to the requirements of the Code, if the Participant properly elects healthcare continuation coverage under the Company's group health plans pursuant to COBRA, to the extent that the Participant is eligible to do so, then the Company shall directly pay or, at its election, reimburse the Participant for the COBRA premiums for the Participant and the Participant's covered dependents (in an amount determined based on the same benefit levels as would have applied if the Participant's employment had not been terminated based on the Participant's elections in effect on the Date of Termination) (the "COBRA Premium Payment") until the earlier of the end of the month during which the Participant's COBRA Period, determined in accordance with Exhibit A attached hereto, ends or the date the Participant becomes eligible for healthcare coverage under a subsequent employer's health plan. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Code Section 409A under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover the Participant under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company reimbursement shall thereafter be paid to the Participant in substantially equal monthly installments over the COBRA Period (or the remaining portion thereof).

3.3 The payments and benefits described in this Section 3 shall be in lieu of any other benefits or payments under any severance or similar plan, policy or arrangement of the Company.

4. **Severance Benefits in Connection with a Change in Control.** If a Participant experiences a CIC Termination, then, subject to the Participant's execution and, to the extent applicable, non-revocation of a Release in accordance with Section 5 hereof, and subject to any additional requirements specified in the Plan, Participant shall be eligible to receive the following payments and benefits (collectively, the "CIC Severance Benefits"):

4.1 CIC Cash Severance Payment. The Company shall pay to the Participant an amount equal to the CIC Cash Severance determined in accordance with Exhibit A attached hereto. Subject to Section 6.2 hereof, the Cash Severance (as set forth on Exhibit A) shall be paid in a lump sum on the 30th day following the Date of Termination.

4.2 COBRA. Subject to the requirements of the Code, if the Participant properly elects healthcare continuation coverage under the Company's group health plans pursuant to COBRA, to the extent that the Participant is eligible to do so, then the Company shall directly pay or, at its election, reimburse the Participant for the COBRA Premium Payment until the earlier of the end of the month during which the Participant's COBRA Period, determined in accordance with Exhibit A attached hereto, ends or the date the Participant becomes eligible for healthcare coverage under a subsequent employer's health plan. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Code Section 409A under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover the Participant under its group health plans without penalty

under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company reimbursement shall thereafter be paid to the Participant in substantially equal monthly installments over the COBRA Period (or the remaining portion thereof).

4.3 Equity Award Treatment. Each outstanding Equity Award held by the Participant as of his or her Date of Termination shall become fully vested and, to the extent applicable, exercisable.

5. **Release**. Notwithstanding anything herein to the contrary, no Participant shall be eligible or entitled to receive or retain any Severance Benefits under the Plan unless he or she executes a general release of claims substantially in the form attached hereto as Exhibit B (the "Release") within 21 days (or longer, solely to the extent necessary to comply with applicable law) after the Date of Termination and, if he or she is entitled to a post-signing revocation period under applicable law, does not revoke such Release during such period.

6. **Section 409A**.

6.1 General. To the extent applicable, the Plan shall be interpreted and applied consistent and in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan to the contrary, to the extent that the Administrator determines that any payments or benefits under the Plan may not be either compliant with or exempt from Code Section 409A and related Department of Treasury guidance, the Administrator may in its sole discretion adopt such amendments to the Plan or take such other actions that the Administrator determines are necessary or appropriate to (a) exempt the compensation and benefits payable under the Plan from Code Section 409A and/or preserve the intended tax treatment of such compensation and benefits, or (b) comply with the requirements of Code Section 409A and related Department of Treasury guidance; *provided*, *however*, that this Section 6.1 shall not create any obligation on the part of the Administrator to adopt any such amendment or take any other action, nor shall the Company have any liability for failing to do so.

