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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): January 4, 2024

Standard BioTools Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware	**001-34180**	**77-0513190**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

2 Tower Place, Suite 2000
South San Francisco, California 94080
(Address of Principal Executive Offices) (Zip Code)

(650) 266-6000
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	**LAB**	**Nasdaq Global Select Market**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

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

Explanatory Note

On January 5, 2024, Standard BioTools Inc. ("Standard BioTools"), filed a Current Report on Form 8-K (the "Original Report") to report the completion of its previously announced acquisition of SomaLogic, Inc., a Delaware corporation ("SomaLogic"), pursuant to the Agreement and Plan of Merger, dated as of October 4, 2023, by and among Standard BioTools, Martis Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Standard BioTools ("Merger Sub") and SomaLogic. Pursuant to the Merger Agreement, Merger Sub merged with and into SomaLogic, with SomaLogic surviving as a wholly owned subsidiary of Standard BioTools.

This Amendment No. 1 to Current Report on Form 8-K/A amends the Original Report to include the financial statements and the pro forma financial information required under Items 9.01(a) and 9.01(b), which were excluded from the Original Report in reliance on the instructions to such Items.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited consolidated financial statements of SomaLogic as of and for the years ended December 31, 2022 and 2021 and the unaudited consolidated financial statements of SomaLogic as of and for the nine months ended September 30, 2023 and September 30, 2022 are filed as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K and incorporated in this Item 9.01 by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined financial statements for the year ended December 31, 2022 and as of and for the nine months ended September 30, 2023 giving effect to the acquisition of SomaLogic are filed as Exhibit 99.3 to this Current Report on Form 8-K and incorporated in this Item 9.01 by reference.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
99.1	Audited consolidated financial statements of SomaLogic, Inc. as of and for the years ended December 31, 2022 and 2021.
99.2	Unaudited Condensed Consolidated Financial Statements of Operations of SomaLogic, Inc., as of and for the nine months ended September 30, 2023 and September 30, 2022.
99.3	Unaudited Pro Forma Condensed Combined Financial Statements of Standard BioTools Inc. and SomaLogic, Inc. for the year ended December 31, 2022 and as of and for the nine months ended September 30, 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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.

Date: January 19, 2024

STANDARD BIOTOOLS INC.

By:	/s/ Jeffrey Black
Name:	Jeffrey Black
Title:	Chief Financial Officer

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-265010) of Standard BioTools Inc.
(2) Registration Statement (Form S-8 No. 333-172206) pertaining to the:
Fluidigm Corporation 1999 Stock Option Plan
Fluidigm Corporation 2009 Equity Incentive Plan
Fluidigm Corporation 2011 Equity Incentive Plan
(3) Registration Statement (Form S-8 No. 333-180363) pertaining to the Fluidigm Corporation 2011 Equity Incentive Plan
(4) Registration Statement (Form S-8 No. 333-187204) pertaining to the Fluidigm Corporation 2011 Equity Incentive Plan
(5) Registration Statement (Form S-8 No. 333-202325) pertaining to the Fluidigm Corporation 2011 Equity Incentive Plan
(6) Registration Statement (Form S-8 No. 333-209904) pertaining to the Fluidigm Corporation 2011 Equity Incentive Plan
(7) Registration Statement (Form S-8 No. 333-215555) pertaining to the:
Fluidigm Corporation 2011 Equity Incentive Plan
Fluidigm Corporation 2017 Inducement Award Plan
(8) Registration Statement (Form S-8 No. 333-222561) pertaining to the Fluidigm Corporation 2011 Equity Incentive Plan
(9) Registration Statement (Form S-8 No. 333-229214) pertaining to the Fluidigm Corporation 2011 Equity Incentive Plan
(10) Registration Statement (Form S-8 No. 333-232441) pertaining to the Fluidigm Corporation 2011 Equity Incentive Plan, as Amended and Restated
(11) Registration Statement (Form S-8 No. 333-239810) pertaining to the:
Fluidigm Corporation 2017 Employee Stock Purchase Plan, As Amended and Restated
Fluidigm Corporation 2011 Equity Incentive Plan, As Amended
(12) Registration Statement (Form S-8 No. 333-256617) pertaining to the Fluidigm Corporation 2011 Equity Incentive Plan, As Amended
(13) Registration Statement (Form S-8 No. 333-272753) pertaining to the Standard BioTools Inc. Amended and Restated 2011 Equity Incentive Plan
(14) Registration Statement (Form S-8 No. 333-219667) pertaining to the Fluidigm Corporation 2017 Employee Stock Purchase Plan
(15) Registration Statement (Form S-8 No. 333-264086) pertaining to the Standard BioTools Inc. 2022 Inducement Equity Incentive Plan
(16) Registration Statement (Form S-8/S-3 No. 333-194084) pertaining to the:
Fluidigm Corporation 2011 Equity Incentive Plan
Stock options granted under DVS Sciences, Inc.'s 2010 Equity Incentive Plan, as amended, assumed by Fluidigm Corporation
DVS Sciences, Inc. Stock Registration Agreements and Restricted Stock Purchase Agreements, assumed by Fluidigm Corporation

of our report dated March 28, 2023, relating to the consolidated financial statements of SomaLogic, Inc. as of and for the years ended December 31, 2022 and 2021 appearing in this Amendment No. 1 to the Current Report on Form 8-K of Standard BioTools Inc.

/s/ Ernst & Young LLP

Denver, Colorado
January 19, 2024

Exhibit 99.1

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of SomaLogic, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of SomaLogic, Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.

Denver, Colorado

March 28, 2023

SomaLogic, Inc.
Consolidated Balance Sheets
(in thousands, except share data)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 421,830	$ 439,488
Investments	117,758	218,218
Accounts receivable, net	17,006	17,074
Inventory	13,897	11,213
Deferred costs of services	1,337	462
Prepaid expenses and other current assets	9,873	5,097
Total current assets	581,701	691,552
Non-current inventory	4,643	4,085
Accounts receivable, net of current portion	9,284	—
Property and equipment, net	19,564	9,557
Other long-term assets	5,083	908
Intangible assets	16,700	—
Goodwill	10,399	—
Total assets	$ 647,374	$ 706,102
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 16,794	$ 15,089
Accrued liabilities	20,678	11,109
Deferred revenue	3,383	3,021
Other current liabilities	2,477	66
Total current liabilities	43,332	29,285
Warrant liabilities	4,213	35,181
Earn-out liability	15	26,885
Deferred revenue, net of current portion	31,732	2,364
Other long-term liabilities	5,524	363
Total liabilities	84,816	94,078
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding at December 31, 2022 and 2021	—	—
Common stock, $0.0001 par value; 600,000,000 shares authorized; 187,647,973 and 181,552,241 shares issued and outstanding at December 31, 2022 and 2021, respectively	19	18
Additional paid-in capital	1,171,122	1,110,991
Accumulated other comprehensive loss	(513)	(72)
Accumulated deficit	(608,070)	(498,913)
Total stockholders' equity	562,558	612,024
Total liabilities and stockholders' equity	$ 647,374	$ 706,102

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

SomaLogic, Inc.
Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share amounts)

	Year Ended December 31,	
	2022	**2021**
Revenue		
Assay services revenue	$ 63,038	$ 68,038
Product revenue	4,243	1,277
Collaboration revenue	3,051	3,051
Other revenue	27,334	9,260
Total revenue	97,666	81,626
Operating expenses		
Cost of assay services revenue	41,419	32,782
Cost of product revenue	1,945	681
Research and development	73,444	43,496
Selling, general and administrative	156,619	77,971
Total operating expenses	273,427	154,930
Loss from operations	(175,761)	(73,304)
Other income (expense)		
Interest income and other, net	8,049	263
Interest expense	—	(1,324)
Change in fair value of warrant liabilities	30,968	(6,952)
Change in fair value of earn-out liability	26,870	(1,869)
Loss on extinguishment of debt, net	—	(4,323)
Total other income (expense)	65,887	(14,205)
Net loss before income tax benefit (provision)	(109,874)	(87,509)
Income tax benefit (provision)	717	(38)
Net loss	$ (109,157)	$ (87,547)
Other comprehensive loss		
Net unrealized loss on available-for-sale securities	$ (424)	$ (68)
Foreign currency translation loss	(17)	(2)
Total other comprehensive loss	(441)	(70)
Comprehensive loss	$ (109,598)	$ (87,617)
Net loss per share, basic and diluted	$ (0.59)	$ (0.64)
Weighted-average shares used to compute net loss per share, basic and diluted	183,991,643	137,157,283

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

SomaLogic, Inc.
Consolidated Statements of Stockholders' Equity
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
December 31, 2020	114,266,515	11	597,274	(2)	(411,366)	185,917
Issuance of Common Stock upon exercise of options	1,311,326	—	4,001	—	—	4,001
Issuance of Common Stock for services	228,199	—	1,337	—	—	1,337
Issuance of Common Stock upon conversion of convertible debt	571,642	—	4,631	—	—	4,631
Stock-based compensation	—	—	27,042	—	—	27,042
Surrender of shares in cashless exercise	(15,189)	—	(56)	—	—	(56)
Issuance of Common Stock upon SPAC Merger, net of transaction costs of $35,111	28,689,748	3	119,568	—	—	119,571
Common Stock issued pursuant to the PIPE Investment, net of transaction costs of $7,802	36,500,000	4	357,194	—	—	357,198
Net unrealized loss on available-for-sale securities	—	—	—	(68)	—	(68)
Foreign currency translation loss	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	(87,547)	(87,547)
Balance at December 31, 2021	181,552,241	$ 18	$ 1,110,991	$ (72)	$ (498,913)	$ 612,024
Issuance of Common Stock upon vesting of RSUs	12,031	—	—	—	—	—
Issuance of Common Stock upon exercise of options	1,906,530	—	4,813	—	—	4,813
Shares issued under employee stock purchase plan	146,699	—	372	—	—	372
Issuance of Common Stock for services	—	—	50	—	—	50
Stock-based compensation	—	—	43,064	—	—	43,064
Issuance of Common Stock upon Palamedrix acquisition	4,030,472	1	11,832	—	—	11,833
Net unrealized loss on available-for-sale securities	—	—	—	(424)	—	(424)
Foreign currency translation loss	—	—	—	(17)	—	(17)
Net loss	—	—	—	—	(109,157)	(109,157)
Balance at December 31, 2022	187,647,973	$ 19	$ 1,171,122	$ (513)	$ (608,070)	$ 562,558

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

SomaLogic, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2022	2021
Operating activities		
Net loss	$ (109,157)	$ (87,547)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock-based compensation expense	43,609	28,415
Depreciation and amortization	4,571	2,569
Noncash rent expense	(186)	—
Amortization of debt issuance costs, discounts and premiums	—	258
Change in fair value of warrant liabilities	(30,968)	6,952
Change in fair value of earn-out liability	(26,870)	1,869
Change in fair value contingent consideration	167	—
Amortization of premium (accretion of discount) on available-for-sale securities, net	(977)	380
Provision for excess and obsolete inventory	490	703
Provision for (recovery of) doubtful accounts	150	(8)
Cloud computing arrangement expenditures	(11,127)	(3,412)
Loss on extinguishment of debt, net	—	4,323
Loss on disposal of property and equipment	2,411	—
Paid-in-kind interest	—	165
Income tax benefit	(806)	—
Other	15	19
Changes in operating assets and liabilities:		
Accounts receivable	(9,366)	383
Inventory	(3,732)	(2,957)
Deferred costs of services	(875)	988
Prepaid expenses and other current assets	133	(3,909)
Other long-term assets	(106)	—
Accounts payable	2,340	6,460
Deferred revenue	29,730	208
Accrued and other liabilities	9,885	4,509
Payment of paid-in-kind interest on extinguishment of debt	—	(752)
Net cash used in operating activities	(100,669)	(40,384)
Investing activities		
Palamedrix acquisition, net of cash acquired of $2,521	(13,256)	—
Purchases of property and equipment, net of proceeds from sales	(5,215)	(3,307)
Purchases of available-for-sale securities	(186,687)	(279,918)
Proceeds from maturities of available-for-sale securities	287,700	101,206
Net cash provided by (used in) investing activities	82,542	(182,019)
Financing activities		
Proceeds from exercise of stock options and employee stock purchase plan	5,185	3,947
Repayment of long-term debt	—	(36,512)
Proceeds from PIPE Investment, net of transaction costs	—	357,198
Proceeds from SPAC Merger, net of transaction costs	—	172,858
Net cash provided by financing activities	5,185	497,491
Effect of exchange rates on cash, cash equivalents and restricted cash	(43)	(14)
Net (decrease) increase in cash, cash equivalents and restricted cash	(12,985)	275,074
Cash, cash equivalents and restricted cash at beginning of period	440,268	165,194
Cash, cash equivalents and restricted cash at end of period	$ 427,283	$ 440,268
Supplemental cash flow information:		
Cash paid for interest	$ —	$ 1,627
Supplemental disclosure of non-cash investing and financing activities:		
Purchase of property and equipment included in accounts payable	$ 395	$ 615
Operating lease assets obtained in exchange for lease obligations	5,318	—
Issuance of Common Stock upon Palamedrix Acquisition	11,832	—
Contingent consideration payable for Palamedrix Acquisition	1,448	—
Issuance of Common Stock upon SPAC Merger	—	151,082
Surrender of shares in cashless exercise	—	56
Issuance of Common Stock for services	50	1,334
Forgiveness of Paycheck Protection Program loan and accrued interest	—	3,561
Issuance of Common Stock for conversion of convertible debt	—	4,631
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 421,830	$ 439,488
Restricted cash included in prepaid expenses and other current assets	4,658	—
Restricted cash included in other long-term assets	795	780
Total cash, cash equivalents and restricted cash at end of period	$ 427,283	$ 440,268

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

SomaLogic, Inc.
Notes to Consolidated Financial Statements

Note 1 — Description of Business

Organization and Operations

SomaLogic, Inc. (“SomaLogic” or the “Company”) operates as a protein biomarker discovery and clinical diagnostics company that develops slow off-rate modified aptamers (“SOMAmers®”), which are modified nucleic acid-based protein binding reagents that are specific for their cognate protein, and offer proprietary SomaScan® services, which provide multiplex protein detection and quantification of protein levels in complex biological samples. The SOMAmers®/SomaScan® technology enables researchers to analyze various types of biological samples for protein biomarker signatures, which can be utilized in drug discovery and development. Biomarker discoveries from SomaScan® can lead to diagnostic applications in various areas of diseases including cardiovascular and metabolic disease, nonalcoholic steatohepatitis, and wellness, among others.

SomaLogic, Inc. was incorporated in Delaware on December 15, 2020 as a special purpose acquisition company (“SPAC”) under the name CM Life Sciences II Inc. (“CMLS II”) for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses.

On September 1, 2021, we consummated a business combination (the “SPAC Merger”) wherein SomaLogic Operating Co. Inc. (“SomaLogic Operating”), a Delaware corporation formed on October 13, 1999, became a wholly-owned subsidiary of CMLS II. In connection with the closing of the SPAC Merger, we changed our name from CM Life Sciences II Inc. to SomaLogic, Inc.

Unless the context otherwise requires, the terms “we”, “us”, “our”, “SomaLogic" and “the Company" refer to SomaLogic, Inc. and its consolidated subsidiaries. See Note 3, *Business Combinations*, for more details of the SPAC Merger and, the presentation of historical amounts and balances after the SPAC Merger. Our Common Stock and warrants to purchase Common Stock are listed on the Nasdaq under the ticker symbols “SLGC” and “SLGCW”, respectively.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements and accompanying notes include the accounts of SomaLogic and our wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for financial information. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASUs”) of the Financial Accounting Standards Board (“FASB”).

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Revisions of prior period consolidated financial statements

Capitalized costs incurred in relation to the development of software under hosting arrangements that are service contracts should be classified as operating activities in the statement of cash flows. The Company determined that the prior classification of these capitalized costs under purchases of property and equipment, net of proceeds from sales within investing activities in the consolidated statement of cash flows was not material to the prior period consolidated financial statements as a whole. The prior period’s consolidated statement of cash flows has been revised to reflect the proper classification of capitalized costs in the accompanying consolidated financial statements as follows:

	Year Ended December 31, 2021		
(in thousands)	As Previously Reported	Reclassification	Revised
Operating Activities			
Cloud computing arrangement expenditures	$ —	$ (3,412)	$ (3,412)
Net cash used in operating activities	$ (36,972)	$ (3,412)	$ (40,384)
Investing Activities			
Purchases of property and equipment, net of proceeds from sales	(6,719)	3,412	(3,307)
Net cash provided by (used in) investing activities	$ (185,431)	$ 3,412	$ (182,019)
Supplemental disclosure of non-cash investing and financing activities:			
Purchase of property and equipment included in accounts payable	$ 1,492	$ (877)	$ 615

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods. Actual results could differ from those estimates. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, revenue recognition, inventory valuation, the fair value of common stock used in the valuation of stock-based compensation awards prior to the SPAC Merger, intangible asset valuations, contingent consideration valuations, and earn-out liability valuations. We base our estimates on current facts, historical and anticipated results, trends, and other relevant assumptions that we believe are reasonable under the circumstances. Actual results could differ from these estimates, and such differences could be material to our consolidated financial position and results of operations.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalents, investments, and accounts receivable. The Company does not require collateral or other security related to its receivables. Our cash and cash equivalents are deposited with high-quality financial institutions. Deposits at these institutions may, at times, exceed federally insured limits.

Significant customers are those that represent more than 10% of the Company's total revenues or gross accounts receivable balances for the periods in the consolidated statements of operations and comprehensive loss and as of each balance sheet date presented. For each significant customer, revenue as a percentage of total revenues and gross accounts receivable as a percentage of total gross accounts receivable as of the periods presented were as follows:

	Accounts Receivable December 31,		Revenue Year Ended December 31,	
	2022	2021	2022	2021
Customer A	11%	10%	19%	21%
Customer B	*	*	*	13%
Customer C	51%	20%	27%	10%
Customer D	*	26%	*	*

* less than 10%

International sales entail a variety of risks, including currency exchange fluctuations, longer payment cycles, and greater difficulty in accounts receivable collection. Customers outside the United States collectively represented 35% and 31% of the Company's revenues for the years ended December 31, 2022 and 2021, respectively. Customers outside of the United States collectively represented 23% and 18% of the Company's gross accounts receivable balance as of December 31, 2022 and 2021, respectively.

Certain components included in our products require customization and are obtained from a single source or a limited number of suppliers.

Business Combination

The Company accounts for business combinations using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. A business combination is one that combines inputs and processes to create outputs, and where substantially all of the fair value of assets acquired is not concentrated in a single identifiable asset or group of similar identifiable assets. Identifiable assets acquired and liabilities assumed are recorded at their acquisition date fair values. When determining the fair values of assets acquired and liabilities assumed, management makes significant estimates and assumptions. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities assumed is recorded as goodwill. Acquisition related costs are expensed as incurred and included in selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss. See Note 3, *Business Combinations*, for additional details.

Contingent Consideration

Contingent consideration arrangements represent a promise to deliver Common Stock and/or cash to former owners of an acquired business after the acquisition if certain specified events occur or conditions are met in the future are classified as liabilities and recognized at fair value at the acquisition date and at each subsequent reporting period. The contingent consideration liabilities contractually due beyond 12 months are recorded in other long-term liabilities on the consolidated balance sheets. Subsequent changes in fair value are recorded in selling, general and administrative expenses in the consolidated statements of operations and comprehensive loss. See Note 3, *Business Combinations*, for additional details.

Foreign Currency Translation

The functional currency of the Company’s foreign subsidiary is the British pound sterling. In preparing its consolidated financial statements, the Company is required to translate the financial statements of this subsidiary from British pounds sterling to U.S. dollars. Accordingly, the assets and liabilities of the Company’s subsidiary are translated into U.S. dollars at current exchange rates and the results of operations are translated at the average exchange rates for the period. Since the Company’s functional currency is deemed to be the local currency, any gain or loss associated with the translation of its consolidated financial statements is included in other comprehensive income (loss) in the consolidated statements of operations and comprehensive loss. Net foreign currency transaction gains (losses) were not significant for the years ended December 31, 2022 and 2021.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits and short-term, highly liquid investments that are readily convertible into cash, with original maturities of three months or less. Cash equivalents consist primarily of amounts invested in money market funds and are stated at fair value.

Restricted Cash

Restricted cash represents cash on deposit with a financial institution as security for letters of credit outstanding for the benefit of the landlords related to operating leases and a bank guarantee with an international customer. The portion of restricted cash expected to be released within twelve months is classified as prepaid expenses and other current assets on the consolidated balance sheets and was $4.7 million and nil as of December 31, 2022 and 2021, respectively. Cash expected to be restricted for greater than twelve months is classified as other long-term assets on the consolidated balance sheets and was $0.8 million as of December 31, 2022 and 2021.

Investments

The Company has designated all investments, which consist of U.S. Treasury securities, asset-backed securities, commercial paper, corporate bonds and agency bonds, as available-for-sale securities. Available-for-sale securities are reported at fair value on the consolidated balance sheets, with unrealized gains and losses excluded from earnings and reported as a component of other comprehensive (loss) income. Realized gains and losses, amortization of premiums and accretion of discounts, and interest and dividends earned on available-for-sale securities are included in interest income and other, net in the consolidated statements of operations and comprehensive loss. The cost of investments for purposes of computing realized and unrealized gains and losses is based on the specific identification method. The Company determines the appropriate classification of its debt securities at the time of purchase based on their maturities and re-evaluates such classification at each balance sheet date.

A decline in the fair value of a security below its cost that is deemed to be other-than-temporary is recorded as interest income and other, net and results in the establishment of a new basis for the security. Factors evaluated to determine if an investment is other-than-temporarily impaired include significant deterioration in earnings performance, credit rating, asset quality or business prospects of the issuer; adverse changes in the general market conditions in which the issuer operates; the Company's intent to sell the security, and whether or not the Company will be required to sell the security before the recovery of its amortized cost.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or the exit price, in the principal or most advantageous market for that asset or liability to be transferred in an orderly transaction between market participants on the measurement date. ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. The hierarchy defines three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Our financial instruments consist of Level 1, Level 2, and Level 3 assets and liabilities. The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate fair value due to their relatively short-term maturities.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from customers based on their outstanding invoices. We review accounts receivable regularly to determine if any receivable may not be collectible. Management estimates the amount of the allowance for doubtful accounts necessary to reduce accounts receivable to its estimated net realizable value by analyzing the status of significant past due receivables and current and historical bad debt trends. The Company writes off accounts receivable against the allowance when it determines a balance is uncollectible and ceases collection efforts. We did not write off any material accounts receivable balances during the years ended December 31, 2022 and 2021. We recorded a long-term receivable for guaranteed fixed minimum royalties net of a discount related to a significant financing component. The related interest income is recognized over the term of the agreement on an effective interest rate basis.

Accounts receivable consisted of the following:

	December 31,	
(in thousands)	**2022**	**2021**
Accounts receivable	$ 26,441	$ 17,146
Less: allowance for doubtful accounts	(151)	(72)
Accounts receivable, net	$ 26,290	$ 17,074
Accounts receivable, net (current)	$ 17,006	$ 17,074
Accounts receivable, net of current portion	$ 9,284	$ —

Inventory

Inventory is stated at the lower of cost (on a first-in, first-out basis) or net realizable value. Cost is determined using a standard cost system, whereby the standard costs are updated periodically to reflect current costs. The Company estimates the recoverability of inventory by referencing estimates of future demands and product life cycles, including expiration. The Company periodically analyzes its inventory levels to identify inventory that may expire prior to expected usage, no longer meets quality specifications, or has a cost basis in excess of its estimated net realizable value and records a charge to cost of revenue for such inventory as appropriate. The value of inventory that is not expected to be used within 12 months of the balance sheet date is classified as non-current inventory in the accompanying consolidated balance sheets.

Deferred Costs of Services

Deferred costs of services relate to costs incurred to run customer samples through the SomaScan® assay. These costs are deferred until the final report is provided to the customer and the related revenue is recognized.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Additions and improvements that extend the lives of the assets are capitalized, while expenditures for repairs and maintenance are expensed as incurred. Depreciation for property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets, which we estimate to be: lab equipment, 1 to 5 years; computer equipment, 3 years; furniture and fixtures, 4 years; and software, the shorter of 5 years or its useful life. Leasehold improvements are amortized over the shorter of the life of the lease term or the estimated useful life of the assets.

The Company capitalizes certain internal and external costs related to the acquisition and development of internal use software or cloud computing arrangements during the application development stages of projects. When the software is ready for its intended use, the Company amortizes these costs using the straight-line method over the estimated useful life of the asset, or, for cloud computing service arrangements, over the term of the hosting arrangement. Costs incurred during the preliminary project or the post-implementation/operation stages of the project are expensed as incurred.

Costs for capital assets not yet placed into service are capitalized as construction in progress and depreciated once placed into service. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included within loss from operations in the consolidated statements of operations and comprehensive loss.

In-process research and development

Acquired in-process research and development ("IPR&D") relates to substantial research and development efforts that are incomplete at the acquisition date. IPR&D intangible assets are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. During the development phase, these assets are not amortized but are tested for impairment annually during the fourth quarter of the year or more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. Once the IPR&D activities are completed, the intangible asset is amortized over its useful life on a straight-line basis.

Goodwill

Goodwill is the difference between the total consideration paid in a business combination and the fair value of the net of identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is tested for impairment on an annual basis during the fourth quarter of the year and in interim periods if events or changes in circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount. All of the Company's goodwill is assigned to its one reporting unit.

The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the quantitative goodwill impairment test is unnecessary. For the quantitative goodwill impairment test, the fair value of the reporting unit is compared to its carrying value and an impairment is recorded for the excess carrying value over fair value, not to exceed the carrying amount of goodwill. There were no goodwill impairment losses recorded for the year ended December 31, 2022. The Company had no goodwill as of December 31, 2021.

Impairment of Long-Lived Assets

The Company evaluates a long-lived asset (or asset group) for impairment whenever events or changes in circumstances indicate that the carrying value of the asset (or asset group) may not be recoverable. If indicators of impairment exist and the undiscounted future cash flows that the asset (or asset group) is expected to generate are less than the carrying value of the asset (or asset group), an impairment loss is recorded to write down the asset (or asset group) to its estimated fair value based on a discounted cash flow approach. There were no impairment losses recorded for the years ended December 31, 2022 and 2021.

Leases

Following the adoption of ASU 2016-02, Leases (Topic 842), on January 1, 2022, we determine if an arrangement is a lease at inception of the contract. Operating lease right-of-use ("ROU") assets are included in other long-term assets, and operating lease liabilities are included in other current liabilities and other long-term liabilities in the consolidated balance sheets.

ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at commencement date. As the implicit rate in the Company's leases is generally unknown, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. The Company gives consideration to its credit risk, term of the lease, total lease payments and adjusts for the impacts of collateral, as necessary, when calculating its incremental borrowing rates.

Operating lease ROU assets include lease incentives and initial direct costs incurred. When the lease incentives specify a maximum level of reimbursement and we are reasonably certain to incur reimbursable costs equal to or exceeding this level, we include the lease incentive in the measurement of the ROU assets and lease liabilities at commencement. The lease terms may include options to extend or terminate the lease when it is reasonably certain the Company will exercise any such options. Lease costs for our operating leases are recognized on a straight-line basis within operating expenses over the lease term in the consolidated statements of operations and comprehensive loss.

We have lease agreements with lease and non-lease components. However, we have elected the practical expedient to not separate lease and non-lease components for all of our existing classes of assets. Therefore, the lease and non-lease components are accounted for as a single lease component. We have also elected to not apply the recognition requirement to any short-term leases with a term of 12 months or less.

We monitor for events or changes in circumstances that may require a reassessment or impairment of our leases, at which time our ROU assets for operating leases may be reduced by impairment losses.

Warrant Liabilities

During February 2021, in connection with CMLS II's initial public offering, CMLS II issued 5,519,991 warrants (the "Public Warrants") to purchase shares of Common Stock at $11.50 per share. Simultaneously, with the consummation of the CMLS II initial public offering, CMLS II issued 5,013,333 warrants through a private placement (the "Private Placement Warrants", and together with the Public Warrants, the "Warrants") to purchase shares of Common Stock at $11.50 per share. All of the Warrants were outstanding as of December 31, 2022.

We classify the Warrants as liabilities on our consolidated balance sheets as these instruments are precluded from being indexed to our own stock given that the terms allow for a settlement adjustment that does not meet the scope for the fixed-for-fixed exception in ASC 815, *Derivatives and Hedging* ("ASC 815"). Since the Warrants meet the definition of a derivative under ASC 815-40, the Company recorded these warrants as long-term liabilities at fair value on the date of the SPAC Merger, with subsequent changes in their respective fair values recognized within change in fair value of warrant liabilities in the consolidated statements of operations and comprehensive loss at each reporting date. See Note 12, *Stockholders' Equity*, for more information on the Warrants.

Earn-Out Liability

As a result of the SPAC Merger, additional shares of Common Stock were provided to SomaLogic Operating shareholders and to certain employees and directors of SomaLogic ("Earn-Out Service Providers") of up to 3,500,125 and 1,499,875, respectively (the "Earn-Out Shares"). The Earn-Out Shares are payable if the price of our Common Stock is greater than or equal to $20.00 for a period of at least 20 out of 30 consecutive trading days at any time between the 13- and 24-month anniversary of the closing date of the SPAC Merger (the "Triggering Event"). Any Earn-Out Shares issuable to an Earn-Out Service Provider (the "Service Provider Earn-Outs") shall be issued only if such individual continues to provide services (whether as an employee or director) through the date of occurrence of the corresponding Triggering Event (or a change in control acceleration event, if applicable) that causes such Earn-Out Shares to become issuable. Any Earn-Out Shares that are forfeited pursuant to the preceding sentence shall be reallocated to the SomaLogic Operating shareholders in accordance with their respective pro rata Earn-Out Shares.

The Earn-Out Shares granted to shareholders are recognized as a liability in accordance with ASC 815. The liability was included as part of the consideration transferred in the SPAC Merger and was recorded at fair value. The earn-out liability is remeasured at the end of each reporting period, with subsequent changes in fair value recognized within change in fair value of earn-out liability in the consolidated statements of operations and comprehensive loss.

As the issuance of the Service Provider Earn-Outs is contingent on services being provided, they are accounted for in accordance with ASC 718, *Compensation - Stock Compensation*. See Note 13, *Stock-based Compensation*, for additional information regarding Service Provider Earn-Outs.

Revenue Recognition

The Company recognizes revenue from sales to customers under ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 provides a five-step model for recognizing revenue that includes identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when, or as, an entity satisfies a performance obligation.

The Company recognizes revenue when or as control of promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue.

Payment terms may vary by customer, are based on customary commercial terms, and are generally less than one year. The Company does not adjust revenue for the effects of a significant financing component for contracts where the period between the transfer of the good or service and collection is one year or less. The Company expenses incremental costs to obtain a contract when incurred since the amortization period of the asset that would otherwise be recognized is one year or less.

Assay Services Revenue

The Company generates assay services revenue primarily from the sale of SomaScan® services. SomaScan® service revenue is derived from performing the SomaScan® assay on customer samples to generate data on protein biomarkers. Revenue from SomaScan® services is recognized at the time the analysis data or report is delivered to the customer, which is when control has been transferred to the customer. SomaScan® services are sold at a fixed price per sample without any volume discounts, rebates, or refunds.

The delivery of each assay data report is a separate performance obligation. For arrangements with multiple performance obligations, the transaction price must be allocated to each performance obligation based on its relative standalone selling price. Judgment is required to determine the standalone selling price for each distinct performance obligation as there are few directly comparable products in the market and factors such as customer size are factored into the determination of selling price. We determine standalone selling prices based on amounts invoiced to customers in observable transactions.

Product Revenue

Product revenue primarily consists of equipment and kit sales to customers that assay samples in their own laboratories. Equipment is generally accounted for as a bundle with installation, qualification and training services. Revenue is recognized based on the progress made toward achieving the performance obligation utilizing input methods, including costs incurred. Revenue from kit sales is recognized upon transfer of control to the customer. Shipping and handling costs billed to customers are included in product revenue in the consolidated statements of operations and comprehensive loss.

Collaboration Revenue

In July 2011, NEC Corporation (“NEC”) and the Company entered into a Strategic Alliance Agreement (the “SAA”) to develop a professional software tool to enable SomaScan® customers to easily access and interpret the highly multiplexed proteomic data generated by SomaLogic’s SomaScan® assay technology in the United States. To support this development, NEC made an upfront payment of $12.0 million. This agreement includes a clause whereby if there is a material breach of the contract or change in control of the Company, the Company may be required to pay a fee to terminate the agreement.

The Company determined that the SAA met the criteria set forth in ASC 808, *Collaborative Arrangements*, (“ASC 808”) because both parties were active participants and were exposed to significant risks and rewards dependent on commercial failure or success. The Company recorded the upfront payment as deferred revenue to be recognized over the period of performance of 15 years. The revenue was recorded in collaboration revenue in the consolidated statements of operations and comprehensive loss.

In March 2020, NEC and the Company mutually terminated the SAA and concurrently the Company and NEC Solution Innovators, Ltd. (“NES”), a wholly owned subsidiary of NEC, entered into a new arrangement, the JDCA, to develop and commercialize SomaScan® services in Japan, as described in the section entitled “Collaboration Agreements” above. NES agreed to make annual payments of $2 million for five years, for a total of $10.0 million, in exchange for research and development activities, as described below. The Company determined the JDCA should be accounted for as a modification of the SAA. Therefore, the remaining SAA deferred revenue balance as of the date of the modification was included as consideration under the JDCA resulting in total consideration of $15.3 million for research and development activities. We determined that this arrangement also meets the criteria set forth in ASC 808. The JDCA contains three separate performance obligations: (i) research and development activities, (ii) assay services, and (iii) a 10-year exclusive license of the Company’s intellectual property.

(i) Research and Development Activities

The Company determined that NES is not a customer with respect to the research and development activities associated with the collaboration arrangement under ASC 808. The Company recognizes revenue from these activities based on the progress made toward achieving the performance obligation utilizing input methods, including costs incurred, in collaboration revenue in the consolidated statements of operations and comprehensive loss.

(ii) Assay Services

The Company determined that NES is a customer for the assay services performance obligation, which should be accounted for using the criteria under ASC 606. The Company receives a fixed fee (standalone selling price) per sample in exchange for assaying samples, which is a service performed for other customers in the ordinary course of business. This performance obligation is recognized at a point in time when the assay data report is delivered to the customer and recorded in assay services revenue in the consolidated statements of operations and comprehensive loss.

(iii) License of Intellectual Property

The Company determined that NES is a customer for the license performance obligation, which should be accounted for using the criteria under ASC 606. The Company receives royalties based on NES' net sales and determined the allocation of royalties solely to this performance obligation is consistent with the objectives in ASC 606. This performance obligation was satisfied at the beginning of the license term. Subject to the sales and usage-based royalty exception, revenue is recognized in the period in which the subsequent sale or usage has occurred. Royalties are recorded in other revenue in the consolidated statements of operations and comprehensive loss.

Other Revenue

Other revenue includes royalty revenue and revenue received from research grants. The Company recognizes royalty revenue for fees paid by customers in return for a license to make, use or sell certain licensed products in certain geographic areas. These fees are equivalent to a percentage of the customer's related revenues. The Company recognizes revenue for sales-based or usage-based royalties promised in exchange for a functional license of intellectual property when the later of the following events occurs: (i) the subsequent sale or usage occurs, or (ii) the performance obligation to which some or all of the sales-based or usage-based royalty has been satisfied. As such, revenue is recognized in the period in which the subsequent sale or usage has occurred.

In June 2008, the Company and New England Biolabs, Inc. ("NEB") entered into an exclusive licensing agreement, whereby the Company provides a license to use certain proprietary information and know-how relating to its aptamer technology to make and use commercial products. In exchange, the Company receives royalties from NEB for this functional license of intellectual property. In September 2022, the Company and NEB entered into a license and settlement agreement ("NEB Agreement") that terminated the existing exclusive licensing arrangement and provided for a settlement of $8.0 million of previously constrained royalties. The NEB Agreement also provided a non-exclusive license arrangement for the same proprietary information and know-how under which the Company is guaranteed fixed minimum royalties of $15.0 million to be received over the next 3 years. The Company recognized revenue for the guaranteed fixed minimum royalties of $13.2 million for the year ended December 31, 2022, net of a significant financing component of $1.8 million. Any revenue above the guaranteed fixed minimum royalties is recognized in the period in which the subsequent sale or usage has occurred. The Company has recorded a receivable of $13.5 million as of December 31, 2022, of which $9.1 million is recorded in accounts receivable, net of current portion and $4.4 million is recorded in accounts receivable, net on the consolidated balance sheets. Interest income related to the significant financing component was $0.3 million for the year ended December 31, 2022, and is included in interest income and other, net in the consolidated statements of operations and comprehensive loss.

Grant revenue represents funding under cost reimbursement programs or fixed rate arrangements from government agencies and non-profit foundations for qualified research and development activities performed by the Company. The Company recognizes grant revenue when it is reasonably assured that the grant funding will be received as evidenced through the existence of a grant arrangement, amounts eligible for reimbursement are determinable and have been incurred, the applicable conditions under the grant arrangements have been met, and collectability of amounts due is reasonably assured. The classification of costs incurred related to grants is based on the nature of the activities performed by the Company. Grant revenue is recognized when the related costs are incurred and recorded in other revenue in the consolidated statements of operations and comprehensive loss.

Illumina Cambridge, Ltd.

On December 31, 2021, the Company entered into a multi-year arrangement with Illumina Cambridge, Ltd. ("Illumina Agreement") to jointly develop and commercialize co-branded kits that will combine Illumina's Next Generation Sequencing ("NGS") technology with SomaLogic's SomaScan technology. Pursuant to the agreement, we received a non-refundable upfront payment of $30.0 million on January 4, 2022. This arrangement is accounted for in accordance with ASC 606. The Company concluded there are two performance obligations: (1) SOMAmer reagents necessary to develop and commercialize NGS based proteomic products, inclusive of the rights to licenses, patents and training to allow for the use of such reagents and (2) an option to purchase goods post-commercialization with a material right ("Material Right"). The total transaction price is subject to a constraint since it is uncertain that commercialization will be achieved; and therefore the transaction price was determined to be $30.0 million and was allocated to each of the performance obligations identified on a relative standalone selling price basis. Revenue from the performance obligations is recognized as follows in product revenue in the consolidated statements of operations and comprehensive loss:

Reagents: Revenue is recognized when control transfers to the customer (i.e., when the SOMAmer reagents are shipped). The Company estimated the standalone selling price ("SSP") based on observable pricing of similar performance obligations.

Material Right: Revenue is recognized when Illumina exercises its option to purchase goods post-commercialization. The Company estimated the SSP based on an incremental discount to be provided to the customer adjusted for the likelihood that Illumina will exercise the option.

In June 2022, Illumina issued a purchase order that changed the promises under the Illumina Agreement. The purchase order represents a contract modification that is accounted for prospectively as if it were a termination of the existing contract and the creation of a new contract.

As a result, the Company determined that there were three new performance obligations (total of five performance obligations): (1) equipment bundle that includes customization services, integration services, system qualification services, site initiation services and training ("Equipment Bundle"), (2) qualification kits, and (3) support services. The contract modification resulted in an increase in the transaction price of $0.5 million. The updated transaction price was allocated between the performance obligations on a relative SSP basis. The Company estimated the SSP based on observable pricing of similar performance obligations. Revenue from the performance obligations is recognized as follows in product revenue in the consolidated statements of operations and comprehensive loss:

Equipment Bundle*:* Revenue is recognized based on the progress made toward achieving the performance obligation utilizing input methods, including costs incurred.

Qualification Kits*:* Revenue is recognized when control transfers to the customer (i.e., when the qualification kits are shipped).

Support Services: Revenue is recognized for the support services as the services are provided.

During December 31, 2022, the Company recognized $0.1 million of revenue pursuant to the Illumina Agreement for performance obligations satisfied.

Cost of Assay Services Revenue

Cost of assay services revenue consists of raw materials and production costs, salaries and other personnel costs, overhead and other direct costs related to assay services revenue. It also includes costs for production variances, such as yield losses, material usages, spending and capacity variances. Cost of assay services revenue is recognized in the period the related revenue is recognized.

Cost of Product Revenue

Cost of product revenue consists primarily of raw materials, equipment and production costs, salaries and other personnel costs, overhead and other direct costs related to product revenue. Shipping and handling costs incurred for product shipments are included in cost of product revenue in the consolidated statements of operations and comprehensive loss. Cost of product revenue is recognized in the period the related revenue is recognized.

Research and Development

Research and development expenses, consisting primarily of salaries and benefits, laboratory supplies, clinical study costs, consulting fees and related costs, are expensed as incurred.

Selling, General and Administrative

Selling expenses consist primarily of personnel and marketing related costs and are expensed as incurred. Advertising costs totaled approximately $3.5 million and $0.7 million during the years ended December 31, 2022 and 2021, respectively.

General and administrative expenses consist primarily of personnel costs for the Company's finance, human resources, business development and general management, as well as professional services, such as legal and accounting services. General and administrative expenses are expensed as incurred.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the tax bases of assets and liabilities and their respective financial reporting amounts, based on enacted tax laws and statutory tax rates applicable to the periods in which these temporary differences are expected to reverse. The Company evaluates the need to establish or release a valuation allowance based upon expected levels of taxable income, future reversals of existing temporary differences, tax planning strategies, and recent financial operations. Valuation allowances are established to reduce deferred tax assets to the amount expected to be more likely than not realized in the future.

The effect of income tax positions is recognized only when it is more likely than not to be sustained. Interest and penalties associated with uncertain tax positions are recorded in income tax benefit (provision) in the consolidated statements of operations and comprehensive loss.

Stock-Based Compensation

The Company incurs stock-based compensation expense related to its equity awards granted under its stock-based compensation plans. These awards include stock options and restricted stock units. The fair value of stock option awards is estimated using a Black-Scholes valuation model. The fair value of restricted stock units is the closing market price per share of the Company's stock on the grant date. The Company recognizes compensation expense on a straight-line basis over the vesting period.

The Company estimates forfeitures based on historical experience. Stock-based compensation expense is adjusted over the term of the awards to reflect their probability of vesting.

Set forth below are the assumptions used in valuing the stock options granted and a discussion of the Company's methodology for developing each of the assumptions used:

- Expected dividend yield — The Company did not pay regular dividends on its common stock and does not anticipate paying any dividends in the foreseeable future. Therefore, the Company used an expected dividend yield of zero in the option valuation model.

- Expected volatility — Volatility is a measure of the amount by which a financial variable, such as share price, has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company analyzes the volatility used by similar public companies at a similar stage of development to estimate expected volatility. The comparable companies are chosen based on their similar size, stage in the life cycle or area of specialty.

- Risk-free interest rate — We use a range of United States Treasury rates with a term that most closely resembles the expected life of the option as of the date of which the option was granted.

- Expected average life of options — The expected life assumption is the expected time to exercise. The Company uses a simplified method to develop this assumption, which uses the average of the vesting period and the contractual terms, as the Company has limited historical information to develop reasonable expectations about future exercise patterns.

Fair Value of Common Stock

Prior to the SPAC Merger, the grant date fair value of the shares of common stock underlying stock options was determined by the Company's Board of Directors with assistance of third-party valuation specialists. Because there was no public market for the Company's common stock, the Board of Directors exercised reasonable judgment and considered a number of objective and subjective factors, combined with management's judgments, to determine the best estimate of the fair value, which include financial condition and actual operating results; the progress of the Company's research and development efforts; its stage of development; business strategy; the rights, preferences and privileges of the Company's redeemable convertible preferred stock relative to those of the Company's common stock; the prices at which the Company sold shares of its redeemable convertible preferred stock; equity market conditions of comparable public companies; general U.S. market conditions; and the lack of marketability of our common stock.

Following the SPAC Merger, the grant date fair values of these awards are determined based on the closing price of the Company's common stock on the date of the grant.

Comprehensive Loss

Comprehensive loss is comprised of net loss and other comprehensive loss. Other comprehensive loss refers to gains and losses that are recorded as an element of stockholders' equity but excluded from net loss. Our other comprehensive loss consists of foreign currency translation adjustments and net unrealized gain or losses on investments in available-for-sale securities.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock issued and outstanding during the period. Diluted net loss per share is similarly computed, except that the denominator includes the effect of contingently issuable shares, warrants, and stock options, using the treasury stock method, if including such potential shares of common stock is dilutive.

Segment Information

The Company has one operating segment. The Company's chief operating decision maker (the "CODM") role is performed by the Company's Chief Executive Officer. The CODM manages the Company's operations on a consolidated basis for purposes of allocating resources and assessing performance. Substantially all of the Company's operations and decision-making functions are located in the United States.

Recent Accounting Pronouncements

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, as amended (the "JOBS Act"). The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to use this extended transition period and, as a result, we will not be required to adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies so long as we remain an emerging growth company.

Recently Adopted Accounting Standards

Goodwill Impairment. In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment,* to simplify the goodwill impairment test. ASU 2017-04 removes the requirement to determine the fair value of individual assets and liabilities in order to calculate a reporting unit's "implied" goodwill. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. We adopted ASU 2017-04 upon completing the Palamedrix Acquisition in August 2022, which is when the Company recognizing goodwill for the first time.

Leases. In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize assets and liabilities for the rights and obligations created by most leases on their balance sheet. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which extended the effective date of ASU 2016-02 for non-public business entities.

We adopted ASU 2016-02, as amended, on January 1, 2022 using a modified retrospective approach and elected to apply the legacy lease guidance and disclosure requirements ("ASC 840") in the comparative periods presented for the year of adoption.

We elected the package of transition practical expedients, permitting us to not reassess our prior conclusions about lease identification, lease classification and initial direct costs.

The new lease standard impacted our consolidated balance sheets as a result of the ROU assets and operating lease liabilities, but did not impact our consolidated statements of operations or consolidated statements of cash flows. The adoption did not require any cumulative-effect adjustments to opening accumulated deficit. We currently have no finance leases. Upon adoption, we recorded $4.1 million of ROU assets, $1.0 million of current operating lease liabilities, and $3.6 million of non-current operating lease liabilities.

For more information on our leases, refer to Note 6, *Leases*.

Income Taxes. In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions to the general principles of ASC 740 as part of an overall simplification initiative. We adopted ASU 2019-12 prospectively when it became effective on January 1, 2022 and the adoption did not have a material impact on our consolidated financial statements and related disclosures.