6.2 Potential Six-Month Delay. Notwithstanding anything to the contrary in the Plan, no amounts shall be paid to any Participant under the Plan during the six-month period following such Participant's "separation from service" (within the meaning of Code Section 409A(a)(2)(A)(i) and Treasury Regulation Section 1.409A-1(h)) to the extent that the Administrator determines that paying such amounts at the time or times indicated in the Plan would result in a prohibited distribution under Code Section 409A(a)(2)(B)(i). If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six-month period (or such earlier date upon which such amount can be paid under Code Section 409A without resulting in a prohibited distribution, including as a result of the Participant's death), the Participant shall receive payment of a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Participant during such six-month period without interest thereon.

6.3 Separation from Service. A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan providing for the payment of any amounts or benefits that constitute "nonqualified deferred compensation" under Code Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of the Plan, references to a "termination," "termination of employment" or like terms shall mean "separation from service".

6.4 Reimbursements. To the extent that any payments or reimbursements provided to a Participant under the Plan are deemed to constitute compensation to the Participant to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31st of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Participant's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

6.5 Installments. For purposes of applying the provisions of Code Section 409A to the Plan, each separately identified amount to which a Participant is entitled under the Plan shall be treated as a separate payment. In addition, to the extent permissible under Code Section 409A, the right to receive any installment payments under the Plan shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Whenever a payment under the Plan specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

7. **Limitation on Payments.**

7.1 Best Pay Cap. Notwithstanding any other provision of the Plan, in the event that any payment or benefit received or to be received by a Participant (including any payment or benefit received in connection with a termination of the Participant's employment, whether pursuant to the terms of the Plan or any other plan, arrangement or agreement) (all such payments and benefits, including the Severance Benefits, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the excise tax imposed under Code Section 4999 (the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Code Section 280G in such other plan, arrangement or agreement, the Cash Severance benefits under the Plan shall first be reduced, and any noncash severance payments hereunder shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (a) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (b) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Participant would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

7.2 Certain Exclusions. For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (a) no portion of the Total Payments, the receipt or retention of which the Participant has waived at such time and in such manner so as not to constitute a "payment" within the meaning of Code Section 280G(b), will be taken into account; (b) no portion of the Total Payments will be taken into account which, in the written opinion of an independent, nationally recognized accounting firm (the "Independent Advisors") selected by the Company, does not constitute a "parachute payment" within the meaning of Code Section 280G(b)(2) (including by reason of Code Section 280G(b)(4)(A)) and, in calculating the Excise Tax, no portion of such Total Payments will be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Code Section 280G(b)(4)(B), in excess of the "base amount" (as defined in Code Section 280G(b)(3)) allocable to such reasonable compensation;

and (c) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Code Sections 280G(d)(3) and (4).

8. **No Mitigation**. No Participant shall be required to seek other employment or attempt in any way to reduce or mitigate any Severance Benefits payable under the Plan and the amount of any such Severance Benefits shall not be reduced by any other compensation paid or provided to any Participant following such Participant's termination of service.

9. **Successors**.

9.1 Company Successors. The Plan shall inure to the benefit of and shall be binding upon the Company and its successors and assigns. Any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume and agree to perform the obligations of the Company under the Plan.

9.2 Participant Successors. The Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees or other beneficiaries. If a Participant dies while any amount remains payable to such Participant hereunder, all such amounts shall be paid in accordance with the terms of the Plan to the executors, personal representatives or administrators of such Participant's estate.

10. **Notices**. All communications relating to matters arising under the Plan shall be in writing and shall be deemed to have been duly given when hand delivered, faxed, emailed or mailed by reputable overnight carrier or United States certified mail, return receipt requested, addressed, if to a Participant, to the address or email address on file with the Company or to such other address or email address as the Participant may have furnished to the other in writing in accordance herewith and, if to the Company, to such address as may be specified from time to time by the Administrator, except that notice of change of address shall be effective only upon actual receipt.

11. **Claims Procedure; Arbitration**.

11.1 Claims. Generally, Participants are not required to present a formal claim in order to receive benefits under the Plan. If, however, any person (the "Claimant") believes that benefits are being denied improperly, that the Plan is not being operated properly, that fiduciaries of the Plan have breached their duties, or that the Claimant's legal rights are being violated with respect to the Plan, the Claimant must file a formal claim, in writing, with the Administrator. This requirement applies to all claims that any Claimant has with respect to the Plan, including claims against fiduciaries and former fiduciaries, except to the extent the Administrator determines, in its sole discretion that it does not have the power to grant all relief reasonably being sought by the Claimant. A formal claim must be filed within 90 days after the date the Claimant first knew or should have known of the facts on which the claim is based, unless the Administrator consents otherwise in writing. The Administrator shall provide a Claimant, on request, with a copy of the claims procedures established under Section 11.2 hereof.

11.2 Claims Procedure. The Administrator has adopted procedures for considering claims (which are set forth in Exhibit C attached hereto), which it may amend or modify from time to time, as it sees fit. These procedures shall comply with all applicable legal requirements. These procedures may provide that final and binding arbitration shall be the ultimate means of contesting a denied claim (even if the Administrator or its delegates have

failed to follow the prescribed procedures with respect to the claim). The right to receive benefits under the Plan is contingent on a Claimant using the prescribed claims and arbitration procedures to resolve any claim.

12. **Covenants.**

12.1 Restrictive Covenants. A Participant's right to receive and/or retain the Severance Benefits payable under this Plan is conditioned upon and subject to the Participant's continued compliance with any restrictive covenants (e.g., confidentiality, non-solicitation, non-competition, non-disparagement) contained in any other written agreement between the Participant and the Company, as in effect on the Date of Termination, as well as the restrictive covenants set forth on Annex A attached hereto.

12.2 Return of Property. A Participant's right to receive and/or retain the Severance Benefits payable under the Plan is conditioned upon the Participant's return to the Company of all Company documents (and all copies thereof) and other Company property (in each case, whether physical, electronic or otherwise) in the Participant's possession or control.

13. **Limitations**; **Non-Duplication of Benefits**.

13.1 Limitations. Notwithstanding any provision of the Plan to the contrary, if a Participant's employment with the Company is terminated other than due to a CIC Termination or Qualifying Non-CIC Termination, the Participant shall not be entitled to receive any CIC Severance Benefits or Severance Benefits under the Plan, and the Company shall not have any obligation to such Participant under the Plan.

13.2 Non-Duplication of Benefits. Nothing in this Plan will entitle any Participant to receive duplicate benefits in connection with any voluntary or involuntary termination of employment. A Participant's right to receive any payments under this Plan will be expressly conditioned upon such Participant not receiving severance payments or benefits under any other agreement, program or arrangement.

14. **Miscellaneous.**

14.1 Entire Plan; Relation to Other Agreements. The Plan, together with any Participation Notice issued in connection with the Plan, contains the entire understanding of the parties relating to the subject matter hereof and supersedes any prior agreement, arrangement and understanding between any Participant, on the one hand, and the Company and/or any subsidiary, on the other hand, with respect to the subject matter hereof. By participating in the Plan and accepting the Severance Benefits or CIC Severance Benefits hereunder, the Participant acknowledges and agrees that any prior agreement, arrangement and understanding between any Participant, on the one hand, and the Company and/or any subsidiary, on the other hand, with respect to the subject matter hereof is hereby revoked and ineffective with respect to the Participant (including with respect to any severance arrangement contained in an effective offer letter, employment agreement or employment letter agreement by and between the Participant and the Company (and/or any subsidiary)).

14.2 Participation Notices. The Administrator shall have the authority, in its sole discretion, to select Employees to participate in the Plan and to provide written notice to any such Employee that he or she is a Participant in, and eligible to receive Severance Benefits or CIC Severance Benefits under, the Plan (a "Participation Notice") at or any time prior to his or her termination of employment.