Accounting Standards Not Yet Adopted

Financial Instruments — Credit Losses. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which sets forth a “current expected credit loss” (CECL) model that requires us to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. In November 2019, the FASB issued ASU 2019-10, *Financial Instrum*ents — *Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates,* which extends the effective date of ASU 2016-13 for non-public business entities. ASU 2016-13, as amended, is effective for us on January 1, 2023. We do not expect the adoption to have a material impact on our consolidated financial statements and related disclosures.

Note 3 — Business Combinations

SPAC Merger

As described in Note 1, *Description of Business*, on September 1, 2021 (“Closing Date”), we consummated the SPAC Merger wherein SomaLogic Operating (“Old SomaLogic”) became a wholly-owned subsidiary of CMLS II. Pursuant to the terms of the Merger Agreement, the merger consideration payable to stockholders of Old SomaLogic at the Closing Date was $1.25 billion, consisting of cash payments of $50 million and equity consideration in the form of (i) the issuance of shares of Common Stock and (ii) rollover of Old SomaLogic’s outstanding options. The number of shares of Common Stock issued to Old SomaLogic stockholders was based on a deemed value of $10.00 per share after giving effect to the Exchange Ratio. Each share of Old SomaLogic Class B common stock (including shares of Old SomaLogic Class B common stock resulting from the deemed conversion of Old SomaLogic redeemable convertible preferred stock) converted into the right to receive 0.8381 shares (the "Exchange Ratio”) of our Class A common stock, par value $0.0001, which was renamed as common stock (“Common Stock”).

The SPAC Merger was accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, CMLS II was treated as the “acquired” company for financial reporting purposes and SomaLogic Operating was treated as the accounting acquirer. Accordingly, our financial statements represent a continuation of the financial statements of SomaLogic Operating with the SPAC Merger being treated as the equivalent of SomaLogic Operating issuing stock for the net assets of CMLS II, accompanied by a recapitalization. The net assets of SomaLogic Operating was stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the SPAC Merger in these financial statements are those of SomaLogic Operating. The recapitalization of our Common Stock was reflected retrospectively to the earliest period presented.

Earn-Out Shares

The Merger Agreement also provides additional shares of Common Stock to Old SomaLogic shareholders and to certain employees and directors of SomaLogic ("Earn-Out Service Providers") of up to 3,500,125 and 1,499,875, respectively (the "Earn-Out Shares"). The Earn-Out Shares are payable if the price of our Common Stock is greater than or equal to $20.00 for a period of at least 20 out of 30 consecutive trading days at any time between the 13- and 24-month anniversary of the Closing Date (the "Triggering Event"). Any Earn-Out Shares issuable to an Earn-Out Service Provider shall be issued only if such individual continues to provide services (whether as an employee or director) through the date of occurrence of the corresponding Triggering Event (or a change in control acceleration event, if applicable) that causes such Earn-Out Shares to become issuable (refer to Note 13, *Stock-based Compensation*). Any Earn-Out Shares that are forfeited pursuant to the preceding sentence shall be reallocated to the Old SomaLogic stockholders in accordance with their respective pro rata Earn-Out Shares. As of December 31, 2022, the contingency has not been met and, accordingly, no shares of Common Stock have been issued.

PIPE (Private Investment in Public Entity) Investment

In connection with the SPAC Merger, CMLS II entered into subscription agreements with certain institutional and accredited investors (the "PIPE Investors"), pursuant to which the PIPE Investors purchased, concurrently with the closing, an aggregate of 36,500,000 shares of Common Stock at a purchase price of $10.00 per share for an aggregate purchase price of $365.0 million (the "PIPE Investment").

CMLS II Shares

In connection with the closing, certain CMLS II holders exercised their right to redeem certain of their outstanding shares for cash, resulting in the redemption of 809,850 shares of CMLS II common stock at an approximate price of $10.00 per share, for an aggregate of approximately $8.1 million, which was paid to such holders at the Closing Date (the "CMLS II Redemption"). Immediately following the Closing Date, all of the 6,900,000 issued and outstanding shares of CMLS II Class B common stock ("CMLS II Founder Shares"), automatically converted, on a one-for-one basis, into shares of Common Stock in accordance with CMLS II's amended and restated certificate of incorporation.

Summary of Shares Issued

The following table details the number of shares of Common Stock issued immediately following the consummation of the SPAC Merger:

	Shares
CMLS II Class A common stock, outstanding prior to SPAC Merger	27,600,000
Less: CMLS II Redemption shares	(809,850)
Class A common stock of CMLS II, net of redemptions	26,790,150
Conversion of CMLS II Founder Shares for Common Stock	6,900,000
Shares issued pursuant to PIPE Investment	36,500,000
Conversion of Old SomaLogic shares for Common Stock [(1)]	110,973,213
Total shares of SomaLogic Common Stock, immediately after SPAC Merger	181,163,363

[(1)] The number of Old SomaLogic shares was determined as the 75,404,883 shares of Old SomaLogic Class B common stock and 31,485,973 shares of Old SomaLogic redeemable convertible preferred stock (assuming deemed conversion to Old SomaLogic Class B common stock) outstanding immediately prior to the closing of the SPAC Merger multiplied by the Exchange Ratio of 0.8381.

Summary of Net Proceeds

On the Closing Date, SomaLogic received gross proceeds of $619.4 million, consisting of $365.0 million from the PIPE Investors and $254.4 million from CMLS II. The gross proceeds were reduced by $50 million of cash payments made to Old SomaLogic stockholders (based on certain Old SomaLogic stockholders' election to receive cash instead of equity consideration) and $39.3 million of direct transaction costs incurred by the Company. These direct transaction costs were included in additional paid-in capital and reflected as an offset against the proceeds.Transaction costs associated with liability-classified instruments were not material.

Acquisition of Palamedrix, Inc.

On July 25, 2022, we entered into an Agreement and Plan of Merger to acquire 100% of the equity interests in Palamedrix, Inc. ("Palamedrix") (the “Palamedrix Acquisition”). Palamedrix is a DNA nano tech firm that provides scientific and engineering expertise, miniaturization technology and enhanced ease-of-use capabilities that the Company intends to leverage as it develops the next generation of SomaScan® Assay. The Palamedrix Acquisition provides for up to $0.5 million to be paid to the founders contingent upon settlement of pre-acquisition legal matters. It also provides for three potential additional payments of up to $17.5 million to the owners, including non-founder and founder employees, to be settled in cash and/or Common Stock contingent on the achievement of certain net sales milestone targets by the fifth and sixth year anniversary of the closing date of the acquisition (the “Milestone Consideration”). The acquisition closed on August 31, 2022.

The acquired business contributed revenue and expenses of nil and $2.1 million, respectively, for the year ended December 31, 2022.

The following table summarizes the fair value of consideration transferred to acquire Palamedrix:

(in thousands)		
Cash	$	15,778
Common Stock		11,832
Contingent consideration		1,448
Fair value of replaced Palamedrix equity awards relating to pre-combination service		625
Total consideration transferred	$	29,683

Consideration transferred includes 3,215,295 shares of Common Stock issued to Palamedrix securityholders. An additional 815,177 shares of Common Stock were issued to Palamedrix employees and founders that were accounted for as post-combination compensation expense. The fair value of Common Stock is based on a per share price of $3.68 on August 31, 2022, the acquisition date.

We are in the process of completing our purchase accounting, whereby the purchase price is allocated to the identifiable assets acquired and liabilities assumed based upon their estimated fair values on the acquisition date. The purchase accounting is considered preliminary and is subject to revision based on final determinations of fair value and allocations of purchase price to the acquired identifiable assets acquired and liabilities assumed.

The following table represents the preliminary allocation of consideration transferred to the identifiable assets acquired and the liabilities assumed based on the fair values as of August 31, 2022:

(in thousands)		
Cash and cash equivalents	$	2,521
Prepaid expenses and other current assets		251
Property and equipment		1,246
Intangible assets		16,700
Other long-term assets		1,289
Accounts payable		(68)
Accrued liabilities		(81)
Other current liabilities		(634)
Deferred income taxes, net		(1,390)
Other long-term liabilities		(550)
Net identifiable assets acquired		19,284
Goodwill		10,399
Total consideration transferred	$	29,683

The goodwill is generated from operational synergies and cost savings the Company expects to achieve from the combined operations and Palamedrix's knowledgeable and experienced assembled workforce. The goodwill is not deductible for tax purposes.

All unvested awards of non-founder employees were accelerated on a discretionary basis as part of the Palamedrix Acquisition. These awards were exchanged at the close date for cash, Common Stock, and Milestone Consideration. As a result, the Company allocated $1.3 million of the total consideration transferred to post-combination compensation expense. The amount is recorded in selling, general and administrative in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2022.

In addition, the unvested awards of the Palamedrix founders were exchanged for cash, Common Stock, and Milestone Consideration on a consistent basis with all other shareholders. However, the Common Stock and Milestone Consideration replacement awards granted to the Palamedrix founders require continuing employment for a period of three years. The Common Stock awards vest ratably over the service period and are equity classified. The Milestone Consideration awards vest after a three year service period or upon the achievement of the milestones.

The Milestone Consideration replacement awards of non-founder and founder employees are accounted for under ASC 718. As the milestone payments are a fixed monetary value settled in cash and/or Common Stock, they are liability classified. A liability of $1.3 million as of December 31, 2022 is recorded in other long-term liabilities on the consolidated balance sheets.

As of December 31, 2022, we incurred $3.7 million of acquisition-related costs included in selling, general, and administrative expense in the consolidated statements of operations and comprehensive loss.

Unaudited Pro Forma Financial Information

The following supplemental pro forma information has been prepared as if the Palamedrix acquisition had occurred on January 1, 2021 and is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved as if the acquisition had taken place as of January 1, 2021.

	Pro forma year ended			
	December 31, 2022		**December 31, 2021**	
(in thousands)	**(Unaudited)**		**(Unaudited)**	
Net loss	$	(111,077)	$	(100,837)

The unaudited supplemental pro forma information includes the estimated impact of certain material, nonrecurring adjustments directly attributable to the Palamedrix Acquisition. These pro forma adjustments primarily include the following:

	Pro forma year ended	
	December 31, 2022	**December 31, 2021**
(in thousands)	**(Unaudited)**	**(Unaudited)**
Increase (decrease) to net loss to adjust for transaction costs	$ 4,877	$ (4,877)
Increase (decrease) to net loss to reflect income tax benefit from the release of a portion of the valuation allowance	(622)	622
Increase (decrease) to net loss to adjust for compensation expense associated with replacement awards	62	(3,161)

These pro forma amounts have been calculated after applying our accounting policies and adjusting the results of Palamedrix to reflect the impact of transaction expenses incurred, income tax benefit from the release of a portion of the valuation allowance, and additional compensation expense that would have been charged assuming the replacement awards issued in conjunction with the Palamedrix Acquisition were issued and outstanding on January 1, 2021.

Note 4 — Revenue

The following table provides information about disaggregated revenue by product line:

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Assay services revenue	$ 63,038	$ 68,038
Product revenue	4,243	1,277
Collaboration revenue	3,051	3,051
Other revenue:		
Royalties	26,190	8,515
Other	1,144	745
Total other revenue	27,334	9,260
Total revenue	$ 97,666	$ 81,626

Contract Balances and Remaining Performance Obligations

Contract liabilities represent the Company's obligation to transfer goods or services to customers from which we have received consideration. Deferred revenue is classified as current if the Company expects to be able to recognize the deferred amount as revenue within 12 months of the balance sheet date. Deferred revenue is recognized as or when the Company satisfies its performance obligations under the contract.

At December 31, 2022 and 2021, deferred revenue of $35.1 million and $5.4 million, respectively, was comprised of balances related to our collaboration, product, assay services, and other revenue. At December 31, 2022 and 2021, the portion of deferred revenue related to collaboration revenue was $2.9 million and $3.9 million, respectively. As of December 31, 2022, the estimated remaining performance period related to the deferred collaboration revenue is approximately 2.3 years. At December 31, 2022 and 2021, the portion of deferred revenue related to assay services and other revenue was $1.8 million and $1.5 million, respectively. As of December 31, 2022, the deferred revenue related to assay services and other revenue will be recognized within 12 months.

As of December 31, 2022 and 2021, the deferred product revenue related to the Illumina Agreement amounted to $30.4 million and nil, respectively. As of December 31, 2022, the estimated remaining performance obligation period is approximately eight years.

A summary of the change in contract liabilities is as follows:

	December 31,	
(in thousands)	2022	2021
Balance at beginning of period	$ 5,385	$ 5,177
Recognition of revenue included in balance at beginning of period	(2,772)	(1,762)
Revenue deferred during the period, net of revenue recognized	32,502	1,970
Balance at end of period	$ 35,115	$ 5,385

Note 5 — Fair Value Measurements

Assets measured at fair value on a recurring basis

The following tables set forth our financial assets measured at fair value on a recurring basis and the level of inputs used in such measurements:

As of December 31, 2022 *(in thousands)*	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Aggregate Fair Value	Fair Value Level
Cash and cash equivalents:					
Cash	$ 44,045	$ —	$ —	$ 44,045	Level 1
Money market funds	377,785	—	—	377,785	Level 1
Total cash and cash equivalents	421,830	—	—	421,830	
Investments:					
Commercial paper	58,794	—	(195)	58,599	Level 2
U.S. Treasuries	35,252	—	(175)	35,077	Level 2
Asset-backed securities	—	—	—	—	Level 2
Corporate bonds	11,782	—	(39)	11,743	Level 2
Agency bonds	12,426	—	(87)	12,339	Level 2
Total investments	118,254	—	(496)	117,758	
Total assets measured at fair value on a recurring basis	$ 540,084	$ —	$ (496)	$ 539,588	

As of December 31, 2021 *(in thousands)*		**Amortized Cost**		**Gross Unrealized Gain**		**Gross Unrealized Loss**		**Aggregate Fair Value**	**Fair Value Level**
Cash and cash equivalents:									
Cash	$	114,533	$	—	$	—	$	114,533	Level 1
Money market funds		324,955		—		—		324,955	Level 1
Total cash and cash equivalents		439,488		—		—		439,488	
Investments:									
Commercial paper		177,852		16		(57)		177,811	Level 2
U.S. Treasuries		12,021		—		(9)		12,012	Level 2
Asset-backed securities		12,084		—		(8)		12,076	Level 2
Corporate bonds		16,332		—		(13)		16,319	Level 2
Total investments		218,289		16		(87)		218,218	
Total assets measured at fair value on a recurring basis	$	657,777	$	16	$	(87)	$	657,706	

All of the commercial paper, U.S. Treasuries, asset-backed securities, corporate bonds, and agency bonds are designated as available-for-sale securities and have an effective maturity date that is less than one year from the respective balance sheet date, and accordingly, have been classified as current in the consolidated balance sheets.

We classify our investments in money market funds within Level 1 of the fair value hierarchy because they are valued using quoted market prices. We classify our commercial paper, U.S Treasuries, asset-backed securities, corporate bonds and agency bonds as Level 2 and obtain the fair value from a third-party pricing service, which may use quoted market prices for identical or comparable instruments or model-driven valuations using observable market data or inputs corroborated by observable market data.

As all of our available-for-sale securities have been held for less than a year as of both December 31, 2022 and 2021, no security has been in an unrealized loss position for 12 months or greater. We evaluated our securities for other-than temporary impairment and considered the decline in market value for the securities to be primarily attributed to current economic and market conditions. It is not more likely than not that we will be required to sell the securities before their scheduled maturities, and we do not intend to do so prior to the recovery of the amortized cost basis. Based on this analysis, the available-for-sale securities were not considered to be other-than-temporarily impaired as of December 31, 2022 and 2021.

Liabilities measured at fair value on a recurring basis

The following table presents information about the Company's liabilities that are measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

(in thousands)	**December 31,**				**Fair Value Level**
		2022		**2021**	
Liabilities:					
Warrant liability - Public Warrants	$	2,208	$	18,437	Level 1
Warrant liability - Private Placement Warrants		2,005		16,744	Level 2
Earn-out liability		15		26,885	Level 3
Milestone contingent consideration		1,165		—	Level 3
Holdback contingent consideration		450		—	Level 3
Total liabilities measured at fair value on a recurring basis	$	5,843	$	62,066	

Warrant liabilities

The Public Warrants were valued using Level 1 inputs as they are traded in an active market. The fair value of the Private Placement Warrants is equivalent to that of the Public Warrants as they have substantially the same terms; however, as they are not actively traded, they are classified as Level 2 in the hierarchy table above.

Earn-out liability

The fair value of the Earn-Out Shares was estimated using a Monte Carlo simulation model. The fair value is based on the simulated price of the Company over the maturity date of the contingent consideration and increased by estimated forfeitures of Earn-Out Shares issued to Earn-Out Service Providers.

The significant unobservable inputs used in the Monte Carlo simulation to measure the Earn-Out Shares that are categorized within Level 3 of the fair value hierarchy were as follows:

	December 31, 2022	December 31, 2021
Stock price on valuation date	$ 2.51	$ 11.64
Volatility	78.10%	85.60%
Risk-free rate	4.75%	0.34%
Dividend yield	—%	—%

The change in the fair value of the earn-out liability is summarized as follows:

(in thousands)	Fair Value
Balance as of Fair value of earn-out liability at Closing Date	$ 25,016
Change in fair value of earn-out liability	1,869
Balance as of December 31, 2021	$ 26,885
Change in fair value of earn-out liability	(26,870)
Balance as of December 31, 2022	$ 15

Milestone Contingent Consideration

The fair value of milestone contingent consideration was estimated using a Monte Carlo simulation model. The fair value is based on an option pricing framework, whereby a range of possible scenarios were simulated around forecasted net sales.

The significant unobservable inputs used in the Monte Carlo simulation to measure the milestone contingent consideration that are categorized within Level 3 of the fair value hierarchy were as follows:

	December 31, 2022
Volatility	35.0%
Risk-free rate	4.0%
Weighted average cost of capital	30.0%
Cost of debt	10.0%

The change in the fair value of the milestone contingent consideration is summarized as follows:

(in thousands)	Fair Value
Fair value of milestone contingent consideration at date of Palamedrix Acquisition	$ 998
Change in fair value of milestone contingent consideration	167
Balance as of December 31, 2022	$ 1,165

Holdback Contingent Consideration

The fair value of holdback contingent consideration was estimated using a scenario-based analysis. The fair value is based on the expected holdback release date and expected holdback payment. The future expected payments were discounted to the valuation date using the cost of debt.

The significant unobservable inputs used in the scenario-based analysis to measure the holdback contingent consideration that are categorized with Level 3 of the fair value hierarchy were as follows:

	December 31, 2022
Cost of debt	10.2%

There was no change in fair value between the acquisition date of August 31, 2022 and December 31, 2022.

Note 6 — Leases

We have operating leases for certain office spaces with lease terms ranging from two to five years. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. Certain of these leases also include renewal options at our election to renew or extend the leases for additional periods ranging from three to ten years. These optional periods have not been considered in the determination of the ROU assets or lease liabilities associated with these leases as we did not consider the exercise of these options to be reasonably certain. The ROU asset is included in other long-term assets on the consolidated balance sheets and was $3.9 million as of December 31, 2022.

Lease Costs

Lease costs for operating leases are recognized on a straight-line basis over the lease term. The total lease cost for the period was as follows:

(in thousands)	December 31, 2022
Operating lease cost [1]	$ 6,879
Short-term lease cost	959
Variable lease cost	46
Total lease cost	$ 7,884

(1) Operating lease cost includes $5.0 million lease termination fee incurred during the year ended December 31, 2022.

Rent expense for the year ended December 31, 2021 for operating leases was $1.8 million.

Lease Maturities

The table below reconciles the undiscounted lease payment maturities to the lease liabilities for our operating leases as of December 31, 2022:

(in thousands)	December 31, 2022
2023	$ 2,561
2024	1,143
2025	834
2026	143
Thereafter	—
Total	4,681
Less: amount of lease payments representing interest	(141)
Present value of future lease payments	4,540
Less: current operating lease liabilities (included in other current liabilities)	(2,477)
Long-term operating lease liabilities (included in other long-term liabilities)	$ 2,063

Supplemental Lease Information

Supplemental information related to our operating leases was as follows:

	December 31, 2022
Weighted average remaining lease term	2.3 years
Weighted average discount rate	2.5%

Cash paid for amounts included in the measurement of our operating lease liabilities for the period ended December 31, 2022 was $2.1 million.

In February 2022, we executed two separate lease agreements (the “Leases”) to lease buildings pending construction that had not yet commenced. Both leases were set to expire on November 30, 2033, unless extended or early terminated in accordance with the terms of the lease. In accordance with the lease agreements, we made a deposit of $4.1 million during the first quarter of 2022. The deposit is restricted from withdrawal and held by a bank in the form of collateral for an irrevocable standby letter of credit held as security.

On August 25, 2022, we entered into a lease termination agreement (the “Lease Termination”) for the Leases prior to lease commencement. As consideration for the termination of the Leases, we agreed to pay the landlord a termination fee of $6.0 million of which $2.5 million was paid on the termination date. During the fourth quarter of 2022 the remaining liability was reduced by $1.0 million after the landlord entered into a separate lease with a third party. The remaining $2.5 million liability is recorded in accrued liabilities on the consolidated balance sheets and was paid in January 2023. The $4.1 million deposit is classified as restricted cash and included in prepaid expenses and other current assets in the consolidated balance sheets and was released from restricted cash once the termination fee was paid in full.

Note 7 — Inventory

Inventory was comprised of the following:

	December 31,	
(in thousands)	2022	2021
Raw materials	$ 16,710	$ 15,030
Work in process	1,191	175
Finished goods	639	93
Total inventory	$ 18,540	$ 15,298
Inventory (current)	$ 13,897	$ 11,213
Non-current inventory	$ 4,643	$ 4,085

Note 8 — Property and Equipment

Property and equipment was comprised of the following:

	December 31,	
(in thousands)	**2022**	**2021**
Lab equipment	$ 14,978	$ 10,504
Computer equipment	1,600	1,416
Furniture and fixtures	1,343	951
Software	891	1,081
Cloud computing arrangements	12,520	3,785
Leasehold improvements	2,395	2,275
Construction in progress	3,736	4,789
Total property and equipment, at cost	37,463	24,801
Less: Accumulated depreciation and amortization	(17,899)	(15,244)
Property and equipment, net	$ 19,564	$ 9,557

Depreciation expense was $1.9 million and $1.8 million for the years ended December 31, 2022 and 2021, respectively. Amortization expense related to internal use software was $2.7 million and $0.8 million for the years ended December 31, 2022 and 2021, respectively. The unamortized costs related to cloud hosting arrangements as of December 31, 2022 and 2021 was $8.4 million and $2.4 million, respectively.

Note 9 — Accrued Liabilities

Accrued liabilities consisted of the following:

	December 31,	
(in thousands)	**2022**	**2021**
Accrued compensation	13,897	9,832
Accrued restructuring costs	2,223	—
Accrued lease termination fee	2,500	—
Accrued real estate agent commission	764	—
Accrued charitable contributions	—	400
Accrued medical claims	663	398
Other	631	479
Total accrued liabilities	$ 20,678	$ 11,109

Note 10 — Commitments and Contingencies

Legal Proceedings

We are subject to claims and assessments from time to time in the ordinary course of business. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. We are not currently party to any material legal proceedings in which a potential loss is probable or reasonably estimable.

Indemnification

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. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but that have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

Note 11 — Debt

As of December 31, 2022 and 2021, we did not have any debt outstanding.