14.3 No Right to Continued Service. Nothing contained in the Plan shall (a) confer upon any Participant any right to continue as an employee of the Company or any subsidiary, (b) constitute any contract of employment or agreement to continue employment for any particular period, or (c) interfere in any way with the right of the Company to terminate a service relationship with any Participant, with or without Cause.

14.4 Termination and Amendment of Plan. The Plan may be amended or terminated by the Administrator at any time and from time to time, in its sole discretion. From and after the consummation of a Change in Control, the Plan which relates to the CIC Severance Benefits may not be amended, modified, suspended or terminated except with the express written consent of each Participant who would be adversely affected by any such amendment, modification, suspension or termination.

14.5 Survival. Section 7 (Limitation on Payments), Section 11 (Claims Procedure; Arbitration) and Section 12 (Covenants) hereof shall survive the termination or expiration of the Plan and shall continue in effect.

14.6 Severance Benefit Obligations. Notwithstanding anything contained herein, Severance Benefits or CIC Severance Benefits paid or provided under the Plan may be paid or provided by the Company or any subsidiary employer, as applicable.

14.7 Withholding. The Company shall have the authority and the right to deduct and withhold an amount sufficient to satisfy federal, state, local and foreign taxes required by law to be withheld with respect to any Severance Benefits and CIC Severance Benefits payable under the Plan.

14.8 Benefits Not Assignable. Except as otherwise provided herein or by law, no right or interest of any Participant under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Participant under the Plan shall be liable for, or subject to, any obligation or liability of such Participant. When a payment is due under the Plan to a Participant who is unable to care for his or her affairs, payment may be made directly to his or her legal guardian or personal representative.

14.9 Applicable Law. The Plan is intended to be an unfunded "top hat" pension plan within the meaning of U.S. Department of Labor Regulation Section 2520.104-23 and shall be interpreted, administered, and enforced as such in accordance with ERISA. To the extent that state law is applicable, the statutes and common law of the State of Delaware, excluding any that mandate the use of another jurisdiction's laws, will apply.

14.10 Validity. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

14.11 Captions. The captions contained in the Plan are for convenience only and shall have no bearing on the meaning, construction or interpretation of the Plan's provisions.

14.12 Expenses. The expenses of administering the Plan shall be borne by the Company or its successor, as applicable.

14.13 Unfunded Plan. The Plan shall be maintained in a manner to be considered "unfunded" for purposes of ERISA. The Company shall be required to make payments only as benefits become due and payable. No person shall have any right, other than

the right of an unsecured general creditor against the Company, with respect to the benefits payable hereunder, or which may be payable hereunder, to any Participant, surviving spouse or beneficiary hereunder. If the Company, acting in its sole discretion, establishes a reserve or other fund associated with the Plan, no person shall have any right to or interest in any specific amount or asset of such reserve or fund by reason of amounts which may be payable to such person under the Plan, nor shall such person have any right to receive any payment under the Plan except as and to the extent expressly provided in the Plan. The assets in any such reserve or fund shall be part of the general assets of the Company, subject to the control of the Company.

* * * * *

Annex A

RESTRICTIVE COVENANTS

(a) The Participant shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its subsidiaries and affiliates, which shall have been obtained by the Participant in connection with the Participant's employment by the Company and which shall not be or become public knowledge (other than by acts by the Participant or representatives of the Participant in violation of this Annex or Plan). After termination of the Participant's employment with the Company, the Participant shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data, to anyone other than the Company and those designated by it; provided, however, that if the Participant receives actual notice that the Participant is or may be required by law or legal process to communicate or divulge any such information, knowledge or data, the Participant shall promptly so notify the Company.

(b) While employed by the Company, the Participant shall not be engaged in any other business activity that would be competitive with the business of the Company and its subsidiaries or affiliates. In addition, while employed by the Company and, for a period of 12 months after the Date of Termination, the Participant shall not directly or indirectly solicit, induce, or encourage any employee or consultant of the Company and/or its subsidiaries and affiliates to terminate their employment or other relationship with the Company and its subsidiaries and affiliates or to cease to render services to the Company and/or its subsidiaries and affiliates and the Participant shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity except, in each case, to the extent the foregoing occurs as a result of general advertisements or other solicitations not specifically targeted to such employees and consultants. During the Participant's employment with the Company and thereafter, the Participant shall not use any trade secret of the Company or its subsidiaries or affiliates to solicit, induce, or encourage any customer, client, vendor, or other party doing business with any member of the Company and its subsidiaries and affiliates to terminate its relationship therewith or transfer its business from any member of the Company and its subsidiaries and affiliates and the Participant shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity.

(c) Subject to Section (d) of this Annex, during the Participant's service with the Company and thereafter, excepting any litigation between the parties, the Participant agrees not to publish or disseminate, directly or indirectly, any statements, whether written or oral, that are or could be harmful to or reflect negatively on any of the Company or any of its subsidiaries or affiliates, or that are otherwise disparaging of any policies, procedures, practices, decision-making, conduct, professionalism or compliance with standards of the Company, its affiliates or any of their past or present officers, directors, employees, advisors or agents.

(d) Notwithstanding anything in this Annex or the Plan to the contrary, nothing contained in this Annex or the Plan shall prohibit either party (or either party's attorney(s)) from (i) filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or cooperating with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Equal Employment Opportunity Commission, the National Labor Relations Board, the

Occupational Safety and Health Administration, the U.S. Commodity Futures Trading Commission, the U.S. Department of Justice or any other securities regulatory agency, self-regulatory authority or federal, state or local regulatory authority (collectively, "Government Agencies"), or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation, (ii) communicating directly with, cooperating with, or providing information (including trade secrets) in confidence to any Government Agencies for the purpose of reporting or investigating a suspected violation of law, or from providing such information to such party's attorney(s) or in a sealed complaint or other document filed in a lawsuit or other governmental proceeding, and/or (iii) receiving an award for information provided to any Government Agency. Pursuant to 18 USC Section 1833(b), the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Further, nothing in this Annex or the Plan is intended to or shall preclude either party from providing truthful testimony in response to a valid subpoena, court order, regulatory request or other judicial, administrative or legal process or otherwise as required by law. If the Participant is required to provide testimony, then unless otherwise directed or requested by a Government Agency or law enforcement, the Participant shall notify the Company as soon as reasonably practicable after receiving any such request of the anticipated testimony.

Exhibit A

Calculation of Non Change in Control Severance Amounts

Tier	Non-CIC Cash Severance	Non-CIC Incentive Compensation Severance	COBRA Period
1	Amount equal to 75% of Base Compensation	Pro-rated Actual Incentive Compensation (pro-rated based on the number of days worked during the year in which the Date of Termination occurs, divided by the total number of days in such year)*	9 months
2	Amount equal to 50% of Base Compensation		6 months

Calculation of Change in Control Severance Amounts

Tier	CIC Cash Salary Severance	CIC Incentive Compensation Severance	COBRA Period
1	125% Base Compensation plus Target Incentive Compensation	Pro-rated Actual Incentive Compensation (pro-rated based on the number of days worked during the year in which the Date of Termination occurs, divided by the total number of days in such year)*	15 months
2	100% Base Compensation plus Target Incentive Compensation		12 months

* Payable on the date on which annual bonuses are generally paid (but no later than March 15 of the year following year in which the Date of Termination occurs).

EXHIBIT B

FORM OF RELEASE

1. Release. For valuable consideration, including the payments or benefits under Section 3 or 4 of the Exagen Inc. Amended and Restated Executive Change in Control and Severance Plan (the "Severance Plan"), as applicable, the receipt and adequacy of which are hereby acknowledged, the undersigned does hereby release and forever discharge the "Releasees" hereunder, consisting of Exagen Inc., a Delaware corporation (the "Company"), and the Company's partners, subsidiaries, associates, affiliates, successors, heirs, assigns, agents, directors, officers, employees, representatives, lawyers, insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys' fees or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "Claims"), which the undersigned now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The Claims released herein include, without limiting the generality of the foregoing, any Claims in any way arising out of, based upon, or related to the employment or termination of employment of the undersigned by the Releasees, or any of them; any alleged breach of any express or implied contract of employment; any alleged torts or other alleged legal restrictions on Releasees' right to terminate the employment of the undersigned; and any alleged violation of any federal, state or local statute or ordinance including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act, the Americans With Disabilities Act.