The loan resulting from the Paycheck Protection Program was forgiven during the second quarter of 2021 and resulted in a gain on extinguishment of debt of $3.6 million for the year ended December 31, 2021. The debt under the Company's credit agreement was settled in 2021, which resulted a $5.2 million loss on extinguishment of debt for the year ended December 31, 2021. In July 2021, the convertible debt was converted into 571,642 shares of Common Stock (as converted), which resulted in a $2.7 million loss on extinguishment of debt.

Total interest expense related to these forms of debt totaled $1.3 million for the year ended December 31, 2021.

Note 12 — Stockholders' Equity

Common and Preferred Stock

On September 1, 2021, in connection with the SPAC Merger, the Company amended and restated its certificate of incorporation to authorize 600,000,000 shares of Common Stock, par value of $0.0001 per share, and 1,000,000 shares of preferred stock, par value $0.0001 per share.

Warrants

As of December 31, 2022, there were an aggregate of 5,519,991 and 5,013,333 outstanding Public Warrants and Private Placement Warrants, respectively. Each warrant entitles the holder to purchase one share of our Common Stock at a price of $11.50 per share at any time commencing on February 25, 2022. The Warrants will expire on September 1, 2026 or earlier upon redemption or liquidation.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants, so long as they are held by CMLS Holdings II LLC, a Delaware limited liability company (the "Sponsor") or any of its permitted transferees, (i) will not be redeemable by the Company (except as described below in "*Redemption of Warrants When the Price per Share of Common Stock Equals or Exceeds $10.00*"), (ii) may be exercised by the holders on a cashless basis, and (iii) will be entitled to certain registration rights. If the Private Placement Warrants are held by a holder other than the Sponsor or any of its permitted transferees, the Private Placement Warrants will be redeemable by the Company in all redemption scenarios applicable to the Public Warrants and exercisable by such holders on the same basis as the Public Warrants.

Redemptions of warrants when the price per share of Common Stock equals or exceeds $18.00 - Once the warrants become exercisable, the Company may redeem the outstanding Public Warrants:

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon a minimum of 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the closing price of the Common Stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending three business days before the Company sends to the notice of redemption to the warrant holders.

Redemptions of warrants when the price per share of Common Stock equals or exceeds $10.00 - Once the warrants become exercisable, the Company may redeem the outstanding Public Warrants:

- in whole and not in part;

- at $0.10 per warrant upon a minimum of 30 days' prior written notice of redemption, provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares, based on the redemption date and the "fair market value" of our Common Stock (as defined below) except as otherwise described below;
- if, and only if, the closing price equals or exceeds $10.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within a 30-trading day period ending three trading days before the Company sends the notice of redemption to the warrant holders; and
- if the closing price of the Common Stock for any 20 trading days within a 30-trading day period ending three trading days before the Company sends notice of redemption to the warrant holders is less than $18.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations and the like), the Private Placement Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants, as described above.

The "fair market value" of our Common Stock shall mean the volume weighted average price of our Common Stock during the 10 trading days immediately following the date on which the notice of redemption is sent to the holders of warrants. We will provide our warrant holders with the final fair market value no later than one business day after the 10-trading day period described above ends. In no event will the warrants be exercisable in connection with this redemption feature for more than 0.361 shares of Common Stock per warrant (subject to adjustment).

We will not redeem the Warrants as described above unless an effective registration statement under the Securities Act of 1933, as amended, covering our Common Stock issuable upon exercise of the warrants is effective and a current prospectus relating to those shares of Common Stock is available throughout the 30-day redemption period. If the foregoing conditions are satisfied and we issue a notice of redemption, each warrant holder will be entitled to exercise their warrants prior to the scheduled redemption date.

The Company may not redeem the Private Warrants, so long as they continue to be held by the original purchasers or permitted transferees. However, if the Private Warrants are transferred and no longer held by the original holder (or permitted transferees), such Warrants will automatically convert into Public Warrants and become subject to the same redemption provisions. Such Warrants will cease to exist as Private Warrants.

Note 13 — Stock-based Compensation

We maintain three equity incentive plans – the 2009 Equity Incentive Plan (the "2009 Plan"), the 2017 Equity Incentive Plan (the "2017 Plan"), and the 2021 Equity Incentive Plan (the "2021 Plan") under which incentive and nonstatutory stock options to purchase shares of Old SomaLogic's common stock were granted to employees, directors, and non-employee consultants. The 2009 Plan was terminated upon the adoption of the 2017 Plan, and no further awards were granted under the 2009 Plan thereafter. The outstanding options previously granted under the 2009 Plan continued to remain outstanding under the 2017 Plan.

Upon consummation of the SPAC Merger, all outstanding options were converted into an option to acquire an adjusted number of shares of Common Stock of SomaLogic at an adjusted exercise price per share based on the Exchange Ratio. Such options continue to be governed by substantially the same terms and conditions, including vesting, as were applicable to the original instrument.

In September 2021, our Board of Directors adopted, and our stockholders approved, a new incentive plan (the "2021 Plan"), under which the Company may grant cash and equity incentive awards in the form of stock options, stock appreciation rights, restricted stock, other stock-based awards, other cash-based awards, and performance awards to employees, directors, and consultants of the Company. The 2021 Plan became effective upon the closing of the SPAC Merger. The 2017 Plan was terminated when the Board adopted the 2021 Plan but continues to govern certain terms and conditions of awards granted thereunder. In January 2022, we increased the reserve of Common Stock for issuance under all incentive plans by 9,077,612 shares in accordance with our 2021 Plan. As of December 31, 2022, we were authorized to issue a maximum of 30,377,612 shares of Common Stock. As of December 31, 2022, 13,635,529 awards have been granted under the 2021 Plan. As of December 31, 2022, we have reserved 44,695,641 shares of Common Stock for issuance under all incentive plans.

Stock-based compensation includes grants of equity incentive awards in the form of stock options and other stock-based awards as well as the issuance of common stock under a consulting agreement, issuance of Earn-Out Shares to service providers in connection with the SPAC Merger, issuance of common stock subject to vesting conditions issued to Palamedrix founder employees, and Milestone Consideration replacement awards of non-founder and founder employees. Stock-based compensation also includes the impact of common stock purchased through our employee stock purchase plan, which allows eligible employees to purchase shares of our Common Stock at a price equal to 85% of their fair market value on the last day of a defined offering period.

Stock-based compensation was recorded in the consolidated statements of operations and comprehensive loss as shown in the following table:

	Year Ended December 31,	
(in thousands)	2022	2021
Cost of assay services revenue	$ 1,080	$ 633
Cost of product revenue	53	14
Research and development	8,186	10,958
Selling, general and administrative	34,290	16,810
Total stock-based compensation	$ 43,609	$ 28,415

Stock-based compensation will fluctuate based on the grant-date fair value of awards, the number of awards, the requisite service period of the awards, modification of awards, employee forfeitures and the timing of the awards. Expense related to each stock option and restricted stock unit (“RSU”) award is recognized on a straight-line basis over the requisite service period of the entire award.

Stock Options Awards

At December 31, 2022, there were 19,644,029 options outstanding within the 2009 Plan, the 2017 Plan, and the 2021 Plan and 3,897,165 options outstanding that were granted outside of the incentive plans. Generally, options vest over four years, with 25% vesting upon the first-year anniversary of the grant date and the remaining options vesting ratably each month thereafter.

The following table shows a summary of all stock option activity for the year ended December 31, 2022:

	Stock Options	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
December 31, 2021	19,702,845	$ 5.83		
Granted	7,361,072	$ 7.13		
Exercised	(1,906,530)	$ 2.52		
Forfeited	(1,616,193)	$ 6.8		
Expired	—	$ —		
Outstanding as of December 31, 2022	23,541,194	$ 6.44	8.17	$ 368
Exercisable as of December 31, 2022	11,647,109	$ 5.57	7.41	$ 368
Vested and expected to vest as of December 31, 2022	20,887,358	$ 6.33	8.07	$ 368

The assumptions used in valuing the stock options granted are set forth in the following table:

	Year Ended December 31,	
	2022	2021
Expected dividend yield	—%	—%
Expected volatility	76.4 – 80.3%	71.4 – 92.8%
Risk-free interest rate	1.58 – 4.16%	0.64 – 1.38%
Expected weighted-average life of options	6.03 years	6.04 years

The total intrinsic value of options exercised during the years ended December 31, 2022 and 2021 was approximately $9.9 million and $4.7 million, respectively.

The weighted-average grant date fair value for options granted during the years ended December 31, 2022 and 2021 was $4.85 and $4.78, respectively.

Based on options granted to employees as of December 31, 2022, total compensation expense not yet recognized related to unvested options is approximately $38.9 million, which is expected to be recognized over a weighted average period of 2.73 years.

During 2022, the Company modified options and RSUs held by certain terminated executives and certain employees whose employment was terminated as part of the Strategic Reorganization to accelerate the vesting and/or extend contractual terms. In connection with these modifications, the Company incurred incremental stock-based compensation expense of $8.3 million during the year ended December 31, 2022.

In June 2021, the Company modified options held by directors that resigned from our Board of Directors to accelerate the vesting and/or extend contractual terms. In connection with these modifications, the Company recorded incremental stock-based compensation expense of $0.7 million during the year ended December 31, 2021.

Restricted Stock Units

RSUs vest subject to the satisfaction of service requirements. The grant-date values of these awards are determined based on the closing price of the Company's common stock on the date of the grant.

The following table shows a summary of all RSU activity for the year ended December 31, 2022:

	RSUs	Weighted-Average Grant Date Fair Value Per Share
Unvested at December 31, 2021	—	$ —
Granted	3,330,009	$ 4.65
Vested	(12,031)	$ 9.08
Forfeited	(233,599)	$ 5.84
Unvested at December 31, 2022	3,084,379	$ 4.55
Unrecognized stock-based compensation expense at December 31, 2022 (in millions)	$ 8.6	
Weighted average remaining period at December 31, 2022	2.84 years	

The total fair value of RSUs that vested during the year ended December 31, 2022 was $0.1 million. We have not recognized any tax benefits related to the effects of employee stock-based compensation expense. No RSUs were granted or vested prior to 2022.

Service Provider Earn-Out Shares

As of December 31, 2022, 1,146,159 Service Provider Earn-Outs were outstanding after forfeitures. Upon forfeiture, the forfeited shares will be redistributed to the Old SomaLogic stockholders. The weighted average grant date fair value of the Service Provider Earn-Outs was $7.04 per share, and was recognized as stock-based compensation expense on a straight-line basis over the derived service period of 1.2 years. The assumptions used in valuing the Service Provider Earn-Outs using the Monte Carlo simulation included volatility of 89.8%, risk-free interest rate of 0.10% to 0.11%, and a stock price of $10.63 to $10.67. The Company recorded $5.8 million and $2.9 million in stock-based compensation expense related to the Service Provider Earn-Outs during the years ended December 31, 2022 and 2021, respectively. As the derived service period has passed, expenses related to the Service Provider Earn-Outs have been fully recognized as of December 31, 2022.

Replacement Awards Subject to Vesting Conditions

In connection with the Palamedrix Acquisition, we issued 1,209,801 shares of Common Stock and Milestone Consideration to founder employees that require continuing employment for a period of three years. Related stock-based compensation expense of $0.6 million was recorded in research and development expense in the consolidated statement of operations and comprehensive loss during the year ended December 31, 2022.

Secondary Sale Transaction

In July 2021, an employee of the Company sold shares of the Company's common stock and vested options to acquire shares of our common stock at a sales price that was above the then-current fair value. Since the purchasing parties are holders of economic interest in the Company and acquired shares and options from a current employee at a price in excess of fair value of such shares and options, the amount paid in excess of the fair value at the time of the secondary sale was recognized as stock-based compensation expense.

Total stock-based compensation expense related to the secondary sale transaction of $6.5 million was recorded within research and development expenses in the consolidated statements of operations and comprehensive loss during the year ended December 31, 2021.

Performance Awards

In July 2021, we entered into a consulting agreement (the "Consulting Milestone Agreement") with a vendor, Abundant Venture Innovation Accelerator ("AVIA"), to provide services related to expanding our contractual relationships with health system providers. The Consulting Milestone Agreement includes a fixed amount of compensation in our Common Stock for achievement of certain milestones related to our business. We account for these awards as stock compensation liabilities with a performance condition, which are measured at fair value on the date of the grant and recognized over the expected performance period when it is probable the milestone will be achieved.

In August 2021, we issued 14,727 shares of Old SomaLogic Class B common stock related to this Consulting Milestone Agreement for milestones achieved. These shares are presented in the consolidated statements of stockholders' equity as 12,342 shares of Common Stock as a result of the reverse recapitalization. In December 2021, we issued additional 53,120 shares of Common Stock related to the Consulting Milestone Agreement. We recognized approximately $0.8 million of stock-based compensation expense during the year ended December 31, 2021. In June 2022, we amended the Consulting Milestone Agreement to redefine the milestones and payment terms. There were no issuances of or further commitment to issue Common Stock for the year ended December 31, 2022.

Note 14 — Income Taxes

The components of the Company's provision for income taxes are as follows:

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Current income tax expense (benefit)		
Federal	$ —	$ —
State	76	17
Foreign	13	21
	89	38
Deferred tax expense (benefit)		
Federal	(982)	—
State	176	—
Foreign	—	—
	(806)	—
Provision for income taxes	$ (717)	$ 38

The Company recorded $0.7 million of income tax benefit for the year ended December 31, 2022 resulting from changes in the valuation allowance due to deferred tax liabilities resulting from acquired indefinite lived intangible assets as part of the Palamedrix Acquisition.

A reconciliation of the income tax benefit calculated at the federal statutory rate to the total income tax provision is as follows:

	Year Ended December 31,	
(in thousands)	**2022**	**2021**
Income tax benefit at the federal statutory rate	$ (23,073)	$ (18,404)
State income taxes, net of federal income tax benefit	(5,296)	(3,008)
Nondeductible stock-based compensation	(4,804)	1,049
Expiration of net operating loss and research and development credits	3,084	3,244
Change in valuation allowance	36,441	15,092
Other permanent items	(5,658)	1,311
Research and development credits	(2,691)	(1,110)
Return to provision adjustments	829	855
Other, net	451	1,009
Provision for income taxes	$ (717)	$ 38

The components of the deferred income tax assets and liabilities is as follows:

	December 31,	
(in thousands)	**2022**	**2021**
Deferred income tax assets:		
Net operating loss carryforwards	$ 104,666	$ 98,032
Research and development credits	13,780	11,264
Depreciation and amortization	288	598
Deferred revenue	8,548	1,344
Accrued expenses and non-deductible reserves	471	200
Compensation accruals	2,415	1,796
Stock-based compensation	19,065	11,952
Interest expense carryforward	4,920	6,628
Section 174 expense	17,714	—
Lease liability	1,105	—
Other	862	1,139
	173,834	132,953
Valuation allowance	(169,394)	(132,953)
Deferred tax assets (net)	4,440	—
Deferred income tax liabilities:		
Intangible assets	(4,065)	—
Right of use asset	(960)	$ —
Net deferred income tax liabilities	$ (585)	$ —

As of December 31, 2022, and 2021, a valuation allowance of $169.4 million and $133.0 million was established against the Company's deferred tax assets as the Company believes it is more likely than not these tax attributes would not be realizable in the future. The valuation allowance increased by $36.4 million for the year ended December 31, 2022.

The Company evaluates the need to establish a valuation allowance by considering all available positive and negative evidence, including expected levels of taxable income, future reversals of existing temporary differences, tax planning strategies, and recent financial operations. The Company establishes a valuation allowance to reduce deferred tax assets to the extent it is more likely than not that some, or all, of the deferred tax assets will not be realized. Accordingly, the Company has established a valuation allowance equal to the net realizable deferred tax assets. The Company will continue to monitor its available positive and negative evidence in assessing the realization of its deferred tax assets in the future, and should there be a need to release the valuation allowance, a tax benefit will be recorded.

As of December 31, 2022, and 2021, the Company had federal net operating losses (“NOLs”) of $416.3 million and $385.5 million, respectively. Of the aggregate federal NOLs at December 31, 2022, $221.8 million can be carried forward indefinitely, and the remaining $194.5 million will begin to expire in 2023.

As of December 31, 2022, and 2021, the Company had state NOLs of $359.5 million and $359.9 million, respectively, which begin to expire in 2023.

As of December 31, 2022, and 2021, the Company had research and development credit carryforward of $14.8 million and $12.5 million, respectively, which begin to expire in 2023.

Our U.S. deferred tax assets are also subject to annual limitation under Section 382 of the Internal Revenue Code of 1986 due to stock ownership changes that have occurred, primarily as a result of the SPAC Merger completed on September 1, 2021. Based on an analysis completed during 2021, we have concluded that all of our historical U.S. deferred tax assets generated through December 31, 2020 are available to us for future use to offset taxable income. We may experience ownership changes in the future as a result of shifts in our stock ownership (some of which may be outside our control). Therefore, available U.S. deferred tax assets may be further limited in the event of another significant ownership change.

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions with varying statutes of limitations. As of December 31, 2022, the Company is not under examination in any jurisdiction and the tax years 2018 through 2021 remain open to examination in its federal and state jurisdictions. The Company believes no significant changes in the unrecognized tax benefits will occur within the next 12 months.

A reconciliation of the unrecognized tax benefits is as follows:

	December 31,	
(in thousands)	**2022**	**2021**
Unrecognized tax benefit – beginning balance	$ 1,251	$ 1,176
Increase related to tax positions taken in the current year	269	111
Increase related to tax positions taken in the prior year	—	—
Decrease related to tax positions taken in the prior year	(38)	(36)
Unrecognized tax benefit – ending balance	$ 1,482	$ 1,251

The unrecognized tax benefits are classified as a reduction of deferred tax assets on the consolidated balance sheets. As of December 31, 2022, and 2021, there are $1.5 million and $1.3 million of unrecognized tax benefits that, if recognized, would favorably affect the Company’s effective tax rate, respectively.

The Company did not recognize any interests or penalties in all periods presented or accrue any interests or penalties as of December 31, 2022, and 2021.

Note 15 — Employee Benefit Plans

The Company sponsors a 401(k) plan, covering all employees in the United States. The Company matches 100% of the first 4% of employee contributions with immediate vesting. We made matching contributions of approximately $2.1 million and $1.1 million during the years ended December 31, 2022 and 2021, respectively.

Note 16 — Related Parties

The Company paid $0.4 million and $0.2 million of an unconditional contribution to a related party during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, there is no additional remaining pledge.

Casdin Partners Master Fund, L.P (“Casdin”), founded by Eli Casdin, a member of the Company’s Board of Directors and principal owner of the Company, was a shareholder of Palamedrix. Upon the Company’s acquisition of Palamedrix, Casdin received $0.8 million in cash, $0.8 million in equity, and the right to receive up to $0.3 million of Milestone Consideration related to the achievement of net sales milestones.

Note 17 — Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except share and per share data):

	Year Ended December 31,	
(in thousands, except share and per share data)	**2022**	**2021**
Net loss	$ (109,157)	$ (87,547)
Weighted-average shares outstanding, basic and diluted	183,991,643	137,157,283
Net loss per share, basic and diluted	$ (0.59)	$ (0.64)

During periods in which the Company incurs a net loss, diluted weighted average shares outstanding are equal to basic weighted average shares outstanding because the effect of all awards is anti-dilutive. The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share for the periods presented because including them would have been anti-dilutive:

	Year Ended December 31,	
	2022	**2021**
Anti-dilutive shares:		
Stock options to purchase common stock	23,541,194	19,702,845
Public Warrants and Private Placement Warrants	10,533,324	10,533,324
Unvested RSUs outstanding	3,084,379	—
Replacement awards subject to vesting conditions	1,209,801	—
Total anti-dilutive shares	38,368,698	30,236,169

The calculation of diluted net loss per share does not consider the effect of contingently issuable shares that are contingent on the occurrence of a future event that has not yet occurred. As of December 31, 2022, the contingency for the Earn-Out Shares had not been met and therefore the Earn-Out Shares were not considered in the computation of diluted net loss per share.

Note 18 — Restructuring

On December 16, 2022, following the completion of a strategic review of our business, we announced a workforce reduction plan (the "Strategic Reorganization") to reduce operating costs and focus on long-term growth opportunities in our life sciences business. Under this Strategic Reorganization, we reduced our workforce by approximately 16%, with a majority of these employees separating in December and the remaining affected employees separating over the next three-month period. Employees who were impacted by the restructuring were eligible to receive severance benefits contingent upon an impacted employee's execution of a separation agreement, which included a general release of claims against us. Certain impacted employees were covered by employment agreements or an existing severance plan that provides termination benefits.

Employee severance and benefits are comprised of severance, other termination benefit costs, and non-cash stock-based compensation expense for the extension of the exercise period of vested options. One-time termination benefits were recorded pursuant to ASC 420, *Exit or Disposal Cost Obligations,* while termination benefits under ongoing benefit arrangements were recorded pursuant to ASC 712, *Compensation - Nonretirement Postemployment Benefits*. See Note 13, *Stock-based Compensation,* for additional information about benefits related to the extension of the exercise period of vested options.

The Company recognized restructuring charges of approximately $2.9 million during the year ended December 31, 2022. Restructuring charges are comprised of $1.2 million related to one-time termination benefits, $1.0 million related to termination benefits under ongoing benefit arrangements, and $0.7 million related to non-cash stock-based compensation expense. We expect to incur additional employee severance and benefits expense up to $0.8 million. This reflects the best estimate of the Company, which may be revised in subsequent periods as the Strategic Reorganization progresses.

The following table outlines the components of the restructuring charges included in the consolidated statement of operations and comprehensive loss:

(in thousands)	Year Ended December 31, 2022
Cost of assay services revenue	$ 284
Research and development	1,126
Selling, general and administrative	1,478
Total employee severance and benefits	$ 2,888

The following table outlines the changes in liabilities associated with our Strategic Reorganization, including restructuring expenses incurred and cash payments as of December 31, 2022:

(in thousands)	Year Ended December 31, 2022
Beginning balance	$ —
Accruals	2,223
Payments	—
Balance at December 31, 2022	$ 2,223

The restructuring liabilities are included in accrued liabilities in the consolidated balance sheets. We expect that substantially all of the remaining accrued restructuring liabilities will be paid in cash over the next 12 months. The charges recognized in the rollforward of our accrued restructuring liabilities do not include items charged directly to expense for extension of the exercise period of vested options.