2. Claims Not Released. Notwithstanding the foregoing, this general release (the "Release") shall not operate to release any rights or claims of the undersigned (i) to payments or benefits under Section 3 or 4 of the Severance Plan, as applicable, with respect to the payments and benefits provided in exchange for this Release, (ii) to payments or benefits under any equity award agreement between the undersigned and the Company, (iii) to accrued or vested benefits the undersigned may have, if any, as of the date hereof under any applicable plan, policy, practice, program, contract or agreement with the Company, (iv) to any Claims, including claims for indemnification and/or advancement of expenses arising under any indemnification agreement between the undersigned and the Company or under the bylaws, certificate of incorporation or other similar governing document of the Company, (v) to any Claims which cannot be waived by an employee under applicable law or (vi) with respect to the undersigned's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator.

3. Unknown Claims.

THE UNDERSIGNED ACKNOWLEDGES THAT THE UNDERSIGNED HAS BEEN ADVISED BY LEGAL COUNSEL AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

THE UNDERSIGNED, BEING AWARE OF SAID CODE SECTION, HEREBY EXPRESSLY WAIVES ANY RIGHTS THE UNDERSIGNED MAY HAVE THEREUNDER, AS WELL AS

UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

4. Exceptions. Notwithstanding anything in this Release to the contrary, nothing contained in this Release shall prohibit the undersigned from (i) filing a charge with, reporting possible violations of federal law or regulation to, participating in any investigation by, or cooperating with any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of applicable law or regulation and/or (ii) communicating directly with, cooperating with, or providing information (including trade secrets) in confidence to, any federal, state or local government regulator (including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, or the U.S. Department of Justice) for the purpose of reporting or investigating a suspected violation of law, or from providing such information to the undersigned's attorney or in a sealed complaint or other document filed in a lawsuit or other governmental proceeding. Pursuant to 18 USC Section 1833(b), the undersigned will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

5. Representations. The undersigned represents and warrants that there has been no assignment or other transfer of any interest in any Claim which the undersigned may have against Releasees, or any of them, and the undersigned agrees to indemnify and hold Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against the undersigned under this indemnity.

6. No Action. The undersigned agrees that if the undersigned hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then the undersigned agrees to pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim.

7. No Admission. The undersigned further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the undersigned.

8. OWBPA. The undersigned agrees and acknowledges that this Release constitutes a knowing and voluntary waiver and release of all Claims the undersigned has or may have against the Company and/or any of the Releasees as set forth herein, including, but not limited to, all Claims arising under the Older Worker's Benefit Protection Act and the Age Discrimination in Employment Act. In accordance with the Older Worker's Benefit Protection Act, the undersigned is hereby advised as follows:

(i) the undersigned has read the terms of this Release, and understands its terms and effects, including the fact that the undersigned agreed to release and forever discharge the Company and each of the Releasees, from any Claims released in this Release;

(ii) the undersigned understands that, by entering into this Release, the undersigned does not waive any Claims that may arise after the date of the undersigned's execution of this Release, including without limitation any rights or claims that the undersigned may have to secure enforcement of the terms and conditions of this Release;

(iii) the undersigned has signed this Release voluntarily and knowingly in exchange for the consideration described in this Release, which the undersigned acknowledges is adequate and satisfactory to the undersigned and which the undersigned acknowledges is in addition to any other benefits to which the undersigned is otherwise entitled;

(iv) the Company advises the undersigned to consult with an attorney prior to executing this Release;