Exhibit 99.2

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

SomaLogic, Inc.
Condensed Consolidated Balance Sheets
Unaudited
(in thousands, except share data)

	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 305,571	$ 421,830
Investments	148,239	117,758
Accounts receivable, net	20,730	17,006
Inventory	13,884	13,897
Deferred costs of services	379	1,337
Prepaid expenses and other current assets	5,302	9,873
Total current assets	494,105	581,701
Non-current inventory	11,119	4,643
Accounts receivable, net of current portion	8,681	9,284
Property and equipment, net of accumulated depreciation and amortization of $23,126 and $17,899 as of September 30, 2023 and December 31, 2022, respectively	18,172	19,564
Other long-term assets	5,872	5,083
Intangible assets	16,700	16,700
Goodwill	10,399	10,399
Total assets	$ 565,048	$ 647,374
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 11,458	$ 16,794
Accrued liabilities	10,829	20,678
Deferred revenue	3,074	3,383
Other current liabilities	2,420	2,477
Total current liabilities	27,781	43,332
Warrant liabilities	2,317	4,213
Deferred revenue, net of current portion	30,944	31,732
Other long-term liabilities	7,267	5,539
Total liabilities	68,309	84,816
Commitments and contingencies (Note 10)		
Stockholders' equity		
Preferred stock, $0.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Common stock, $0.0001 par value; 600,000,000 shares authorized; 188,662,349 and 187,647,973 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	19	19
Additional paid-in capital	1,186,420	1,171,122
Accumulated other comprehensive income (loss)	(14)	(513)
Accumulated deficit	(689,686)	(608,070)
Total stockholders' equity	496,739	562,558
Total liabilities and stockholders' equity	$ 565,048	$ 647,374

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

SomaLogic, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
Unaudited
(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue				
Assay services revenue	$ 17,866	$ 17,574	$ 52,882	$ 47,305
Product revenue	3,418	1,051	7,513	2,218
Collaboration revenue	763	763	2,288	2,288
Other revenue	1	22,325	212	27,026
Total revenue	22,048	41,713	62,895	78,837
Operating expenses				
Cost of assay services revenue	9,994	11,264	31,353	29,215
Cost of product revenue	1,641	406	3,773	1,184
Research and development	10,458	19,419	35,340	50,855
Selling, general and administrative	23,880	49,511	87,642	116,024
Transaction costs	4,157	1,725	4,157	2,839
Total operating expenses	50,130	82,325	162,265	200,117
Loss from operations	(28,082)	(40,612)	(99,370)	(121,280)
Other income				
Interest income and other, net	6,087	2,421	16,810	3,468
Change in fair value of warrant liabilities	316	3,371	1,896	30,547
Change in fair value of earn-out liability	—	1,260	15	26,749
Total other income	6,403	7,052	18,721	60,764
Net loss before income tax (provision) benefit	$ (21,679)	$ (33,560)	$ (80,649)	$ (60,516)
Income tax (provision) benefit	(478)	618	(482)	610
Net loss	$ (22,157)	$ (32,942)	$ (81,131)	$ (59,906)
Other comprehensive income (loss)				
Net unrealized (loss) gain on available-for-sale securities	$ (27)	$ (13)	$ 501	$ (874)
Foreign currency translation loss	(4)	(14)	(2)	(28)
Total other comprehensive (loss) income	(31)	(27)	499	(902)
Comprehensive loss	$ (22,188)	$ (32,969)	$ (80,632)	$ (60,808)
Net loss per share, basic and diluted	$ (0.12)	$ (0.18)	$ (0.43)	$ (0.33)
Weighted-average shares outstanding used to compute net loss per share, basic and diluted	187,070,510	184,407,874	186,780,699	183,209,213

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

SomaLogic, Inc.
Condensed Consolidated Statements of Stockholders' Equity
Unaudited
(in thousands, except share amounts)

	Three Months Ended September 30, 2023					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at June 30, 2023	188,071,445	$ 19	$ 1,182,645	$ 17	$ (667,529)	$ 515,152
Issuance of Common Stock upon vesting of RSUs	590,735	—	—	—	—	—
Issuance of Common Stock upon exercise of options	169	—	—	—	—	—
Stock-based compensation	—	—	3,775	—	—	3,775
Net unrealized loss on available-for-sale securities	—	—	—	(27)	—	(27)
Foreign currency translation loss	—	—	—	(4)	—	(4)
Net loss	—	—	—	—	(22,157)	(22,157)
Balance at September 30, 2023	188,662,349	$ 19	$ 1,186,420	$ (14)	$ (689,686)	$ 496,739

	Three Months Ended September 30, 2022					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at June 30, 2022	183,453,324	$ 18	$ 1,134,024	$ (947)	$ (525,877)	$ 607,218
Issuance of Common Stock upon vesting of RSUs	12,031	—	—	—	—	—
Issuance of Common Stock upon exercise of options	113	—	—	—	—	—
Stock-based compensation	—	—	16,588	—	—	16,588
Issuance of Common Stock upon Palamedrix acquisition	4,030,472	1	11,832	—	—	11,833
Net unrealized loss on available-for-sale securities	—	—	—	(13)	—	(13)
Foreign currency translation loss	—	—	—	(14)	—	(14)
Net loss	—	—	—	—	(32,942)	(32,942)
Balance at September 30, 2022	187,495,940	$ 19	$ 1,162,444	$ (974)	$ (558,819)	$ 602,670

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

SomaLogic, Inc.
Condensed Consolidated Statements of Stockholders' Equity
Unaudited
(in thousands, except share amounts)

	Nine Months Ended September 30, 2023					
	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2022	187,647,973	$ 19	$ 1,171,122	$ (513)	$ (608,070)	$ 562,558
Issuance of Common Stock upon vesting of RSUs	776,598	—	—	—	—	—
Issuance of Common Stock upon exercise of options	124,173	—	199	—	—	199
Shares issued under employee stock purchase plan	113,605	—	223	—	—	223
Stock-based compensation	—	—	14,876	—	—	14,876
Impact of adoption of ASC 326	—	—	—	—	(485)	(485)
Net unrealized gain on available-for-sale securities	—	—	—	501	—	501
Foreign currency translation loss	—	—	—	(2)	—	(2)
Net loss	—	—	—	—	(81,131)	(81,131)
Balance at September 30, 2023	188,662,349	$ 19	$ 1,186,420	$ (14)	$ (689,686)	$ 496,739

SomaLogic, Inc.
Condensed Consolidated Statements of Stockholders' Equity
Unaudited
(in thousands, except share amounts)

	Nine Months Ended September 30, 2022					
	Common Stock			Accumulated Other Comprehensive Income (Loss)		
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2021	181,552,241	$ 18	$ 1,110,991	$ (72)	$ (498,913)	$ 612,024
Issuance of Common Stock upon vesting of RSUs	12,031	—	—	—	—	—
Issuance of Common Stock upon exercise of options	1,866,669	—	4,752	—	—	4,752
Shares issued under employee stock purchase plan	34,527	—	133	—	—	133
Issuance of Common Stock for services	—	—	50	—	—	50
Stock-based compensation	—	—	34,686	—	—	34,686
Issuance of Common Stock upon Palamedrix acquisition	4,030,472	1	11,832	—	—	11,833
Net unrealized loss on available-for-sale securities	—	—	—	(874)	—	(874)
Foreign currency translation loss	—	—	—	(28)	—	(28)
Net loss	—	—	—	—	(59,906)	(59,906)
Balance at September 30, 2022	187,495,940	$ 19	$ 1,162,444	$ (974)	$ (558,819)	$ 602,670

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

SomaLogic, Inc.
Condensed Consolidated Statements of Cash Flows
Unaudited
(in thousands)

	Nine Months Ended September 30,	
	2023	**2022**
Operating activities		
Net loss	$ (81,131)	$ (59,906)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock-based compensation expense	15,494	35,025
Depreciation and amortization	5,544	2,890
Noncash lease expense	1,697	(157)
Change in fair value of warrant liabilities	(1,896)	(30,547)
Change in fair value of earn-out liability	(15)	(26,749)
Change in fair value contingent consideration	347	—
Accretion of discount on available-for-sale securities, net	(2,908)	(382)
Provision for excess and obsolete inventory	609	287
Recovery of expected credit losses	(378)	(2)
Cloud computing arrangement expenditures	(1,496)	(8,116)
Loss on disposal of assets	—	927
Deferred income taxes	475	(622)
Other	43	(6)
Changes in operating assets and liabilities:		
Accounts receivable	(3,228)	(18,357)
Inventory	(7,072)	(7,298)
Deferred costs of services	958	(755)
Prepaid expenses and other current assets	460	(178)
Other long-term assets	(1,908)	(113)
Accounts payable	(5,464)	4,187
Deferred revenue	(1,097)	30,241
Accrued and other liabilities	(9,874)	5,570
Operating lease liabilities	193	—
Net cash used in operating activities	(90,647)	(74,061)
Investing activities		
Palamedrix acquisition, net of cash acquired of $2,521	—	(13,256)
Purchases of property and equipment	(2,519)	(3,770)
Capitalized external use software development costs	(673)	—
Purchases of available-for-sale securities	(171,105)	(186,687)
Proceeds from maturities of available-for-sale securities	140,541	218,450
Proceeds from sales of available-for-sale securities	3,484	—
Net cash (used in) provided by investing activities	(30,272)	14,737
Financing activities		
Proceeds from exercise of stock options and employee stock purchase plan	422	4,885
Net cash provided by financing activities	422	4,885
Effect of exchange rates on cash, cash equivalents and restricted cash	(37)	(41)
Net decrease in cash, cash equivalents and restricted cash	(120,534)	(54,480)
Cash, cash equivalents and restricted cash at beginning of period	427,282	440,268
Cash, cash equivalents and restricted cash at end of period	$ 306,748	$ 385,788
Supplemental disclosure of non-cash investing and financing activities:		
Capital expenditures included in accounts payable	$ 817	$ 432
Operating lease assets obtained in exchange for lease obligations	2,022	5,318
Issuance of Common Stock upon Palamedrix acquisition	—	11,832
Consideration payable for acquisition	—	1,448
Issuance of Common Stock for services	—	50
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 305,571	$ 380,374
Restricted cash included in prepaid expenses and other current assets	547	4,631
Restricted cash included in other long-term assets	630	783
Total cash, cash equivalents and restricted cash at end of period	$ 306,748	$ 385,788

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

Note 1 — Description of Business

Organization and Operations

SomaLogic, Inc. (“SomaLogic” or the “Company”) operates as a protein biomarker discovery company that develops slow off-rate modified aptamers (“SOMAmers®”), which are modified nucleic acid-based protein binding reagents that are specific for their cognate protein, and offer proprietary SomaScan® services, which provide multiplex protein detection and quantification of protein levels in complex biological samples. The SOMAmers®/SomaScan® technology enables researchers to analyze various types of biological samples for protein biomarker signatures, which can be utilized in drug discovery and development. Biomarker discoveries from SomaScan® can lead to diagnostic applications in various areas of diseases including cardiovascular and metabolic disease, nonalcoholic steatohepatitis, and wellness, among others.

SomaLogic, Inc. was incorporated in Delaware on December 15, 2020 as a special purpose acquisition company (“SPAC”) under the name CM Life Sciences II Inc. (“CMLS II”) for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or similar business combination with one or more businesses.

On September 1, 2021, we consummated a business combination (the “SPAC Merger”) wherein SomaLogic Operating Co. Inc. (“SomaLogic Operating”), a Delaware corporation formed on October 13, 1999, became a wholly-owned subsidiary of CMLS II. In connection with the closing of the SPAC Merger, we changed our name from CM Life Sciences II Inc. to SomaLogic, Inc.

Unless the context otherwise requires, the terms “we”, “us”, “our”, “SomaLogic" and “the Company" refer to SomaLogic, Inc. and its consolidated subsidiaries. The SPAC Merger and presentation of historical amounts and balances after the SPAC Merger are more fully described in Part II, Item 8 *“Financial Statements and Supplementary Data - Note 3 to the Consolidated Financial Statements - Business Combinations*” in our Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 Form 10-K”). Our Common Stock and warrants to purchase Common Stock are listed on the Nasdaq under the ticker symbols “SLGC” and “SLGCW”, respectively.

Other than information discussed herein, there have been no significant changes to our description of business disclosed in our 2022 Form 10-K.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and applicable rules and regulations of the U.S. Securities and Exchange Commission regarding financial reporting. All intercompany transactions and balances have been eliminated in consolidation. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Updates (“ASUs”) of the Financial Accounting Standards Board (“FASB”).

Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2022 included in the 2022 Form 10-K.

These unaudited condensed consolidated financial statements have been prepared on the same basis as our annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include normal recurring adjustments considered necessary for a fair presentation of interim financial information, to present fairly our condensed consolidated financial position and our results of operations and cash flows. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year ending December 31, 2023 or for any other future annual or interim period.

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Revisions of prior period consolidated financial statements

Capitalized software development costs related to hosting arrangements that are service contracts should be classified as operating activities in the statement of cash flows. We made immaterial revisions to amounts previously reported on our condensed consolidated statement of cash flows for the nine months ended September 30, 2022 in order to reclassify capitalized cloud computing arrangement expenditures from investing activities to operating activities. The table below reflects the revisions:

	Nine Months Ended September 30, 2022		
(in thousands)	As Previously Reported	Reclassification	Revised
Operating Activities			
Cloud computing arrangement expenditures	$ —	$ (8,116)	$ (8,116)
Net cash used in operating activities	$ (65,945)	$ (8,116)	$ (74,061)
Investing Activities			
Purchases of property and equipment	$ (11,886)	$ 8,116	$ (3,770)
Net cash provided by investing activities	$ 6,621	$ 8,116	$ 14,737
Supplemental disclosure of non-cash investing and financing activities:			
Purchase of property and equipment included in accounts payable	$ 954	$ (522)	$ 432

The prior misclassification of these capitalized cloud computing arrangement expenditures was not material to the previously issued condensed consolidated financial statements as of and for the nine months ended September 30, 2022.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosed in the accompanying notes. Actual results could differ materially from these estimates.

Significant estimates and assumptions which form the basis of amounts reported in the condensed consolidated financial statements include, but are not limited to, the standalone selling prices of our performance obligations; timing of revenue recognition; fair value measurements; net realizable value of inventory; income taxes; and the fair value of intangible assets acquired in business combinations. We base our estimates on current facts and circumstances, historical experience, forecasted results, and various other assumptions that we believe to be reasonable. We obtain reports from third-party valuation experts to inform and support estimates related to certain fair value measurements.

Concentration of Credit Risk and Other Risks and Uncertainties

Financial instruments that potentially expose us to concentrations of credit risk consist principally of cash, cash equivalents, investments, and accounts receivable. Accounts receivable are unsecured. Cash and cash equivalents are deposited with major financial institutions. In certain accounts, we maintain cash balances in excess of federally insured limits. We have not experienced losses in these accounts and believe that we are not exposed to significant risk.

Significant customers are those that represent more than 10% of total revenues for any period presented in the condensed consolidated statements of operations and comprehensive loss, or that represent more than 10% of the gross accounts receivable balance as of either balance sheet date presented. The table below sets forth percentages of revenue and gross accounts receivable attributable to significant customers:

	Accounts Receivable		Revenue			
			Three months ended September 30,		Nine months ended September 30,	
	September 30, 2023	December 31, 2022	2023	2022	2023	2022
Customer A	11%	11%	15%	13%	29%	19%
Customer B(1)	44%	51%	*	53%	*	33%
Customer C	17%	*	24%	*	13%	*

(1) All revenue related to accounts receivable from Customer B was recognized during the year ended December 31, 2022.

* less than 10%

International sales entail a variety of risks, including currency exchange fluctuations, longer payment cycles, and greater difficulty in accounts receivable collection. Customers outside the United States collectively represent 55% and 28% of our revenues for the three months ended September 30, 2023 and 2022, respectively, and represent 58% and 33% of our revenues for the nine months ended September 30, 2023 and 2022, respectively. Customers outside of the United States collectively represented 33% and 23% of our gross accounts receivable balance as of September 30, 2023 and December 31, 2022, respectively.

Certain components included in our products require customization and are obtained from a single source or a limited number of suppliers.

Business Combinations

We account for business combinations using the acquisition method of accounting in accordance with ASC 805, *Business Combinations*. Application of this method of accounting requires that (i) identifiable assets acquired (including identifiable intangible assets) and liabilities assumed generally be measured and recognized at fair value as of the acquisition date and (ii) the excess of the purchase price over the net fair value of identifiable assets acquired and liabilities assumed be recognized as goodwill. Transaction costs related to business combinations are expensed as incurred and classified as selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss. Determining the fair value of assets acquired and liabilities assumed in a business combination requires management to use significant judgment and estimates, especially with respect to intangible assets.

During the measurement period, which extends one year from the acquisition date, we may record certain adjustments to the carrying value of the assets acquired and liabilities assumed with a corresponding adjustment to goodwill.

Contingent Consideration

Acquisition-related contingent consideration was initially recorded in the condensed consolidated balance sheets at its acquisition-date estimated fair value, in accordance with the acquisition method of accounting. Contingent consideration liabilities contractually due beyond 12 months are recorded in other long-term liabilities on the condensed consolidated balance sheets. The fair value of the acquisition-related contingent consideration is remeasured each reporting period, with changes in fair value recorded in selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss. The fair value measurement is based on significant inputs not observable by market participants and thus represents a Level 3 input in the fair value hierarchy.

Accounts Receivable and Allowance for Expected Credit Losses

Effective January 1, 2023, we adopted the requirements of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), along with the subsequently issued guidance amending and clarifying various aspects of ASU 2016-13, using the modified retrospective method of adoption. In accordance with that method, the comparative periods’ information continues to be reported under the relevant accounting guidance in effect for that period. For the current period, the standard replaces the existing incurred credit loss model with the current expected credit losses model for financial instruments, including accounts receivable, through a cumulative-effect adjustment to accumulated deficit as of the beginning of the first reporting period in which the guidance is effective.

Accounts receivable are recorded at invoiced amounts, net of an allowance for expected credit losses. We are exposed to credit losses primarily through sales of products and services. The estimation of the allowance for expected credit losses is based on historical loss experience, the current aging status of receivables, current and estimated future economic and market conditions, and specific customer accounts considered to be at risk or uncollectible. We write off accounts receivable against the allowance for expected credit losses when we determine a balance is uncollectible and cease collection efforts. We did not write off any material accounts receivable balances during the periods ended September 30, 2023 and 2022.

The non-current portion of accounts receivable primarily consists of guaranteed minimum fixed royalty payments owed to us under licensing agreements. Non-current accounts receivable are recorded net of significant financing components.

Inventory

Inventory is stated at the lower of cost (on a first-in, first-out basis) or net realizable value. Cost is determined using a standard cost system, whereby the standard costs are updated periodically to reflect current costs. We estimate the recoverability of inventory by referencing estimates of future demands and product life cycles, including expiration. We periodically analyze our inventory levels to identify inventory that may expire prior to expected usage, no longer meets quality specifications, or has a cost basis in excess of its estimated net realizable value, and record a charge to cost of revenue for such inventory as appropriate. Inventory that is not expected to be used within 12 months of the balance sheet date is classified as non-current inventory in the accompanying condensed consolidated balance sheets.

Intangible Assets

Intangible assets primarily consists of acquired in-process research and development (“IPR&D”). IPR&D relates to substantial research and development efforts that are incomplete at the acquisition date. IPR&D intangible assets are considered indefinite-lived until the completion or abandonment of the associated research and development efforts. During the development phase, these assets are not amortized but are tested for impairment annually during the fourth quarter of the year or more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. Once the IPR&D activities are completed, the intangible asset is amortized over its useful life on a straight-line basis.

Goodwill

Goodwill represents the excess of the purchase price from business combinations over the fair value of the net assets acquired. Goodwill is not amortized but is tested for impairment at least annually during the fourth quarter, or more frequently if events or changes in circumstances indicate that it may be impaired. All of our goodwill is assigned to our one reporting unit.

We perform impairment testing by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. If we conclude that that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then a quantitative test is required.

If the estimated fair value of the reporting unit exceeds the carrying amount, goodwill is not considered to be impaired. If the carrying value exceeds estimated fair value, there is an impairment of goodwill and an impairment loss would be recorded. The impairment loss is calculating by comparing the fair value of the reporting unit less the carrying amount, including goodwill. Goodwill impairment would be limited to the carrying value of goodwill. There were no goodwill impairment losses recorded in any period presented.

Software Development Costs

Internal-Use Software

The Company capitalizes certain internal and external costs related to the acquisition and development of internal-use software or cloud computing arrangements during the application development stages of projects. The costs incurred for development of software intended for internal use and cloud computing arrangements are capitalized in accordance with ASC 350-40, *Goodwill and Other, Internal-Use Software.* These costs are included in property and equipment, net of accumulated depreciation and amortization in the condensed consolidated balance sheets.

When the software is ready for its intended use, the Company amortizes these costs using the straight-line method over the estimated useful life of the asset, or, for cloud computing service arrangements, over the term of the hosting arrangement. Costs incurred during the preliminary project or the post-implementation/operation stages of the project are expensed as incurred.

Software Developed for Sale

The costs incurred for the development of computer software to be sold, leased, or otherwise marketed are capitalized in accordance with ASC 985-20, *Costs of Software to be Sold, Leased or Marketed*, when technological feasibility has been established. Technological feasibility generally occurs when all planning, design, coding and testing activities are completed that are necessary to establish that the product can be produced to meet its design specifications, including functions, features and technical performance requirements. The establishment of technological feasibility is an ongoing assessment of judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life and changes in technology. Capitalized software costs include direct labor and related expenses for software development for new products. Capitalized software costs are included in other long-term assets in the condensed consolidated balance sheets. Costs to develop software to be sold are not yet subject to amortization as our software to be sold was not available for general release as of September 30, 2023.

Impairment of Long-Lived Assets

We evaluate a long-lived asset (or asset group) for impairment whenever events or changes in circumstances indicate that the carrying value of the asset (or asset group) may not be recoverable. If indicators of impairment exist and the undiscounted future cash flows that the asset is expected to generate are less than the carrying value of the asset, an impairment loss is recorded to write down the asset to its estimated fair value based on a discounted cash flow approach. There were no impairment losses recorded in any period presented.

Leases

We determine if an arrangement is a lease at inception of the contract. Operating lease right-of-use (“ROU”) assets are included in other long-term assets, and operating lease liabilities are included in other current liabilities and other long-term liabilities in the condensed consolidated balance sheets.

ROU assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at commencement date. As the implicit rate in our leases is generally unknown, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future lease payments. We give consideration to our credit risk, term of the lease, total lease payments and adjust for the impacts of collateral, as necessary, when calculating our incremental borrowing rates.

Operating lease ROU assets include lease incentives and initial direct costs incurred. When the lease incentives specify a maximum level of reimbursement and we are reasonably certain to incur reimbursable costs equal to or exceeding this level, we include the lease incentive in the measurement of the ROU assets and lease liabilities at commencement. The lease terms may include options to extend or terminate the lease when it is reasonably certain we will exercise any such options. Lease costs for our operating leases are recognized on a straight-line basis within operating expenses over the lease term in the condensed consolidated statements of operations and comprehensive loss.

We have lease agreements with lease and non-lease components. However, we have elected the practical expedient to not separate lease and non-lease components for all of our existing classes of assets. Therefore, the lease and non-lease components are accounted for as a single lease component. We have also elected to not apply the recognition requirement to any short-term leases with a term of 12 months or less.

We monitor for events or changes in circumstances that may require a reassessment or impairment of our leases, at which time our ROU assets for operating leases may be reduced by impairment losses.

Warrant Liabilities

During February 2021, in connection with CMLS II's initial public offering, CMLS II issued 5,519,991 warrants (the "Public Warrants") to purchase shares of Common Stock at $11.50 per share. Simultaneously, with the consummation of the CMLS II initial public offering, CMLS II issued 5,013,333 warrants through a private placement (the "Private Placement Warrants", and together with the Public Warrants, the "Warrants") to purchase shares of Common Stock at $11.50 per share. All of the Warrants were outstanding as of September 30, 2023.

We classify the Warrants as liabilities on our condensed consolidated balance sheets as these instruments are precluded from being indexed to our own stock given that the terms allow for a settlement adjustment that does not meet the scope for the fixed-for-fixed exception in ASC 815, *Derivatives and Hedging* ("ASC 815"). Since the Warrants meet the definition of a derivative under ASC 815-40, we recorded these warrants as long-term liabilities at fair value on the date of the SPAC Merger, with subsequent changes in their respective fair values recognized within change in fair value of warrant liabilities in the condensed consolidated statements of operations and comprehensive loss at each reporting date. See Note 11, *Stockholders' Equity,* for more information on the Warrants.

Earn-Out Liability

As a result of the SPAC Merger, additional shares of Common Stock were provided to SomaLogic Operating shareholders and to certain employees and directors of SomaLogic ("Earn-Out Service Providers") of up to 3,500,125 and 1,499,875, respectively (the "Earn-Out Shares"). The Earn-Out Shares would have been payable if the price of our Common Stock had equaled or exceeded $20.00 for a period of at least 20 out of 30 consecutive trading days at any time between the 13- and 24-month anniversary of the closing date of the SPAC Merger (the "Triggering Event").

The Earn-Out Shares granted to shareholders are recognized as a liability in accordance with ASC 815. The liability was included as part of the consideration transferred in the SPAC Merger and was recorded at fair value and is included in other long-term liabilities in the condensed consolidated balance sheets. The earn-out liability is remeasured at the end of each reporting period, with subsequent changes in fair value recognized within change in fair value of earn-out liability in the condensed consolidated statements of operations and comprehensive loss. As of September 30, 2023, the Earn-Out Shares have been forfeited as the 24-month anniversary of the closing date of the SPAC Merger has passed.

Revenue Recognition

We recognize revenue from sales to customers under ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 provides a five-step model for recognizing revenue that includes identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations, and recognizing revenue when, or as, an entity satisfies a performance obligation.

We recognize revenue when or as control of promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue.

Payment terms may vary by customer, are based on customary commercial terms, and are generally less than one year. We do not adjust revenue for the effects of a significant financing component for contracts where the period between the transfer of the good or service and collection is one year or less. We expense incremental costs to obtain a contract when incurred since the amortization period of the asset that would otherwise be recognized is one year or less.

Assay Services Revenue

We generate assay services revenue primarily from the sale of SomaScan® services. SomaScan® service revenue is derived from performing the SomaScan® assay on customer samples to generate data on protein biomarkers. Revenue from SomaScan® services is recognized at the time the analysis data or report is delivered to the customer, which is when control has been transferred to the customer. SomaScan® services are sold at a fixed price per sample without any volume discounts, rebates, or refunds.

The delivery of each assay data report is a separate performance obligation. For arrangements with multiple performance obligations, the transaction price must be allocated to each performance obligation based on its relative standalone selling price. Judgment is required to determine the standalone selling price for each distinct performance obligation as there are few directly comparable products in the market and factors such as customer size are factored into the determination of selling price. We determine standalone selling prices based on amounts invoiced to customers in observable transactions.

Product Revenue

Product revenue primarily consists of equipment and kit sales to customers that assay samples in their own laboratories, referred to as authorized sites. Equipment is generally accounted for as a bundle with installation, qualification and training services. Revenue is recognized based on the progress made toward achieving the performance obligation utilizing input methods, including costs incurred. Revenue from kit sales is recognized upon transfer of control to the customer. Shipping and handling costs billed to customers are included in product revenue in the condensed consolidated statements of operations and comprehensive loss.

Collaboration Revenue

In July 2011, NEC Corporation ("NEC") and SomaLogic entered into a Strategic Alliance Agreement (the "SAA") to develop a professional software tool to enable SomaScan® customers to easily access and interpret the highly multiplexed proteomic data generated by SomaLogic's SomaScan® assay technology in the United States. To support this development, NEC made an upfront payment of $12.0 million. This agreement includes a clause whereby if there is a material breach of the contract or change in control of SomaLogic, we may be required to pay a fee to terminate the agreement.

We determined that the SAA met the criteria set forth in ASC 808, *Collaborative Arrangements*, ("ASC 808") because both parties were active participants and were exposed to significant risks and rewards dependent on commercial failure or success. We recorded the upfront payment as deferred revenue to be recognized over the period of performance of 15 years. The revenue was recorded in collaboration revenue in the condensed consolidated statements of operations and comprehensive loss.

In March 2020, NEC and SomaLogic mutually terminated the SAA and concurrently SomaLogic and NEC Solution Innovators, Ltd. ("NES"), a wholly owned subsidiary of NEC, entered into a new arrangement, the Joint Development & Commercialization Agreement (the "JDCA"), to develop and commercialize SomaScan® services in Japan. NES agreed to make annual payments of $2.0 million for five years, for a total of $10.0 million, in exchange for research and development activities, as described below. We determined the JDCA should be accounted for as a modification of the SAA. Therefore, the remaining SAA deferred revenue balance as of the date of the modification was included as consideration under the JDCA resulting in total consideration of $15.3 million for research and development activities. We determined that this arrangement also meets the criteria set forth in ASC 808. The JDCA contains three separate performance obligations: (i) research and development activities, (ii) assay services, and (iii) a 10-year exclusive license of our intellectual property.

(i) Research and Development Activities

We determined that NES is not a customer with respect to the research and development activities associated with the collaboration arrangement under ASC 808. We recognize revenue from these activities based on the progress made toward achieving the performance obligation utilizing input methods, including costs incurred, in collaboration revenue in the condensed consolidated statements of operations and comprehensive loss.

(ii) Assay Services

We determined that NES is a customer for the assay services performance obligation, which should be accounted for using the criteria under ASC 606. We receive a fixed fee (standalone selling price) per sample in exchange for assaying samples, which is a service performed for other customers in the ordinary course of business. This performance obligation is recognized at a point in time when the assay data report is delivered to the customer and recorded in assay services revenue in the condensed consolidated statements of operations and comprehensive loss.

(iii) License of Intellectual Property

We determined that NES is a customer for the license performance obligation, which should be accounted for using the criteria under ASC 606. We receive royalties based on NES' net sales and determined the allocation of royalties solely to this performance obligation is consistent with the objectives in ASC 606. This performance obligation was satisfied at the beginning of the license term. Subject to the sales and usage-based royalty exception, revenue is recognized in the period in which the subsequent sale or usage has occurred. Royalties are recorded in other revenue in the condensed consolidated statements of operations and comprehensive loss.

Other Revenue

Other revenue includes royalty revenue and revenue received from research grants. We recognize royalty revenue for fees paid by customers in return for a license to make, use or sell certain licensed products in certain geographic areas. These fees are equivalent to a percentage of the customer's related revenues. We recognize revenue for sales-based or usage-based royalties promised in exchange for a functional license of intellectual property when the later of the following events occurs: (i) the subsequent sale or usage occurs, or (ii) the performance obligation to which some or all of the sales-based or usage-based royalty has been satisfied. As such, revenue is recognized in the period in which the subsequent sale or usage has occurred.

In June 2008, SomaLogic and New England Biolabs, Inc. ("NEB") entered into an exclusive licensing agreement, whereby we provide a license to use certain proprietary information and know-how relating to its aptamer technology to make and use commercial products. In exchange, we receive royalties from NEB for this functional license of intellectual property. In September 2022, SomaLogic and NEB entered into a license and settlement agreement ("NEB Agreement") that terminated the existing exclusive licensing arrangement and provided for a settlement of $8.0 million of previously constrained royalties recognized for the year ended December 31, 2022. The NEB Agreement also provided a non-exclusive license arrangement for the same proprietary information and know-how under which we are guaranteed fixed minimum royalties of $15.0 million to be received over 3 years. We recognized revenue for the guaranteed fixed minimum royalties of $13.2 million for the year ended December 31, 2022, net of a significant financing component of $1.8 million. Any revenue above the guaranteed fixed minimum royalties is recognized in the period in which the subsequent sale or usage has occurred. We have recorded a receivable of $12.9 million as of September 30, 2023, of which $8.6 million is recorded in accounts receivable, net of current portion and $4.3 million is recorded in accounts receivable, net on the condensed consolidated balance sheets. Interest income related to the significant financing component was $0.2 million and $0.6 million for the three and nine months ended September 30, 2023, respectively, and is included in interest income and other, net in the condensed consolidated statements of operations and comprehensive loss.

Grant revenue represents funding under cost reimbursement programs or fixed rate arrangements from government agencies and non-profit foundations for qualified research and development activities performed by SomaLogic. We recognize grant revenue when it is reasonably assured that the grant funding will be received as evidenced through the existence of a grant arrangement, amounts eligible for reimbursement are determinable and have been incurred, the applicable conditions under the grant arrangements have been met, and collectability of amounts due is reasonably assured. The classification of costs incurred related to grants is based on the nature of the activities performed by SomaLogic. Grant revenue is recognized when the related costs are incurred and recorded in other revenue in the condensed consolidated statements of operations and comprehensive loss.

Illumina Cambridge, Ltd.

On December 31, 2021, we entered into a multi-year arrangement with Illumina Cambridge, Ltd. ("Illumina Agreement") to jointly develop and commercialize co-branded kits that will combine Illumina's Next Generation Sequencing ("NGS") technology with SomaLogic's SomaScan technology. Pursuant to the agreement, we received a non-refundable upfront payment of $30.0 million on January 4, 2022. This arrangement is accounted for in accordance with ASC 606. We concluded there are two performance obligations: (1) SOMAmer reagents necessary to develop and commercialize NGS based proteomic products, inclusive of the rights to licenses, patents and training to allow for the use of such reagents and (2) an option to purchase goods post-commercialization with a material right ("Material Right"). The total transaction price is subject to a constraint since it is uncertain that commercialization will be achieved; and therefore the transaction price was determined to be $30.0 million and was allocated to each of the performance obligations identified on a relative standalone selling price basis. Revenue from the performance obligations is recognized as follows in product revenue in the condensed consolidated statements of operations and comprehensive loss:

Reagents: Revenue is recognized when control transfers to the customer (i.e., when the SOMAmer reagents are shipped). We estimated the standalone selling price ("SSP") based on observable pricing of similar performance obligations.

Material Right: Revenue is recognized when Illumina exercises its option to purchase goods post-commercialization. We estimated the SSP based on an incremental discount to be provided to the customer adjusted for the likelihood that Illumina will exercise the option.

In June 2022, Illumina issued a purchase order that changed the promises under the Illumina Agreement. The purchase order represents a contract modification that is accounted for prospectively as if it were a termination of the existing contract and the creation of a new contract.

As a result, we determined that there were three new performance obligations (total of five performance obligations): (1) equipment bundle that includes customization services, integration services, system qualification services, site initiation services and training ("Equipment Bundle"), (2) qualification kits, and (3) support services. The contract modification resulted in an increase in the transaction price of $0.5 million. The updated transaction price was allocated between the performance obligations on a relative SSP basis. We estimated the SSP based on observable pricing of similar performance obligations. Revenue from the performance obligations is recognized as follows in product revenue in the condensed consolidated statements of operations and comprehensive loss:

Equipment Bundle: Revenue is recognized based on the progress made toward achieving the performance obligation utilizing input methods, including costs incurred.

Qualification Kits: Revenue is recognized when control transfers to the customer (i.e., when the qualification kits are shipped).

Support Services: Revenue is recognized for the support services as the services are provided.

We did not recognize any revenue during the three and nine months ended September 30, 2023 or 2022 pursuant to the Illumina Agreement for performance obligations satisfied.

Restricted Cash

Restricted cash represents cash on deposit with a financial institution as security for letters of credit outstanding for the benefit of the landlords related to operating leases and a bank guarantee with an international customer. The portion of restricted cash expected to be released within twelve months is classified as prepaid expenses and other current assets on the condensed consolidated balance sheets was $0.5 million and $4.7 million as of September 30, 2023 and December 31, 2022, respectively. Cash expected to be restricted for greater than twelve months is classified as other long-term assets on the condensed consolidated balance sheets was $0.6 million and $0.8 million as of September 30, 2023 and December 31, 2022.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the tax bases of assets and liabilities and their respective financial reporting amounts, based on enacted tax laws and statutory tax rates applicable to the periods in which these temporary differences are expected to reverse. We evaluate the need to establish or release a valuation allowance based upon expected levels of taxable income, future reversals of existing temporary differences, tax planning strategies, and recent financial operations. Valuation allowances are established to reduce deferred tax assets to the amount expected to be more likely than not realized in the future.

The effect of income tax positions is recognized only when it is more likely than not to be sustained. Interest and penalties associated with uncertain tax positions are recorded in income tax benefit (provision) in the condensed consolidated statements of operations and comprehensive loss.

Segment Information

We have one operating segment. Our chief operating decision maker (the “CODM”) role is performed by our Chief Executive Officer. The CODM manages our operations on a consolidated basis for purposes of allocating resources and assessing performance. Substantially all of our operations and decision-making functions are located in the United States.

Other Significant Accounting Policies

Our significant accounting policies are described in our 2022 Form 10-K. There have been no significant changes to those policies.

Recent Accounting Pronouncements

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, as amended (the “JOBS Act”). The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to use this extended transition period and, as a result, we will not be required to adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies so long as we remain an emerging growth company.

Recently Adopted Accounting Standards

Financial Instruments — Credit Losses. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which sets forth a “current expected credit loss” (“CECL”) model that requires us to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. We adopted ASU 2016-13, as amended, on January 1, 2023 using a modified retrospective approach and recorded a cumulative effect adjustment to accumulated deficit. The adoption of ASU 2016-13 did not have a material impact on our condensed consolidated financial statements.

Accounting Standards Not Yet Adopted

Convertible Debt, Contracts in an Entity’s Own Equity and EPS. In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in an Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*, which simplifies the accounting for convertible debt by removing the requirements to separately present certain conversion features in equity. In addition, the amendment also simplifies the guidance in ASC Subtopic 815-40, *Derivatives and Hedging: Contracts in Entity's Own Equity*, by removing certain criteria that must be satisfied in order to classify a contract as equity. Further, contracts which can be settled in cash or shares, excluding liability-classified share-based payment awards, are to be included in diluted earnings per share using the “if-converted” method if the effect is dilutive, regardless of whether the entity or the counterparty can choose between cash and share settlement. The share-settlement presumption may not be rebutted based on past experience or a stated policy. ASC 2020-06 is effective for us on January 1, 2024, although early adoption is permitted. ASU 2020-06 may be adopted through either the fully retrospective or modified retrospective method of transition. We do not expect this standard to have a material impact to our condensed consolidated financial statements and related disclosures.

Note 3 — Revenue

The following table disaggregates our revenue by product line:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Assay services revenue	$ 17,866	$ 17,574	$ 52,882	$ 47,305
Product revenue	3,418	1,051	7,513	2,218
Collaboration revenue	763	763	2,288	2,288
Other revenue:				
Royalties	—	22,305	—	26,190
Other	1	20	212	836
Total other revenue	1	22,325	212	27,026
Total revenue	$ 22,048	$ 41,713	$ 62,895	$ 78,837

Contract Balances and Remaining Performance Obligations

As of September 30, 2023 and December 31, 2022, deferred revenue of $34.0 million and $35.1 million, respectively, was comprised of balances related to our collaboration revenue, product, assay services, and other revenue. As of September 30, 2023 and December 31, 2022, the portion of deferred revenue related to collaboration revenue was $2.6 million and $2.9 million, respectively. As of September 30, 2023, the estimated remaining performance period is 1.5 years. As of September 30, 2023 and December 31, 2022, the portion of deferred revenue related to assay services and other revenue was $1.0 million and $1.8 million, respectively. As of September 30, 2023, the deferred revenue related to assay services and other revenue will be recognized within 12 months.

As of September 30, 2023 and December 31, 2022, the deferred product revenue related to the Illumina Agreement amounted to $30.4 million for each period. As of September 30, 2023, the estimated remaining performance obligation period is approximately 7.3 years.

During the three and nine months ended September 30, 2023, we recognized revenue of $1.3 million and $2.9 million, respectively, from deferred revenue recorded in prior periods.

Note 4 — Accounts Receivable, net

Accounts receivable, net consisted of the following:

(in thousands)	**September 30, 2023**	**December 31, 2022**
Accounts receivable	$ 29,949	$ 26,441
Less: allowance for expected credit losses	(538)	(151)
Accounts receivable, net	$ 29,411	$ 26,290
Accounts receivable, net (current)	$ 20,730	$ 17,006
Accounts receivable, net of current portion	$ 8,681	$ 9,284

Note 5 — Business Combinations

On August 31, 2022, we acquired 100% of the equity interests in Palamedrix, Inc. ("Palamedrix") (the “Palamedrix Acquisition”) in exchange for purchase consideration of $29.7 million. Consideration transferred included cash of $15.8 million, equity consideration of $12.5 million, and contingent consideration of $1.4 million. Palamedrix is a DNA nano tech firm that provides scientific and engineering expertise, miniaturization technology and enhanced ease-of-use capabilities that we intend to leverage as we develop the next generation of SomaScan® Assay.

The Palamedrix Acquisition provided for up to $0.5 million to be paid to the founders contingent upon settlement of pre-acquisition legal matters (the “Holdback Contingent Consideration”). It also provided for three potential additional payments of up to $17.5 million to the owners, including non-founder and founder employees, to be settled in cash and/or Common Stock contingent on the achievement of certain net sales milestone targets by the fifth and sixth year anniversary of the closing date of the acquisition (the “Milestone Contingent Consideration”).

Note 6 — Fair Value Measurements

Assets measured at fair value on a recurring basis

The following tables set forth our financial assets measured at fair value on a recurring basis and the level of inputs used in such measurements:

As of September 30, 2023

(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Aggregate Fair Value	Fair Value Level
Cash and cash equivalents:					
Cash	$ 8,760	$ —	$ —	$ 8,760	Level 1
Money market funds	296,811	—	—	296,811	Level 1
Total cash and cash equivalents	305,571	—	—	305,571	
Investments:					
U.S. Treasuries	148,234	7	(2)	148,239	Level 2
Total investments	148,234	7	(2)	148,239	
Total assets measured at fair value on a recurring basis	$ 453,805	$ 7	$ (2)	$ 453,810	

As of December 31, 2022

(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Aggregate Fair Value	Fair Value Level
Cash and cash equivalents:					
Cash	$ 44,045	$ —	$ —	$ 44,045	Level 1
Money market funds	377,785	—	—	377,785	Level 1
Total cash and cash equivalents	421,830	—	—	421,830	
Investments:					
Commercial paper	58,794	—	(195)	58,599	Level 2
U.S. Treasuries	35,252	—	(175)	35,077	Level 2
Corporate bonds	11,782	—	(39)	11,743	Level 2
Agency bonds	12,426	—	(87)	12,339	Level 2
Total investments	118,254	—	(496)	117,758	
Total assets measured at fair value on a recurring basis	$ 540,084	$ —	$ (496)	$ 539,588	

As of September 30, 2023 and December 31, 2022, we had $0.1 million and $0.5 million, respectively, of accrued interest on investments recorded in prepaid expenses and other current assets on the condensed consolidated balance sheets.

Our investments consist of money market funds, commercial paper, U.S. Treasuries, corporate bonds, and agency bonds. All of the commercial paper, U.S. Treasuries, corporate bonds and agency bonds are designated as available-for-sale securities and have an effective maturity date that is less than one year from the respective balance sheet date, and accordingly, have been classified as current in the condensed consolidated balance sheets.

We classify our investments in money market funds within Level 1 of the fair value hierarchy because they are valued using quoted market prices. We classify our commercial paper, U.S. Treasuries, asset-backed securities, corporate bonds and agency bonds as Level 2 and obtain the fair value from a third-party pricing service, which may use quoted market prices for identical or comparable instruments or model-driven valuations using observable market data or inputs corroborated by observable market data.

We adopted ASU 2016-13 on January 1, 2023. Under the new guidance, we evaluated our available-for-sale securities with unrealized losses for impairment, considering available evidence, including the extent to which fair value is less than cost, whether an allowance for expected credit loss is required, and adverse factors that could affect the value of the securities. Any unrealized losses from declines in fair value below the amortized cost basis as a result of non-credit factors are recognized in accumulated other comprehensive loss as a separate component of stockholders' equity, along with unrealized gains. Realized gains and losses and declines in fair value, if any, on available-for-sale securities are included in interest and other income, net in the condensed consolidated statements of operations and comprehensive loss.

We evaluated the available-for-sale securities as of September 30, 2023 and determined that no available-for-sale securities in an unrealized loss position are arising from credit related reasons. Additionally, we do not intend to sell or believe that it is not more likely than not that we will be required to sell the securities before recovery of the amortized cost bases and have therefore not recorded any allowances for available-for-sale securities in our allowance for expected credit losses as of September 30, 2023. We did not recognize material realized gains or losses for the three or nine months ended September 30, 2023.

Liabilities measured at fair value on a recurring basis

The following table presents information about our liabilities that are measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation inputs we utilized to determine such fair value:

(in thousands)	September 30, 2023	December 31, 2022	Fair Value Level
Warrant liability - public warrants	$ 1,214	$ 2,208	Level 1
Warrant liability - private placement warrants	1,103	2,005	Level 2
Earn-out liability	—	15	Level 3
Milestone Contingent Consideration	1,512	1,165	Level 3
Holdback Contingent Consideration	450	450	Level 3
Total liabilities measured at fair value on a recurring basis	$ 4,279	$ 5,843	

Liabilities that are measured at fair value on a recurring basis are recorded on the condensed consolidated balance sheet as of September 30, 2023 as follows:

(in thousands)	September 30, 2023	December 31, 2022
Other current liabilities	$ 450	$ —
Warrant liabilities	2,317	4,213
Other long-term liabilities	1,512	1,630
Total liabilities measured at fair value on a recurring basis	$ 4,279	$ 5,843

Warrant liabilities

The public warrants were valued using Level 1 inputs as they are traded in an active market. The fair value of the private placement warrants is equivalent to that of the public warrants as they have substantially the same terms; however, as they are not actively traded, they are classified as Level 2 in the hierarchy table above.

Earn-out liability

The fair value of the Earn-Out Shares was estimated using a Monte Carlo simulation model. The fair value is based on the simulated price of the Company over the maturity date of the contingent consideration and increased by estimated forfeitures of Earn-Out Shares issued to Earn-Out Service Providers. During the three months ended March 31, 2023, the earn-out liability was determined to be immaterial and was fully written off. As of September 30, 2023, the Earn-Out Shares have been forfeited as the 24-month anniversary of the closing date of the SPAC Merger has passed.

Milestone Contingent Consideration

The fair value of the Milestone Contingent Consideration was estimated using a Monte Carlo simulation model. The fair value is based on an option pricing framework, whereby a range of possible scenarios were simulated around forecasted net sales.

The significant unobservable inputs used in the Monte Carlo simulation to measure the Milestone Contingent Consideration that are categorized within Level 3 of the fair value hierarchy were as follows:

	September 30, 2023	December 31, 2022
Volatility	25.0%	35.0%
Risk-free rate	4.9%	4.0%
Weighted average cost of capital	30.0%	30.0%
Cost of debt	12.5% - 13.2%	10.0%

The change in the fair value of the Milestone Contingent Consideration is summarized as follows:

(in thousands)	Fair Value
Balance as of December 31, 2022	$ 1,165
Change in fair value of Milestone Contingent Consideration	347
Balance as of September 30, 2023	$ 1,512

Holdback Contingent Consideration

The fair value of Holdback Contingent Consideration was estimated using a scenario-based analysis. The fair value is based on the expected holdback release date and expected holdback payment. The future expected payments were discounted to the valuation date using the cost of debt.