(v) the undersigned has been given at least [21] days in which to review and consider this Release. To the extent that the undersigned chooses to sign this Release prior to the expiration of such period, the undersigned acknowledges that the undersigned has done so voluntarily, had sufficient time to consider the Release, to consult with counsel and that the undersigned does not desire additional time and hereby waives the remainder of the [21]-day period; and

(vi) the undersigned may revoke this Release within seven days from the date the undersigned signs this Release and this Release will become effective upon the expiration of that revocation period if the undersigned has not revoked this Release during such seven-day period. If the undersigned revokes this Release during such seven-day period, this Release will be null and void and of no force or effect on either the Company or the undersigned and the undersigned will not be entitled to any of the payments or benefits which are expressly conditioned upon the execution and non-revocation of this Release. Any revocation must be in writing and sent to [*name*], via electronic mail at [*email address*], on or before [5:00 p.m. Pacific time] on the seventh day after this Release is executed by the undersigned.

9. Governing Law. This Release is deemed made and entered into in the State of California, and in all respects shall be interpreted, enforced and governed under the internal laws of the State of California, to the extent not preempted by federal law.

IN WITNESS WHEREOF, the undersigned has executed this Release this ____ day of _____, ____.

[_____]

EXHIBIT C

Detailed Claims Procedures

Section 1.1. Claim Procedure. Claims for benefits under the Plan shall be administered in accordance with Section 503 of ERISA and the Department of Labor Regulations thereunder. The Administrator shall have the right to delegate its duties under this Exhibit and all references to the Administrator shall be a reference to any such delegate, as well. The Administrator shall make all determinations as to the rights of any Participant, beneficiary, alternate payee or other person who makes a claim for benefits under the Plan (each, a "Claimant"). A Claimant may authorize a representative to act on his or her behalf with respect to any claim under the Plan. A Claimant who asserts a right to any benefit under the Plan he or she has not received, in whole or in part, must file a written claim with the Administrator. All written claims shall be submitted to [____].

(a) Regular Claims Procedure. The claims procedure in this subsection (a) shall apply to all claims for Plan benefits.

(1) Timing of Denial. If the Administrator denies a claim in whole or in part (an "adverse benefit determination"), then the Administrator will provide notice of the decision to the Claimant within a reasonable period of time, not to exceed 90 days after the Administrator receives the claim, unless the Administrator determines that an extension of time for processing is required. In the event that the Administrator determines that such an extension is required, written notice of the extension will be furnished to the Claimant before the end of the initial 90 day review period. The extension will not exceed a period of 90 days from the end of the initial 90 day period, and the extension notice will indicate the special circumstances requiring such extension of time and the date by which the Administrator expects to render the benefit decision.

(2) Denial Notice. The Administrator shall provide every Claimant who is denied a claim for benefits with a written or electronic notice of its decision. The notice will set forth, in a manner to be understood by the Claimant:

(i) the specific reason or reasons for the adverse benefit determination;

(ii) reference to the specific Plan provisions on which the determination is based;

(iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation as to why such information is necessary; and

(iv) an explanation of the Plan's appeal procedure and the time limits applicable to such procedures, including a statement of the Claimant's right to bring an action under Section 502(a) of ERISA after receiving a final adverse benefit determination upon appeal.

(3) Appeal of Denial. The Claimant may appeal an initial adverse benefit determination by submitting a written appeal to the Administrator within 60 days of receiving notice of the denial of the claim. The Claimant:

(i) may submit written comments, documents, records and other information relating to the claim for benefits;

(ii) will be provided, upon request and without charge, reasonable access to and copies of all documents, records and other information relevant to the Claimant's claim for benefits; and

(iii) will receive a review that takes into account all comments, documents, records and other information submitted by the Claimant relating to the appeal, without regard to whether such information was submitted or considered in the initial benefit determination.