The significant unobservable inputs used in the scenario-based analysis to measure the holdback contingent consideration that are categorized within Level 3 of the fair value hierarchy were as follows:

	September 30, 2023	December 31, 2022
Cost of debt	13.5%	10.2%

Note 7 — Leases

We have operating leases for certain office spaces with lease terms ranging from two to five years. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. Certain of these leases also include renewal options at our election to renew or extend the leases for additional periods ranging from three to ten years. These optional periods have not been considered in the determination of the ROU assets or lease liabilities associated with these leases as we did not consider the exercise of these options to be reasonably certain. The ROU asset is included in other long-term assets on the condensed consolidated balance sheets and was $4.3 million and $3.9 million as of September 30, 2023, and December 31, 2022, respectively.

Lease Costs

Lease costs for operating leases are recognized on a straight-line basis over the lease term. The total lease cost for the period was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2023	2022	2023	2022
Operating lease cost	$ 604	$ 6,477	$ 1,786	$ 7,284
Variable lease cost	415	270	1,119	660
Short-term lease cost	3	12	27	35
Total lease cost	$ 1,022	$ 6,759	$ 2,932	$ 7,979

Lease Maturities

The table below reconciles the undiscounted lease payment maturities to the lease liabilities for our operating leases:

(in thousands)	September 30, 2023
Remainder of 2023	$ 643
2024	1,875
2025	1,588
2026	920
Total	5,026
Less: amount of lease payments representing interest	(293)
Present value of future minimum lease payments	4,733
Less: current operating lease liabilities (included in other current liabilities)	(1,970)
Long-term operating lease liabilities (included in other long-term liabilities)	$ 2,763

Supplemental Lease Information

Supplemental information related to our operating leases was as follows:

	September 30, 2023
Weighted average remaining lease term	2.6 years
Weighted average discount rate	4.3%

Cash paid for amounts included in the measurement of our operating lease liabilities for the nine months ended September 30, 2023 and 2022 was $1.9 million and $1.4 million, respectively.

In July 2023, we extended the term of a lease for office space by three years. The lease was set to expire in December 2023 and will now expire in December of 2026. The amendment was accounted for as a lease modification and resulted in a $2.0 million increase to the related ROU asset and operating lease liability.

In February 2022, we executed two separate lease agreements (the "Leases") to lease buildings pending construction that had not yet commenced. Both leases were set to expire on November 30, 2033, unless extended or early terminated in accordance with the terms of the lease. In accordance with the lease agreements, we made a deposit of $4.1 million during the first quarter of 2022. The deposit was restricted from withdrawal and held by a bank in the form of collateral for an irrevocable standby letter of credit held as security.

On August 25, 2022, we entered into a lease termination agreement (the "Lease Termination") for the Leases prior to lease commencement. As consideration for the termination of the Leases, we agreed to pay the landlord a termination fee of $6.0 million of which $2.5 million was paid on the termination date. During the fourth quarter of 2022 the remaining liability was reduced by $1.0 million after the landlord entered into a separate lease with a third party. The remaining $2.5 million liability was paid in January 2023 and the $4.1 million deposit was released in March 2023.

Note 8 — Inventory

Inventory consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Raw materials	$ 22,531	$ 16,710
Work in process	1,433	1,191
Finished goods	1,039	639
Total inventory	$ 25,003	$ 18,540
Inventory (current)	$ 13,884	$ 13,897
Non-current inventory	$ 11,119	$ 4,643

Note 9 — Accrued Liabilities and Other Long-Term Liabilities

Accrued liabilities consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Accrued compensation	$ 9,261	$ 13,897
Accrued restructuring costs	316	2,223
Accrued lease termination fee	—	2,500
Accrued real estate agent commission	—	764
Accrued medical claims	623	663
Other	629	631
Total accrued liabilities	$ 10,829	$ 20,678

Other long-term liabilities consisted of the following:

(in thousands)	September 30, 2023	December 31, 2022
Long-term operating lease liabilities	$ 2,763	$ 2,063
Milestone consideration replacement award liability	1,932	1,261
Milestone Contingent Consideration	1,512	1,165
Holdback Contingent Consideration(1)	—	450
Long-term deferred tax liability	1,060	585
Earn-out liability	—	15
Total other long-term liabilities	$ 7,267	$ 5,539

(1) As of September 30, 2023, the holdback contingent consideration is included within other current liabilities on the condensed consolidated balance sheet.

Note 10 — Commitments and Contingencies

Legal Proceedings

We are subject to claims and assessments from time to time in the ordinary course of business. We will accrue a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. We are not currently party to any material legal proceedings in which a potential loss is probable or reasonably estimable.

Indemnification

In the normal course of business, we enter into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. Our exposure under these agreements is unknown because it involves claims that may be made against us in the future, but that have not yet been made. To date, we have not paid any claims or been required to defend any action related to our indemnification obligations. However, we may record charges in the future as a result of these indemnification obligations.

Note 11 — Stockholders' Equity

Under our amended and restated certificate of incorporation, we are authorized to issue 600,000,000 shares of Common Stock, par value of $0.0001 per share, and 1,000,000 shares of preferred stock, par value $0.0001 per share.

As of September 30, 2023, there were an aggregate of 5,519,991 and 5,013,333 outstanding public warrants and private placement warrants, respectively. Each warrant entitles the holder to purchase one share of our Common Stock at a price of $11.50 per share at any time commencing on February 25, 2022. As of September 30, 2023, no warrants have been exercised. The warrants will expire on September 1, 2026 or earlier upon redemption or liquidation.

There have been no significant changes to the disclosures in our 2022 Form 10-K related to Common Stock, preferred stock, or our public and private placement warrants, including warrant redemption terms.

Note 12 — Stock-based Compensation

We have various stock-based compensation plans, which are more fully described in Part II, Item 8 *"Financial Statements and Supplementary Data - Note 13 to the Consolidated Financial Statements - Stock-based Compensation*" in the 2022 Form 10-K. Under the 2021 Omnibus Incentive Plan (the "2021 Plan"), we have the ability to grant several forms of incentive awards to our eligible employees, directors, and non-employee consultants.

Effective January 2023, we increased the reserve of Common Stock for issuance under all incentive plans by approximately 9 million shares in accordance with the 2021 Plan.

The following table summarizes our stock-based compensation expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Cost of assay services revenue	$ 180	$ 327	$ 556	$ 910
Cost of product revenue	29	12	67	37
Research and development	1,459	2,780	4,569	6,346
Selling, general and administrative	2,336	13,775	10,302	27,732
Total stock-based compensation	$ 4,004	$ 16,894	$ 15,494	$ 35,025

The following table summarizes activity for stock options and RSUs during the nine months ended September 30, 2023:

	Stock Options[1]	RSUs[2]
Outstanding as of December 31, 2022	23,541,194	3,084,379
Granted	6,460,990	1,365,035
Exercised or Issued	(124,173)	(776,598)
Forfeited	(4,139,356)	(943,918)
Expired	(62,857)	—
Outstanding as of September 30, 2023	25,675,798	2,728,898

(1) The stock options generally vest over four years, with 25% vesting upon the first-year anniversary of the grant date and the remaining options vesting ratably each month thereafter.

(2) The RSUs vest subject to the satisfaction of service requirements. The grant date fair values of these awards are determined based on the closing price of our Common Stock on the date of grant.

We also incurred incremental stock-based compensation expense related to option modifications of nil and $1.3 million for the three and nine months ended September 30, 2023. We incurred incremental stock-based compensation related to option modifications of $7.5 million and $7.8 million for the three and nine months ended September 30, 2022.

We recorded $1.4 million and $5.0 million in stock-based compensation expense related to the Service Provider Earn-Outs during the three and nine months ended September 30, 2022, respectively. As the derived service period has passed, expenses related to the Service Provider Earn-Outs were fully recognized as of December 31, 2022.

Note 13 — Income Taxes

For the three and nine months ended September 30, 2023, we recognized a provision for income taxes of $0.5 million after applying our estimated annual effective income tax rate, which reflects the impacts of the previously recorded valuation allowance. For the three and nine months ended September 30, 2022, we recorded an income tax benefit of $0.6 million as a result of a change in our previously recorded valuation allowance due to deferred tax liabilities attributable to indefinite-lived assets that resulted from the Palamedrix Acquisition.

The provision for foreign income taxes was immaterial for the three and nine months ended September 30, 2023 and 2022.

Utilization of our net operating loss and tax credit carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration or elimination of the net operating loss and tax credit carryforwards before utilization. Management believes that the limitation will not limit utilization of the carryforwards prior to their expiration.

Note 14 — Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except share and per share data)	2023	2022	2023	2022
Net loss	$ (22,157)	$ (32,942)	$ (81,131)	$ (59,906)
Weighted-average shares outstanding, basic and diluted	187,070,510	184,407,874	186,780,699	183,209,213
Net loss per share, basic and diluted	$ (0.12)	$ (0.18)	$ (0.43)	$ (0.33)

During periods in which we incur a net loss, diluted weighted average shares outstanding are equal to basic weighted average shares outstanding because the effect of all awards is anti-dilutive. The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share for the periods presented because including them would have been anti-dilutive:

	Three and Nine Months Ended September 30,	
	2023	**2022**
Anti-dilutive shares:		
Stock options to purchase common stock	25,675,798	23,393,872
Public warrants and private placement warrants	10,533,324	10,533,324
Unvested RSUs	2,728,898	3,180,425
Replacement awards subject to vesting conditions	933,242	1,209,801
Employee stock purchase plan	78,031	45,783
Total anti-dilutive shares	39,949,293	38,363,205

Note 15 — Related Parties

Casdin Partners Master Fund, L.P (“Casdin”), founded by Eli Casdin, a member of our Board of Directors and one of our principal owners, was a shareholder of Palamedrix. Upon our acquisition of Palamedrix, Casdin received $0.8 million in cash, $0.8 million in equity, and the right to receive up to $0.3 million of Milestone Contingent Consideration related to the achievement of net sales milestones.

Note 16 — Restructuring

On December 16, 2022, following the completion of a strategic review of our business, we announced a workforce reduction plan (the "Strategic Reorganization") to reduce operating costs and focus on long-term growth opportunities in our life sciences business. Under this Strategic Reorganization, we reduced our workforce by approximately 16%, with a majority of these employees separating in December and the remaining affected employees separating over the next three-month period. Employees who were impacted by the restructuring were eligible to receive severance benefits contingent upon an impacted employee's execution of a separation agreement, which included a general release of claims against us. Certain impacted employees were covered by employment agreements or an existing severance plan that provides termination benefits.

One-time termination benefits were recorded pursuant to ASC 420, *Exit or Disposal Cost Obligations,* while termination benefits under ongoing benefit arrangements were recorded pursuant to ASC 712, *Compensation - Nonretirement Postemployment Benefits.*

We recognized restructuring charges of approximately nil and $1.1 million primarily related to one-time termination benefits during the three and nine months ended September 30, 2023, respectively. We do not expect to incur additional material employee severance and benefits expense. This reflects our best estimate, which may be revised in subsequent periods as the Strategic Reorganization progresses.

The following table outlines the components of the restructuring charges included in the condensed consolidated statements of operations and comprehensive loss:

(in thousands)	**Three Months Ended September 30, 2023**	**Nine Months Ended September 30, 2023**
Cost of assay services revenue	$ —	$ 19
Research and development	—	243
Selling, general and administrative	—	838
Total employee severance and benefits	$ —	$ 1,100

The following table outlines the changes in liabilities associated with our Strategic Reorganization, including restructuring expenses incurred and cash payments for the nine months ended September 30, 2023:

(in thousands)	
Balance at December 31, 2022	$ 2,223
Accruals	1,062
Payments	(2,969)
Balance at September 30, 2023	$ 316

The restructuring liabilities are included in accrued liabilities in the condensed consolidated balance sheets. We expect that substantially all of the remaining accrued restructuring liabilities will be paid in cash over the next 12 months. The charges recognized in the rollforward of our accrued restructuring liabilities do not include items charged directly to expense for extension of the exercise period of vested options.

Note 17 — Subsequent Event

On October 4, 2023, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Standard BioTools, Inc. (“Standard BioTools”) and Martis Merger Sub, Inc. (“Merger Sub”), a wholly owned subsidiary of Standard BioTools, pursuant to which, among other things, Merger Sub will merge with and into SomaLogic (the “Merger”), and we will continue as a wholly owned subsidiary of Standard BioTools. At the effective time of the Merger, each share of our common stock issued and outstanding will be converted into a right to receive 1.11 (the “Exchange Ratio”) shares of common stock of Standard BioTools (“Standard BioTools Common Stock”). Our common stockholders will own approximately 57% and Standard BioTools’ common stockholders will own approximately 43% of the outstanding shares of common stock of the combined company on a fully diluted basis.

In addition, as of the effective time of the Merger, Standard BioTools will assume each of our stock incentive plans, outstanding options to purchase shares of our common stock (the “Options”), and outstanding restricted stock units convertible into shares of our common stock (“RSUs” and together with the Options, the “Equity Awards”), whether vested or unvested. Each such Equity Award so assumed by Standard BioTools will continue to have, and be subject to, the same terms and conditions applicable to such Equity Award immediately prior to the effective time of the Merger, except that (i) such Option will be exercisable for that number of shares of Standard BioTools Common Stock equal to the number of shares of our common stock subject to such Option immediately prior to the effective time of the Merger multiplied by the Exchange Ratio and rounded down to the next nearest share of Standard BioTools common stock, (ii) the exercise price per share will be the exercise price per share in effect for that Option immediately prior to the effective time of the Merger divided by the Exchange Ratio and rounded up to the next nearest cent and (iii) such RSU will vest for that number of shares of Standard BioTools Common Stock equal to the number of shares of our common stock subject to such RSU immediately prior to the effective time of the Merger multiplied by the Exchange Ratio and rounded to the next nearest share of Standard BioTools Common Stock.

In addition, as of the effective time of the Merger, each of our warrants exercisable for one share of SomaLogic Common Stock shall be treated in accordance with its terms.

We have agreed with Standard BioTools to use reasonable best efforts and take all necessary action such that, as of the effective time of the Merger, the board of directors of the combined company will consist of seven members, with three such members designated by Standard BioTools, three such members designated by SomaLogic and one such member designated by Standard BioTools’ Series B-1 preferred stockholder, with at least one Standard BioTools designee and one SomaLogic designee appointed to each of the three classes of the Standard BioTools classified board. The parties have also agreed that Michael Egholm, Ph.D., will serve as Chief Executive Officer, Jeffrey Black will serve as Chief Financial Officer, Adam Taich will serve as Chief Strategy Officer and Shane Bowen will serve as Chief Technology Officer.

Eli Casdin, a member of our Board of Directors and one of our principal owners, is also a principal owner of Standard BioTools.

For additional information related to the Merger Agreement, refer to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2023, which includes the full text of the Merger Agreement as Exhibit 2.1.

STANDARD BIOTOOLS AND SOMALOGIC UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On October 4, 2023, Standard BioTools Inc. (“Standard BioTools”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with SomaLogic, Inc. (“SomaLogic”) and Martis Merger Sub Inc. (“Merger Sub”). The merger contemplated by the Merger Agreement was implemented through a merger of Merger Sub with and into SomaLogic, with SomaLogic becoming a wholly owned subsidiary of Standard BioTools (the “Merger”). The Merger closed on the morning of January 5, 2024, prior to market opening (the “Effective Time”).

The following unaudited pro forma condensed combined financial information is based on the historical consolidated financial statements of Standard BioTools and SomaLogic; and is adjusted to give effect to the Merger. Under the terms of the Merger Agreement, upon consummation of the Merger, SomaLogic shareholders will receive 1.11 shares (the “Exchange Ratio”) of Standard BioTools common stock (“Standard BioTools Common Stock”) for each share of SomaLogic common stock (“SomaLogic Common Stock”) issued and outstanding as of the Effective Time and cash in lieu of the fractional shares. In connection with the Merger, all SomaLogic Common Stock were cancelled and converted into the right to receive Standard BioTools Common Stock. Based on a stock price of $2.00 as of the open of market on January 5, 2024, the purchase price is approximately $441.5 million. Upon the close of the Merger, Standard BioTools shareholders own approximately 43% of the combined company, and SomaLogic shareholders own approximately 57% of the combined company on a fully diluted basis. The combined company is accounting for the transaction as a business combination between Standard BioTools and SomaLogic using the acquisition method of accounting with Standard BioTools as the accounting acquirer.

The following unaudited pro forma condensed combined balance sheet as of September 30, 2023, and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2022, and the nine months ended September 30, 2023, are presented herein. The unaudited pro forma condensed combined balance sheet combines the unaudited condensed consolidated balance sheets of Standard BioTools and SomaLogic as of September 30, 2023 and gives effect to the Merger as if it occurred on September 30, 2023. The unaudited pro forma condensed combined statements of operations combine the historical results of Standard BioTools and SomaLogic for the year ended December 31, 2022 and the nine months ended September 30, 2023 and give effect to the Merger as if it occurred on January 1, 2022.

The historical financial information has been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma adjustments deemed to be directly related to the Merger and expected to be incurred either prior to the transaction or post-close, irrespective of whether such adjustment is deemed to be recurring.

The pro forma adjustments are subject to modification based on the final determination of the fair value of the assets acquired and liabilities assumed and additional information that may become available. This may cause the final adjustments to be materially different from the unaudited pro forma condensed combined financial information presented below. Management performed a preliminary review of SomaLogic’s accounting policies and did not identify any material adjustments to be made to align accounting policies. Standard BioTools management is in-process of performing a detailed review of SomaLogic’s accounting policies in an effort to determine if differences in accounting policies require further adjustment or reclassification of SomaLogic’s results of operations or assets or liabilities to conform to Standard BioTools accounting policies and classification. As a result, Standard BioTools may subsequently identify additional differences in the accounting policies which could have a material impact on the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information presented is for informational purposes only and is not necessarily indicative of the financial position or results of operations that would have been realized if the business combination had been completed on the dates set forth above, nor is it indicative of future results or financial position of the combined company. The unaudited pro forma condensed combined financial information does not reflect any anticipated synergies or dis-synergies, operating efficiencies or cost savings that may result from the business combination. The pro forma adjustments, which Standard BioTools believes are reasonable under the circumstances, are preliminary and are based upon available information and certain assumptions described in the accompanying notes to the unaudited pro forma condensed combined financial information. Actual results and valuations may differ materially from the assumptions within the accompanying unaudited pro forma condensed combined financial information.

These unaudited pro forma condensed combined financial statements should be read in conjunction with the following:

- The accompanying notes to the unaudited pro forma condensed combined financial information;
- The historical audited consolidated financial statements of Standard BioTools as of and for the year ended December 31, 2022, included in Standard BioTools' Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 14, 2023;
- The historical unaudited condensed consolidated financial statements of Standard BioTools as of and for the nine months ended September 30, 2023, included in Standard BioTools' Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, filed with the SEC on November 7, 2023;
- The historical audited consolidated financial statements of SomaLogic as of and for the year ended December 31, 2022, included in SomaLogic's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 28, 2023; and
- The historical unaudited condensed consolidated financial statements of SomaLogic as of and for the nine months ended September 30, 2023, included in SomaLogic's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, filed with the SEC on November 8, 2023.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF SEPTEMBER 30, 2023
(In thousands)

	Standard BioTools Inc (Historical)	SomaLogic Inc (Note 3)	Transaction Accounting Adjustments	Note 5	Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 79,655	$ 305,571	$ (1,900)	**A**	$ 383,326
Short-term investments	49,195	148,239	-		197,434
Accounts receivable	16,560	20,730	-		37,290
Inventories, net	21,927	13,884	-		35,811
Prepaid expenses and other current assets	3,404	5,681	(379)	**B**	8,706
Total current assets	170,741	494,105	(2,279)		662,567
Property and equipment, net	24,538	18,172	-		42,710
Non-current inventories, net	-	11,119	-		11,119
Accounts receivable, net of current portion	-	8,681	-		8,681
Operating lease right-of-use asset, net	31,191	4,268	74	**C**	35,533
Other non-current assets	2,390	1,604	-		3,994
Intangible assets		16,700	(16,700)	**D**	-
Developed technology, net	4,200	-	5,800	**D**	10,000
Trade Name	-	-	2,800	**D**	2,800
Customer Relationships	-	-	2,500	**D**	2,500
Goodwill	106,225	10,399	(10,399)	**D**	106,225
Total assets	$ 339,285	$ 565,048	$ (18,204)		$ 886,129
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	$ 7,327	$ 11,458	$ -		$ 18,785
Accrued compensation and related benefits	10,423	9,363	(159)	**E**	19,627
Operating lease liabilities, current	3,980	1,970	(142)	**C**	5,808
Deferred revenue, current	$ 11,234	3,074	$ -		14,308
Deferred grant income, current	3,637	-	-		3,637
Other accrued liabilities	10,199	1,916	11,969	**F**	24,084
Term loan, current	5,000	-	-		5,000
Total current liabilities	51,800	27,781	11,668		91,249
Convertible notes, net	54,975	-	-		54,975
Term loan, non-current	4,615	-	-		4,615
Deferred tax liability	1,017	1,060	(1,060)	**G**	1,017
Operating lease liabilities, non-current	31,150	2,763	(249)	**C**	33,664
Deferred revenue, non-current	3,474	30,944	-		34,418
Deferred grant income, non-current	11,635	-	-		11,635
Warrant Liability		2,317	-		2,317
Other non-current liabilities	1,086	3,444	-		4,530
Total liabilities	159,752	68,309	10,359		238,420
Mezzanine equity:	311,253	-	-		311,253
Stockholders' equity (deficit):					
Preferred stock	-	-	-		-
Common stock	82	19	190	**E,H,I**	291
Additional paid-in capital	856,926	1,186,420	(745,017)	**E,H,I**	1,298,329
Accumulated other comprehensive loss	(1,949)	(14)	14	**I**	(1,949)
Accumulated deficit	(980,976)	(689,686)	716,250	**A-I**	(954,412)
Treasury stock at cost	(5,803)	-	-		(5,803)
Total stockholders' equity (deficit)	(131,720)	496,739	(28,563)		336,456
Total liabilities and stockholders' equity (deficit)	$ 339,285	$ 565,048	$ (18,204)		$ 886,129

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In thousands, except for share and per share amounts)

	Standard BioTools Inc (Historical)	SomaLogic Inc (Note 3)	Transaction Accounting Adjustments	Note 5	Pro Forma Combined
Revenue:					
Product revenue	$ 57,814	$ 7,513	$ -		$ 65,327
Service revenue	19,268	52,882	-		72,150
Development revenue	-	2,288	-		2,288
Other revenue	1,070	212	-		1,282
Total revenue	78,152	62,895	-		141,047
Cost of revenue					-
Cost of product revenue	33,276	3,773	3	**D,E**	37,052
Cost of service and other revenue	7,783	31,353	(48)	**D,E**	39,088
Total costs of revenue	41,059	35,126	(45)		76,140
Gross Profit	37,093	27,769	45		64,907
Operating expenses:					
Research and development	19,039	35,340	(2,633)	**E**	51,746
Selling, general and administrative	66,187	87,642	(6,836)	**D,E**	146,993
Restructuring and related charges	5,415	-	-		5,415
Transaction-related expenses	1,666	4,157	-		5,823
Total operating expenses	92,307	127,139	(9,469)		209,977
Income (loss) from operations	(55,214)	(99,370)	9,514		(145,070)
Interest expense	(3,469)	-	-		(3,469)
Change in fair value of warrant liability	-	1,896	-		1,896
Change in fair value of earn-out liability	-	15	-		15
Other income, net	4,417	16,810	-		21,227
Income (loss) before income taxes	(54,266)	(80,649)	9,514		(125,401)
Income tax benefit (expense)	(614)	(482)	-	**G**	(1,096)
Net (loss) income	$ (54,880)	$ (81,131)	$ 9,514		$ (126,497)
Net loss per share, basic and diluted	(0.69)	(0.43)	-		(0.44)
Shares used in computing net loss per share, basic and diluted	78,967	186,781	22,796	**K**	288,544

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In thousands, except for share and per share amounts)

	Standard BioTools Inc (Historical)	SomaLogic Inc (Note 3)	Transaction Accounting Adjustments	Note 5	Pro Forma Combined
Revenue:					
Product revenue	$ 72,454	$ 4,243	$		$ 76,697
Service revenue	23,712	63,038	-		86,750
Development revenue	818	3,051	-		3,869
Other revenue	964	27,334	-		28,298
Total revenue	97,948	97,666	-		195,614
Cost of revenue			-		-
Cost of product revenue	52,555	1,945	(6)	**D,E**	54,494
Cost of service and other revenue	8,342	41,419	(314)	**D,E**	49,447
Total costs of revenue	60,897	43,364	(320)		103,941
Gross Profit	37,051	54,302	320		91,673
Operating expenses:					
Research and development	38,498	73,444	(4,620)	**E**	107,322
Selling, general and administrative	114,758	156,619	(22,879)	**A,D,E**	248,498
Transaction-related expenses	-	-	11,969	**F**	11,969
Total operating expenses	153,256	230,063	(15,530)		367,789
Income (loss) from operations	(116,205)	(175,761)	15,850		(276,116)
Interest expense	(4,331)	-	-		(4,331)
Change in fair value of warrant liability	-	30,968	-		30,968
Change in fair value of earn-out liability	-	26,870	-		26,870
Loss on forward sale of Series B Preferred Stock	(60,081)	-	-		(60,081)
Loss on bridge loans	(13,719)	-	-		(13,719)
Surplus funding from NIH Contract	153	-	-		153
Gain on bargain purchase	-	-	40,427	**J**	40,427
Other income, net	1,255	8,049	-		9,304
Income (loss) before income taxes	(192,928)	(109,874)	56,277		(246,525)
Income tax benefit (expense)	2,830	717	-	**G**	3,547
Net (loss) income	$ (190,098)	$ (109,157)	$ 56,277		$ (242,978)
Net loss per share, basic and diluted	(2.43)	(0.59)	-		(0.84)
Shares used in computing net loss per share, basic and diluted	78,305	183,992	25,585	**K**	287,882

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

1. Description of Transaction

On October 4, 2023, Standard BioTools, SomaLogic and Merger Sub entered into the Merger Agreement. The Merger contemplated by the Merger Agreement was implemented through a merger of Merger Sub with and into SomaLogic, with SomaLogic becoming a wholly owned subsidiary of Standard BioTools. The Merger closed on the morning of January 5, 2024, prior to market opening.

At the Effective Time of the Merger, each share of SomaLogic Common Stock issued and outstanding immediately prior to the Effective Time of the Merger was cancelled and became the right to receive 1.11, fully paid and non-assessable shares of Standard BioTools Common Stock, and cash in lieu of fractional shares. The Merger Agreement also provided that at the Effective Time, each SomaLogic restricted stock unit (each, a “SomaLogic RSU”), other than those SomaLogic RSUs that accelerated or lapsed as a result of the Merger, was assumed by Standard BioTools, the number of which was adjusted in accordance with the Exchange Ratio, and in accordance with the terms of the Merger Agreement. In addition, each outstanding and unexercised option to acquire SomaLogic Common Stock granted under the SomaLogic equity plan (each, a “SomaLogic Stock Option”) became an option to acquire Standard BioTools Common Stock (each, a “Standard BioTools Stock Option”), with the number of shares and exercise price adjusted by the Exchange Ratio, in accordance with the terms of the Merger Agreement. Immediately following the Effective Time, SomaLogic shareholders and Standard BioTools shareholders own approximately 57% and 43%, respectively, of the Standard BioTools Common Stock, calculated based on a fully diluted basis.

The Merger is accounted for as an acquisition of a business pursuant to Accounting Standards Codification Topic 805 — *Business Combinations* (“ASC 805”). Based on the facts and considerations of the criteria in ASC 805, Standard BioTools is the accounting acquirer and will record assets acquired and liabilities assumed from SomaLogic at their respective fair values. As the estimated fair value of the assets acquired and liabilities assumed exceeds the purchase price, the transaction resulted in a bargain purchase gain. Standard BioTools is considered to be the accounting acquirer based on an evaluation of all the facts and circumstances, including but not limited to:

- Standard BioTools initiated the transaction negotiations as part of management’s strategic focus to achieve growth through mergers and acquisitions.
- Standard BioTools shares are issued to effect the Merger and will remain outstanding. The merged entity retained the Standard BioTools name.
- The composition of the combined company’s board of directors consists of seven total members. Pursuant to the Merger Agreement, three directors were appointed by Standard BioTools (one of which will be the designee of the holders of the Series B-2 Preferred Stock), three directors were appointed by SomaLogic and the holders of Series B-1 Preferred Stock appointed the seventh director based on its rights as a holder of the Series B-1 Preferred Stock. As such, Standard BioTools was determined for accounting purposes to have the right to appoint four of the seven total members of the board. All directors were appointed with term limits while two of the directors appointed by Standard BioTools are not subject to a term limit.
- The Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer of Standard BioTools will continue to serve in the respective roles in the combined company.

2. Basis of presentation

The unaudited pro forma condensed combined financial statements and related notes are prepared in accordance with Article 11 of Regulation S-X and present the historical financial information of Standard BioTools and SomaLogic and present the pro forma effects of the Merger and certain transaction accounting adjustments described herein. The historical financial information of Standard BioTools and SomaLogic have been prepared in accordance with U.S. GAAP.

The business combination is accounted for using the acquisition method of accounting as per the provisions of ASC 805, using the fair value concepts defined in ASC Topic 820, *Fair Value Measurement*, and based on the historical consolidated financial statements of Standard BioTools and the historical consolidated financial statements of SomaLogic. Under ASC 805, all assets acquired, and liabilities assumed in a business combination are recognized and measured at their estimated acquisition date fair value, while transaction costs and restructuring costs associated with the business combination are expensed as incurred. The excess of the estimated fair value of assets acquired and liabilities assumed over the purchase price is recorded as a bargain purchase gain.

The pro forma adjustments represent Management's best estimates and are based upon currently available information and certain assumptions that management believes are reasonable under the circumstances. The estimated fair values assigned in this unaudited pro forma condensed combined financial information are preliminary and represent Management's current best estimate of fair value and are subject to revision which may result in material adjustments through the end of the measurement period.

The unaudited condensed combined pro forma financial statements are not necessarily indicative of what the combined company's financial position or results of operations would have been had the Merger been completed on the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined Company.

There were no material transactions between Standard BioTools and SomaLogic during the periods presented in the unaudited pro forma condensed combined financial statements.

3. Reclassifications

Certain reclassifications were made to align SomaLogic's financial statement presentation with that of Standard BioTools based on information available to date.

SomaLogic Financial Statement Line	SomaLogic Historical Amount	Reclassifications	SomaLogic Historical Reclassified Amount	Standard BioTools Financial Statement Line
(in thousands)				
Balance Sheet as on September 30, 2023				
Investments	$ 148,239	$ -	$ 148,239	Short-term investment
Inventory	13,884	-	13,884	Inventories, net
Deferred costs of services	379	-	379	Prepaid expenses and other current assets
Other long-term assets	5,872	(4,268)	1,604	Other non-current assets
		4,268	4,268	Operating lease right-of-use asset, net
Total Assets	**168,374**	**-**	**168,374**	
Accrued Liabilities	(10,829)	9,363	(1,466)	Other accrued liabilities
		(9,363)	(9,363)	Accrued compensation and related benefits
Other current liabilities	(2,420)	1,970	(450)	Other accrued liabilities
		(1,970)	(1,970)	Operating lease liabilities, current
Deferred revenue	(3,074)	-	(3,074)	Deferred revenue, current
Deferred revenue, net of current portion	(30,944)	-	(30,944)	Deferred revenue, non-current
Other long-term liabilities	(7,267)	3,823	(3,444)	Other non-current liabilities
		(1,060)	(1,060)	Deferred tax liability
		(2,763)	(2,763)	Operating lease liabilities, non-current
Total Liabilities	**$ (54,534)**	**$ -**	**$ (54,534)**	
Income Statement for the nine months ended September 30, 2023				
Assay services revenue	$ 52,882	$ -	$ 52,882	Service revenue
Collaboration revenue	2,288	-	2,288	Development revenue
Cost of assay services revenue	(31,353)	-	(31,353)	Cost of service revenue
Transaction costs	(4,157)	-	(4,157)	Transaction-related expenses
Interest income and other, net	16,810	-	16,810	Other income, net
Income tax benefit (provision)	(482)	-	(482)	Income tax benefit (expense)
Net (loss) income	**$ 35,988**	**$ -**	**$ 35,988**	
Income Statement for the year ended December 31, 2022				
Assay services revenue	$ 63,038	$ -	$ 63,038	Service revenue
Collaboration revenue	3,051	-	3,051	Development revenue
Cost of assay services revenue	(41,419)	-	(41,419)	Cost of service revenue
Interest income and other, net	8,049	-	8,049	Other income, net
Income tax benefit (provision)	717	-	717	Income tax benefit (expense)
Net (loss) income	**$ 33,436**	**$ -**	**$ 33,436**	

4. Purchase price and preliminary allocation

Purchase price

As of the Effective Time, SomaLogic shareholders are entitled to receive approximately 209.6 million shares of Standard BioTools Common Stock. In addition, pursuant to the terms of the Merger Agreement, Standard BioTools substituted all outstanding and unexercised SomaLogic Stock Options and all outstanding SomaLogic RSUs with Standard BioTools Stock Options and RSUs with similar remaining vesting terms and adjusted exercise prices in connection with Exchange Ratio. Additionally, the SomaLogic ESPP Options were exercised immediately prior to the Merger, and are included in the SomaLogic Common Stock issued and outstanding as of January 5, 2024.

The accompanying unaudited pro forma condensed combined financial statements reflect a purchase price of approximately $441.5 million, determined as of January 5, 2024, which consists of the following (in thousands, except exchange ratio and share price):

Preliminary purchase price		
SomaLogic Common Stock issued and outstanding as of January 5, 2024		188,808
Fixed Exchange Ratio		1.11
Number of shares of Standard BioTools Common Stock issued		209,577
Standard BioTools Common Stock opening price at January 5, 2024	$	2.00
Preliminary purchase price paid for SomaLogic Common Stock (1)	$	419,154
Fair value of replacement Standard BioTools Stock Options attributable to the purchase price (2)	$	22,306
Total Preliminary Purchase Price	**$**	**441,460**
Fair value of net assets acquired		481,887
Bargain Purchase Gain		**(40,427)**

(1) SomaLogic shareholders are entitled to receive 209.6 million shares of Standard BioTools Common Stock. The aggregate fair value of those shares is $2.00 per share, which is based on the opening price on the closing date.

(2) Standard BioTools issued approximately 28.0 million Standard BioTools Stock Options as replacement awards to outstanding and unexercised holders of SomaLogic Stock Options. The aggregate fair value of those replacement awards of $35.5 million has been estimated using the Black Scholes option pricing model and $2.00 per share. Of that amount, $22.3 million was allocated to purchase consideration, based on the portion of the replacement awards' fair value attributable to pre- combination employee services, and $13.2 million was allocated to future employee services and will be expensed as stock-based compensation on a straight-line basis over the remaining service periods of those awards.

Preliminary purchase price allocation

For purposes of developing the unaudited pro forma condensed combined financial information as of September 30, 2023, acquired assets of SomaLogic, including identifiable intangible assets, and liabilities assumed, have been recorded at their estimated fair values. Standard BioTools has engaged a third-party valuation company to assist it in completing the valuation of certain assets to be acquired and liabilities to be assumed. The pro forma adjustments are based on preliminary estimates of the fair values of assets acquired and liabilities assumed and information currently available. Detailed valuations and assessments, including valuations of intangible and tangible assets and liabilities assumed, as well as the assessment of the tax positions and rates of the combined business, are in process and may not be completed until the end of the measurement period (up to one year from the Merger closing date). The estimated fair values assigned in this unaudited pro forma condensed combined financial information are preliminary and represent management's current best estimate of fair value and are subject to revision, which may result in material adjustments through the end of the measurement period.

The following table sets forth a preliminary allocation of the estimated purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed of SomaLogic based on SomaLogic's unaudited interim consolidated balance sheet as of September 30, 2023, with the excess of the fair value of net assets acquired over the purchase price recorded as a bargain purchase gain (in thousands):

Total current assets	$	493,726
Property and equipment, net		18,172
Non-current Inventory		11,119
Accounts receivable, net of current portion		8,681
Operating lease right-of-use asset, net		4,342
Other non-current assets		1,604
Trade Name		2,800
Developed Technology		5,800
Customer Relationships		2,500
Total assets acquired	$	548,744
Total current liabilities		27,638
Operating lease liabilities, non-current		2,514
Deferred revenue, non-current		30,944
Other non-current liabilities		5,761
Total liabilities assumed		66,857
Net Assets Acquired	**$**	**481,887**
Total preliminary estimated purchase price		441,460
Gain on bargain purchase	**$**	**(40,427)**

The preliminary purchase price allocation resulted in a bargain purchase gain because the value of the purchase price is primarily driven by the price of Standard BioTools Common Stock and is highly sensitive to changes in the stock price. The price of a share of Standard BioTools Common Stock fell from a closing price of $2.70 on October 3, 2023, the day before the Merger was announced, compared to the share price of $2.00 as of the opening of market on January 5, 2024. The bargain purchase gain is recognized on a separate line item within the unaudited pro forma condensed combined statement of operations.

5. Transaction accounting adjustments

The adjustments included in the unaudited preliminary pro forma condensed combined financial statements are as follows:

A. Represents an adjustment to reflect $1.9 million in cash transaction bonuses paid upon closing of the Merger by Standard BioTools to SomaLogic executives newly appointed as executives of Standard BioTools.

B. Represents an adjustment to remove the deferred cost of services of $0.4 million, as unamortized fulfilment costs of an acquiree do not meet the definition of an asset to the acquirer.

C. Represents an adjustment to the right-of-use assets and lease liabilities for real estate leases acquired as part of the Merger. Standard BioTools calculated the lease liability based on the remaining lease payments and Standard BioTool's incremental borrowing rate as of September 30, 2023. This resulted in a decrease to the current lease liability of $0.1 million, presented in operating lease liabilities, current, and a decrease to the noncurrent lease liability of $0.2 million, presented in operating lease liabilities, non-current. The right-of-use asset is calculated based on the lease liability, as there were no lease incentives or tenant improvement allowances to be received post-close. This resulted in an increase to operating lease right-of-use asset, net of $0.1 million.

D. Represents an adjustment to eliminate SomaLogic's historical intangible assets of $16.7 million and historical goodwill of $10.4 million. This adjustment also establishes the estimated fair values of the acquired identifiable intangible assets consisting of trade name, developed technology and customer relationships at a total estimated fair value of $11.1 million, which, as noted above, is preliminary and subject to change through the end of the measurement period.

The fair value of the intangible assets has been estimated based on third-party preliminary studies utilizing income and market-based methodologies and corroborated with publicly available market benchmarks.

Estimated useful lives (where relevant for the purposes of the unaudited pro forma condensed combined financial information) are based on the time periods during which the intangibles are expected to result in substantial incremental cash flows. The following table summarizes the estimated fair values of SomaLogic's identifiable intangible assets, their estimated useful lives and the impact to amortization reflected in the condensed combined statements of operations (in thousands, except for useful lives):

			Pro Forma Amortization Expense	
	Fair Value	**Estimated Useful Life (in years)**	**Year Ended December 31, 2022**	**Nine Months Ended September 30, 2023**
Trade name	$ 2,800	8	$ 350	$ 263
Developed technology	5,800	11	528	395
Customer relationships	2,500	13	192	144
Total	**$ 11,100**		**$ 1,070**	**$ 802**

The amortization expense related to developed technology is presented in cost of products and cost of services proportionately with SomaLogic's historic product and service revenue, respectively, and the amortization expense related to customer relationships and trade name is presented in selling, general and administrative expenses. The following table summarizes the total amortization expense presented in the condensed combined statement of operations (in thousands):

	Pro Forma Amortization Expense	
	Year Ended December 31, 2022	**Nine Months Ended September 30, 2023**
Cost of product revenue	$ 33	$ 49
Cost of service revenue	495	346
Selling, general and administrative	542	407
Total	**$ 1,070**	**$ 802**

E. Represents $22.3 million of consideration transferred related to the pre-combination employee services for the replacement stock options granted to SomaLogic employees by Standard BioTools. This adjustment also represents the elimination of the existing SomaLogic liability related to the ESPP Options of $0.2 million, which was settled immediately prior to the Merger.

Also, represents the adjustment to eliminate SomaLogic's historical stock-based compensation expense and record the incremental stock-based compensation expense related to the post-combination expense for the replacement Standard BioTools Stock Options and RSUs. The total pro forma stock-based compensation expense includes SomaLogic Common Stock subject to vesting conditions issued to Palamedrix founder employees, and the value of milestone consideration replacement awards of Palamedrix non-founder and founder employees, per SomaLogic's acquisition of Palamedrix in 2022. This adjustment also includes the stock-based compensation expense from new Performance Units (each, a "PSU") and Stock Options which will be issued to new executives upon the close of the Merger. The incremental expense is allocated to each financial statement line item as follows (in thousands):

Year Ended December 31, 2022

	Removal of historical SomaLogic expense	Post-combination stock options expense	Post-combination RSU expense	Palamedrix Founder expense	New Executive PSU expense	Total Adjustment	Total Pro Forma Expense
Cost of product revenue	$ (53)	$ 9	$ 5	$ -	$ -	$ (40)	$ 13
Cost of service revenue	(1,080)	176	97	-	-	(808)	272
Research and development	(8,186)	1,107	610	1,848	-	(4,620)	3,566
Selling, general and administrative	(34,290)	5,581	3,073	-	315	(25,322)	8,968
Total stock-based compensation expense	**$ (43,609)**	**$ 6,873**	**$ 3,785**	**$ 1,848**	**$ 315**	**$ (30,790)**	**12,819**

Nine Months Ended September 30, 2023

	Removal of historical SomaLogic expense	Post-combination stock options expense	Post-combination RSU expense	Palamedrix Founder expense	New Executive (PSU expense	Total Adjustment	Total Pro Forma Expense
Cost of product revenue	$ (67)	$ 13	$ 6	$ -	$ -	$ (47)	$ 20
Cost of service revenue	(556)	108	52	-	-	(395)	161
Research and development	(4,569)	694	334	908	-	(2,633)	1,936
Selling, general and administrative	(10,302)	2,010	964	-	86	(7,243)	3,059
Total stock-based compensation expense	**$ (15,494)**	**$ 2,825**	**$ 1,356**	**$ 908**	**$ 86**	**$ (10,318)**	**$ 5,176**

F. Represents an adjustment to reflect an accrual of additional $12.0 million in transaction costs incurred by Standard BioTools from October 1, 2023 that are not reflected in the historical financial statements. Additionally, $5.8 million of transaction costs have been incurred as of September 30, 2023 and are included in the historical balance sheets and statements of operations of Standard BioTools and SomaLogic for the nine months ended September 30, 2023.

G. Represents an adjustment to deferred tax liabilities for the tax effects of recognizing the preliminary purchase price allocation reflected herein (calculated at an estimated federal and state blended statutory rate of 24.34%). This resulted in an adjustment to deferred tax liabilities of $1.1 million as of September 30, 2023. These adjustments are based on estimates of the fair value of SomaLogic's assets to be acquired, liabilities to be assumed, and the related purchase price allocations. These estimates are subject to further review by Standard BioTools' and SomaLogic's respective managements, which may result in material adjustments to deferred taxes with an offsetting adjustment to the bargain purchase gain.

The unaudited pro forma condensed combined financial information does not reflect any adjustments for the income tax effect of the transaction accounting adjustments described above, as both companies continue to experience losses, are in historical cumulative loss positions and have established valuation allowances offsetting net deferred tax assets. The income tax effects of the pro forma adjustments would be fully offset by corresponding adjustments to the valuation allowances, resulting in no net effect on the pro forma condensed combined statements of operations.

The effective tax rate of the combined company could be significantly different than what is presented in these unaudited pro forma financial statements depending on post-business combination activities, including legal entity restructuring, repatriation decisions, and the geographical mix of taxable income.

H. Represents the portion of the purchase price related to the issuance of 209.6 million shares of Standard BioTools Common Stock to SomaLogic shareholders, worth $419.2 million. The fair value of the Standard BioTools Common Stock was based on the opening price on January 5, 2024 of $2.00 per share

I. Represents an adjustment to eliminate SomaLogic's historical equity.

J. Represents the excess of the estimated fair value of the net assets acquired over the purchase price as a gain on bargain purchase of $40.4 million for the year ended December 31, 2022.

K. Represents an adjustment to the weighted average shares outstanding due to the increase of the number of shares outstanding in relation to the transaction. The detail of the adjustment to the weighted average shares outstanding is as follows:

	Nine Months ended September 30, 2023	Year ended December 31, 2022
Number of Standard BioTools Common Stock issued as preliminary purchase price	209,577	209,577
Elimination of SomaLogic' s historical shares used in computing net loss per share, basic and diluted	(186,781)	(183,992)
Total proforma adjustment to shares used in computing net loss per share, basic and diluted	**22,796**	**25,585**

6. Pro Forma Loss Per Share

The pro forma combined basic and diluted earnings per share have been adjusted to reflect the pro forma net loss for the year ended December 31, 2022, and the nine months ended September 30, 2023. In addition, the number of shares used in calculating the pro forma combined basic and diluted net loss per share has been adjusted to reflect the total number of shares of common stock of the combined company that is outstanding as of the closing date (see Note 5 adjustment K). For the year ended December 31, 2022 and the nine months ended September 30, 2023, the pro forma weighted average shares outstanding and proforma net loss per share has been calculated as follows:

(In thousands, except per share data)	Nine Months ended September 30, 2023	Year ended December 31, 2022
Pro forma net loss	$ (126,497)	$ (242,978)
Total weighted average shares outstanding	288,545	287,882
Pro forma basic net loss per share - basic and diluted* **	**(0.44)**	**(0.84)**

*** The following potentially dilutive common shares were excluded from the computations of diluted net loss per share for the periods presented because including them would have been anti-dilutive:

	Nine Months ended September 30, 2023	Year ended December 31, 2022
Replacement Stock Options and RSUs issued as part of the Merger	30,901	30,901
New stock options and PSUs issued for executives as part of the Merger	400	400
Replacement awards for the Palamedrix founders issued as part of the Merger	588	588
Standard BioTools' Stock options, RSUs, and performance stock awards	16,872	15,455
Standard BioTools' Series B Preferred Stock	75,164	75,164
Standard BioTools' 2019 Convertible Notes	18,966	18,966
Standard BioTools' 2019 Convertible Notes potential make-whole shares	2,181	4,741
Standard BioTools' 2014 Convertible Notes	10	10
SomaLogic Public warrants and private placement warrants	10,533	10,533
Total anti-dilutive shares	**155,615**	**156,758**