(4) Decision on Appeal. The Administrator will conduct a full and fair review of the claim and the initial adverse benefit determination. The Administrator holds regularly scheduled meetings at least quarterly. The Administrator shall make a benefit determination no later than the date of the regularly scheduled meeting that immediately follows the Plan's receipt of an appeal request, unless the appeal request is filed within 30 days preceding the date of such meeting. In such case, a benefit determination may be made by no later than the date of the second regularly scheduled meeting following the Plan's receipt of the appeal request. If special circumstances require a further extension of time for processing, a benefit determination shall be rendered no later than the third regularly scheduled meeting of the Administrator following the Plan's receipt of the appeal request. If such an extension of time for review is required, the Administrator shall provide the Claimant with written notice of the extension, describing the special circumstances and the date as of which the benefit determination will be made, prior to the commencement of the extension. The Administrator generally cannot extend the review period any further unless the Claimant voluntarily agrees to a longer extension. The Administrator shall notify the Claimant of the benefit determination as soon as possible but not later than five days after it has been made.

(5) Notice of Determination on Appeal. The Administrator shall provide the Claimant with written or electronic notification of its benefit determination on review. In the case of an adverse benefit determination, the notice shall set forth, in a manner intended to be understood by the Claimant:

(i) the specific reason or reasons for the adverse benefit determination;

(ii) reference to the specific Plan provisions on which the adverse benefit determination is based;

(iii) a statement that the Claimant is entitled to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits;

(iv) a statement describing any voluntary appeal procedures offered by the Plan and the Claimant's right to obtain the information about such procedures; and

(v) a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

(b) Exhaustion; Judicial Proceedings. No action at law or in equity shall be brought to recover benefits under the Plan until the claim and appeal rights described in the Plan have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part. If any judicial proceeding is undertaken to appeal the denial of a claim or bring any other action under ERISA other than a breach of fiduciary claim, the evidence presented may be strictly limited to the evidence timely presented to the Administrator. Any such judicial proceeding must be filed by the earlier of: (a) one year after the Administrator's final decision regarding the claim appeal or (b) one year after the Participant or other Claimant commenced payment of the Plan benefits at issue in the judicial proceeding. The jurisdiction and venue for any judicial proceedings arising under or relating to the Plan will be exclusively in the courts in California, including the federal courts located there should federal jurisdiction exist. This paragraph (c) shall not be construed to prohibit the enforcement of any arbitration agreements.

(c) Administrator's Decision is Binding. Benefits under the Plan shall be paid only if the Administrator decides in its sole discretion that a Claimant is entitled to them. In determining claims for benefits, the Administrator has the authority to interpret the Plan, to resolve ambiguities, to make factual determinations, and to resolve questions relating to eligibility for and amount of benefits. Subject to applicable law, any decision made in accordance with the above claims procedures is final and binding on all parties and shall be given the maximum possible deference allowed by law. A misstatement or other mistake of fact shall be corrected when it becomes known and the Administrator shall make such adjustment on account thereof as it considers equitable and practicable.

Exhibit 31.1

EXAGEN INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Fortunato Ron Rocca, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Exagen Inc.;

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

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

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

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

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

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

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

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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 11, 2022

/s/ Fortunato Ron Rocca

Fortunato Ron Rocca

President and Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

EXAGEN INC.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kamal Adawi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Exagen Inc.;

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

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

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

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

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

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

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

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 the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: May 11, 2022

/s/ Kamal Adawi

Kamal Adawi

Chief Financial Officer

(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Exagen Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

1. The accompanying quarterly report on Form 10-Q of the Company for the quarterly period ended March 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 for the periods presented therein.

Dated: May 11, 2022

/s/ Fortunato Ron Rocca
Fortunato Ron Rocca
President and Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Exagen Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

1. The accompanying quarterly report on Form 10-Q of the Company for the quarterly period ended March 31, 2022 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, 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 for the periods presented therein.

Dated: May 11, 2022

/s/ Kamal Adawi

Kamal Adawi

Chief Financial Officer (Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.